



Opening a new chapter from closed books



Are closed life insurance books preventing you from creating business value?

As the world becomes more digital, customers' expectations in every industry continue to rise. Consumers want businesses to be available 24/7, provide a seamless experience across multiple channels, and deliver unique offerings.

However, life insurers face an added challenge in meeting these expectations: the time and money they spend maintaining closed book policies, which are costly to manage, measured in decades, lasting longer as customers' life expectancy increases, and draw resources away from growth.

| The insurer's vision



The agility of a start-up to serve new customers



Financial stability sustained over decades of business

| The insurer's reality



The complexity of keeping updated with stringent regulatory requirements



The ongoing fixed costs of maintaining systems that don't reduce in line with the reduction in policy count



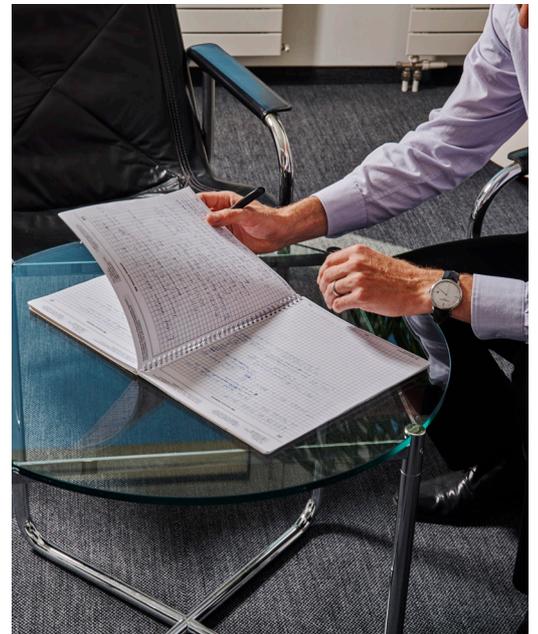
Expensive and slow integration testing across legacy systems, hampering innovation and new products

| What is a closed book policy?

Closed book policies are policies that are no longer sold by an insurer, but still have premium-paying customers. The insurer needs to keep servicing these policies until the last contract in the book is no longer active, which can take several decades.

| Why do I need to act?

Closed books don't have to be bad news. They provide financial stability across decades of business. But to stay ahead of the competition and customer expectations, it's not enough to keep closed and active books together. Doing nothing continues to stockpile cost, complexity and technical debt.



| Consolidation has created extra baggage

Life insurers spend substantial time and effort modernising critical transactional systems to continue servicing closed books. This spend has only accelerated following deregulation in the mid-1980s.

Since then, the life insurance market has gone through active consolidation. As a result, closed books of business have also been consolidated multiple times – adding to the complexity of managing legacy processes and the cost of operations.

Today, insurers are looking for a more innovative way to give new customers the benefits of innovation, market trends and ecosystem evolution while servicing closed book policies in line with market regulation and client demands.

35%

of life insurance premiums in Germany come from closed books

Source: McKinsey 2021

3 ways to manage closed books: which one is best?

Life insurers have a unique opportunity to overhaul this reality for their customers, employees and shareholders by reviewing their closed books.

1

Sell the closed book

- + Quickly provides a one-off injection of capital
- Requires resources to find the right company, negotiate and offload the closed book
- Gives up the customer relationship for future opportunities

2

Retain the closed book

- + Become best-in-class for closed book operations
- + Retain extra funds in reserve to cover proof of sustainability
- Requires high investment over a long period to modernise and maintain legacy systems and processes
- Demands ongoing focus from senior management

3

Outsource closed book operations to a credible partner

- + Reduce cost of ownership and enable economies of scale
- + Opportunity to release capital (subject to regulatory environment and assessment)
- + Retain customer data and visibility
- + Focus on business growth

22% lower operational costs and 41% technology savings from managing closed books more effectively in mature markets

Source: McKinsey 2021

Talk to us about tailoring your path

There's no one-size-fits-all approach to creating value from the closed book of business. IBM has partnered with leading insurers across the US and Europe – where closed book outsourcing is becoming more common – on solutions tailored to each business' strategy and growth plans.

Backed by deep insights, valuable experience, and the lessons we've learned, our team of global and local experts can help review your closed book policies and turn your focus to growth.

To find out more and start planning your pathway, get in touch.

Book a chat with our experts

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