

A Case Study of the de-merger of a business portfolio undertaken on behalf of a Life and Pensions business in the UK

Introduction

The Client was one of the biggest Insurance companies in the UK, who had inherited a large and unprofitable insurance portfolio following a business acquisition some years before.

Strategically, a decision had been made to separate the entire portfolio into two, facilitating the potential sale of a “closed” book (i.e. the portfolio that the company was no longer interested in maintaining) and an “open” book which contained the transactions and products that the company wanted to retain and maximise as part of its ongoing strategy into the future. The open book contained various insurance products as well as a sizeable pension portfolio which the company wanted to exploit as part of that strategy.

Background

At the time of retaining PBA personnel, the Client had not made the decision to sell the closed portfolio, but in setting up a structure involving two portfolios within one organisation a number of challenges existed:

- How to maintain the presence of a single company internally and externally whilst actually managing and running two portfolios
- How to retain staff working within the closed portfolio
- How to retain customers and maximise the customer base associated with the closed portfolio after stopping marketing of these products
- How to retain the overall value in the closed portfolio (which was essential if the portfolio was to be sold)

The Client decided strategically, that one way of dealing with these issues, as well as positioning themselves well for processing and management control, would be to set up a centralised shared service function, into which they would include all centralised functions. The decision was made to include HR, Finance, IT and the various logistical departments including Facilities Management into a separate shared service function.

PBA's Role

We led the engagement, providing management support and programme management services which resulted initially in identification of three businesses. We created the implementation plan to deliver the independent business units, and led the management of the internal and external communications

effort to ensure that all stakeholders understood the context, content and direction of the change programme.

PBA's approach.

In order to ensure success, it was necessary to adopt an expansive approach, which included the:

- Review and redesign of the organisation structures (including governance structures)
- Reengineering of key business functions
- Reengineering of systems and IT platforms used
- Reengineering of processes and work activities undertaken
- Revamp of major roles and responsibilities
- Redevelopment of requisite skills, knowledge and competencies of the staff
- Redesign of customer and distributor experience
- Review and baselining of existing project activity
- Re-profiling staff salary and service profile
- Redesign communications and engagement mechanisms
- Outsourcing of non-core functions
- Review the executive team's capabilities and made relevant recommendations to improve
- Repositioned company as a thought leader in its field

It was important to ensure that any investment went in the correct direction, as an underlying requirement was to retain the value in the closed book, but it was also important to ensure that investment in the initiative was proportionately applied.

The initiative, when completed, would enable the split of the company into three separate strategic business units one of which would cultivate a marketing proposition and be allowed to develop the ongoing strategy for the business and a second which would possibly be positioned for sale. The third business unit, Shared Services, included the core business processes to support the other two business units.

Whilst undertaking this programme, we undertook some specific activities, which included the:

- Undertook a Feasibility Study to review the feasibility of the initiative, including assessing whether the regulatory impact of setting up a closed portfolio, and assessing all other business

and pricing risks that might apply to the closed portfolio in the future. The Feasibility Study also assessed likely cost implications

- Collated information in respect of both live projects within the Client organisation and those which were envisaged, to assess there was any likely impact on any possible change programme
- Collation, review and analysis of business related data to inform scope of work
- Determination of the 'As-is' business model and approach to migration to the 'To-be' competency model
- Undertaking a stakeholder assessment and design of an engagement methodology to ensure continued support of the stakeholder group
- Re-designation of the companies communications media and content
- Undertaking of a detailed audit of the IT and related services in order to develop a routemap to enhanced effectiveness within the new model
- Provision of leadership to the project team to ensure adequate resourcing and effectiveness
- Acting as the critical point of reference between project team and the executive team
- Acting as the official spokesperson of the project team
- Provision of relevant business advice to the CEO

The Outcome

The outcome was that the Client became an organisation comprising one revenue producing Business Unit, one closed book business unit both of which were supported by a centralised Shared Services Function.

The new structure enabled management to concentrate on managing their individual business units with clear strategic goals agreed in place for each. It facilitated specific management attention to the unique risks of running a closed book, at the same time as managing a proactive and revenue generative open book, which also ran normal day to day business risks. A clear management framework was implemented for each business unit, to ensure effective management of the very different issues that the business units faced in undertaking their roles.

The Shared Service Business Unit was created with clear and concise performance requirements created to ensure a service level structure that met the specification of the other Business Units.

A relevant performance management framework was also implemented, which enabled the alignment of staff and management alike to the defined strategic business goals.

PBA's Contribution

PBA remained committed to the Programme throughout, and contributed significant experience, knowledge and expertise to the Client both in Programme Management expertise as well as in multi-stakeholder issue management and support for the Senior Management throughout the implementation.

By adopting a collaborative and communicative approach, the PBA team was able to build a strong working relationship with the Client team, and as a result provided significant value in forming the Implementation Plan as well as clearly defined revised Business and Technology processes. PBA also contributed significantly to all aspects of the communication plan, and to delivery and implementation of that plan throughout what was essentially a complex Transformation Programme.

In particular, PBA provided the Client with critical and significant guidance in management of the Shared Service development.

Client Benefits

The benefits to The Client were numerous:

- The Client was positioned to manage each Business Unit as a separate business in its own right
- The Client was able to grow the open book in the way it wanted, whilst managing the unique issues associated with running a separate closed portfolio
- Setting up a shared service function in the way described allowed the company to understand and manage costs in a much more efficient manner than had been possible previously
- Shared service costs were able to be aligned to each other Business Unit in a fair and concise manner, such that the Business Unit were charged for the service they used and to the proportion of usage.
- Proper service level agreements were applied to the Shared Service Business Unit, such that both Units were assured of the service required.