

Insurance Advisory Services For Private Equity (PE) Firms

Global Insurance Services

The insurance industry is operating in an environment extraordinary in its complexity and volatility. Optimizing insurance risk management for PE firms and their portfolio companies requires market knowledge and strategic insights into claims management, broker relations, and retention alternatives. At the same time, this environment provides investment opportunities for those PE firms with access to insurance expertise.

The FTI Consulting Advantage

Our practice is recognized as a leading, independent consultancy dedicated to serving the critical needs of stakeholders of the insurance industry worldwide. Our professionals are distinguished by their depth of insurance expertise and experience, combined with their ability to manage projects collaboratively with clients. In addition, we are able to quickly identify issues and opportunities and to present options to senior management for speedy and effective decision-making.

Our Services

Our key advisory services for PE firms are delivered under five main categories: Portfolio Risk Management Services; Reqs & Warranties Insurance Advisory; Transaction Advisory; Transformation & Performance; and Governance, Risk & Controls.

Portfolio Risk Management Services

We can serve as the outsourced risk manager to assist in selecting and corresponding with brokers; manage incident and claims reporting, including carrier notification; manage purchasing and renewal of the insurance programs (whether master policies or individual policies at the portfolio company level); and analyze historical experience and recommend changes to the program.

Risk Retention Advisory

We provide advice regarding alternative methods for risk transfer – whether primary or reinsurance – using traditional carriers, self-funding through a captive, or a self-insured retention plan. We can also assist with structuring self-insured retention plans

Broker Relations

We have a deep understanding of the insurance distribution system, including large international, national and regional brokers, MGAs, large agency networks, and specialty writers.

Insurance Program Advisory

We rely on data-driven insights into historical performance of programs, combined with an assessment of future needs, to determine program performance and any updates needed, including existing policy updates or new policies.

Claims Consulting

We are experts at managing complex claims, including incident and claim reporting; carrier notification; damage and liability assessment; and claims processing performance improvement.



REPRESENTATIVE ENGAGEMENTS

Forecasting Future Commissions

A PE firm investing in insurance intermediaries by providing medium-term capital hired FTI to develop a model to calculate the present value of expected future commissions, which served as the basis for determining a monthly maximum borrowing base. FTI's work led to a transparent, streamlined monthly reporting process that gives the PE firm timely borrowing base calculations reflecting updated in-force business and explaining month-on-month changes. In addition, the flexibility of FTI's model design allowed FTI to calculate commission cash flows for several lines of business, which enabled the PE firm to expand its borrowing base to include additional lines of business placed by its insurance intermediary investments.

Risk Management Optimization and Broker Review

Our professionals provided guidance to a PE firm as to the appropriate type and amount of insurance to be purchased for one of its holdings. We explored alternative insurance structures and other risk mitigation initiatives and assessed potential improvements to existing internal processes. We also assisted our client in selecting, evaluating and retaining a broker.

Fully Outsourced Internal Audit for Portfolio Company

A PE firm with a controlling investment in a \$300 million broker of life, health, and annuity products was looking to enhance enterprise value by strengthening the organization's governance, risk and internal controls. The firm hired FTI as the company's internal audit function on a fully outsourced basis. FTI designed and executed a three-year internal audit program focused on critical financial, operational, technology, and information security risks. FTI issued over 20 reports to executive management and the Board that identified key risk issues and remedial actions to enhance internal control and improve operations. The presence of a credible, value-added internal audit function proved to be an asset when the PE firm looked to exit the investment. The firm later engaged FTI in a similar role across several other portfolio companies.

Self-Funding Healthcare

Our experts work with you to ensure your health plan objectives are met, from determining an appropriate benefit strategy to developing plans that are attractive to your employees, to managing the costs and risk exposure.

Reps & Warranties Insurance (RWI)

FTI Consulting combines professionals from its Global Insurance Services and Dispute Advisory Services to provide PE firms and other insureds with expertise in RWI risks and coverage theories. Our CPAs, industry experts and valuation professionals can guide insureds through the RWI claims process, including the initial assessment of potential breaches, loss valuation, and correspondence with the insurance carrier.

Transaction Advisory

We have a strong history of assisting in M&A transactions of various size and complexity. Our services span the full M&A lifecycle, focused on the services listed below for PE firms.

Pre-Transaction

- Financial due diligence
- Operational due diligence
- Tax due diligence
- Valuation of potential investments

Transaction Execution

- Communications strategy
- Regulatory considerations

Post-Transaction Support

- Integration
- Interim management
- Cash & working capital
- Post-acquisition disputes



Transformation & Performance

Our operational and transformation services cover PE holdings – insurer/reinsurer, MGA, brokers, and independent agency rollups and networks. We focus on reducing expense and improving performance by upgrading information systems; integrating broker/agency computer management systems; aligning carrier and broker/agency objectives; and improving processes such as administrative, operational, financial, sales and customer service.

In addition, we provide advise on how to leverage AI and digital strategies for improving the customer interface and enhancing the back-end underwriting and claims processes.

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Our strategic objective is to create an agile platform for efficiency; productivity; enhanced user experience; sustainable performance improvement and reduced expense; new revenue streams; and profitable growth.

Governance, Risk, & Controls

High-performing companies have strong governance, risk, and internal control structures. Our experts help PE firms create value in these areas through our services as the “third line of defense”: the internal audit function. Our experts can evaluate the effectiveness of a portfolio company’s existing internal audit function, assist it with specific audit projects, or establish an internal audit function if one does not exist. We design and execute risk-based internal audit programs that provide the Board with assurance that critical operational, regulatory, technology, and information security risks are being addressed and assist in implementation of internal control frameworks that support Sarbanes-Oxley compliance. In addition, we assist the Board and company management with special projects that leverage FTI’s depth in data analytics, cybersecurity, regulatory compliance, and forensic analysis.

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