

# BEST'S REVIEW

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# BREAKING OUT

Amalgamated Life Insurance Co. is moving beyond its New York domicile to all 50 states with new products, services and an updated customer interface.

by Ron Panko

## Key Points

- ▶ **The News:** Amalgamated Life retains its focus on insurance for labor union members as it expands into third-party claims management, medical case management.
- ▶ **The Situation:** The company is making better use of its assets to achieve growth outside its union labor niche.
- ▶ **The Big Picture:** Underwriting and assets are still managed conservatively, however, and growth is organic.

**GROWTH ARCHITECT:** David Walsh arrived at Amalgamated Life in January 2008 as an experienced executive who could grow the company. Walsh came from SBLI USA and had earlier served as insurance director in Alaska. An early accomplishment was relocating corporate headquarters from New York City to White Plains, N.Y.

Photo by Kim Biorheim for Best's Review

**I**nvigorated over the past five years by new management, Amalgamated Life Insurance Co. has developed capabilities for its move beyond selling life insurance to labor union members in New York.

The company has historically marketed primarily group term life insurance in the New York-domiciled Taft-Hartley labor union market, where it enjoys a competitive advantage due to its familiarity with this market over the past 70 years as well as its ownership by a national pension fund. When Ronald Minikes retired at the end of 2007 after 11 years as president and chief executive officer and 33 years with the company, board members sought to replace him with someone they believed could help the company grow and expand.

As a result, they hired David Walsh in January 2008, who has added products and expanded the company's geographic reach to all 50 states. Previously, it had been doing business in about half the states. Walsh came from SBLI USA Mutual Life Insurance Co. where he expanded its authority to do business from 10 products in two states to 20 products approved in 49 states.

Amalgamated Life's net premium revenue has increased each year over the past five years due primarily to direct group life sales in 2007, 2008 and 2011, and direct medical stop-loss sales in 2008-2011, according to the A.M. Best Credit Report. "Direct group life premium revenue, after decreasing in 2009 and 2010 due to the recessionary economy and the loss of a major customer, increased in 2011 from the marketing of a new policy, licensure in all 50 states and enhanced coordination between sales and underwriting."

Amalgamated's parent company and common stock shareholder is the National Retirement Fund, a \$2 billion Taft-Hartley retirement fund that represents a multitude of industries, including hotels, restaurants, the old needle trades, and a lot of distribution companies.

"That provides us with a core of business opportunity that is broad,

deep and nationwide," Walsh said. "The fund and the shareholders are interested in three things: strong financials, which we've been able to maintain; excellent service, which we provide; and a philosophy that looks at the long term rather than the short-term returns."

Significantly better customer service metrics came in part after \$13 million was spent to update the phone and computer systems. Now, less than one tenth of 1% of outstanding medical claims are 30 days old and 95% are resolved during the first telephone call, Walsh said.

The company also moved from an outdated Greenwich Village building to a renovated corporate complex in White Plains, N.Y., that was available at a recession-reduced price and move-in condition. The building houses 425 employees, more than 450 computers and there is plenty of room to grow.

Amalgamated traces its roots back to 1943. It was founded by Sidney Hillman and leaders of the men's tailored clothing industry in Greenwich Village. Hillman had been imprisoned by the Russian czar for revolutionary activities, had fled the country and landed a job at the Hart Shaffner Marx factory in Chicago. There, he organized the Amalgamated Clothing Workers of America, which in 10 years became one of the biggest and strongest unions in the country.

"Hillman wanted to provide services for his members, who were almost exclusively women, Jewish and Italian immigrants who didn't speak much English," said Walsh. "So every time a merchant wouldn't deal with his people, Hillman would open a business." There were many such businesses, including cobblers, cleaners and a bank in the 1920s, Walsh said. "And he didn't really care about making a profit; he cared about a culture of service, and we're the heir of that."

### **Focus on Capital Preservation**

Amalgamated Life mostly stuck to its roots over time and enjoyed consistent success as a conservatively managed midsize carrier. Throughout

the five-year overhaul, the company's successful financial strategy remained consistent. Paul Mallen, executive vice president and chief financial officer, said the company won't increase sales at a cost to profit and is constantly looking to cut operating costs in line with revenue. "We also have very disciplined underwriting standards, which we are constantly analyzing, reviewing metrics and results, and making adjustments as needed."

With respect to the low interest rate environment, Mallen said the company's goal is to maintain a conservative investment portfolio. "We don't write interest-rate sensitive products, and as such, we have a short duration portfolio that is well matched to our liabilities. Clearly, we would like more investment income, but we're a smaller company, and capital preservation is important to us. We have a very strong risk-adjusted capital ratio, and that's important. So in terms of earning more investment income and getting more yield, we've really just made some tweaks around the edges of our investment policy."

According to the A.M. Best Credit Report for Amalgamated Life, net yields fell from 4.39% in 2009 to 3.36% in 2011, and total returns dropped from 4.17% to 3.19%. Mallen said those figures are on a statutory basis and that the company has significant unrealized gains. "And if you put those back in, we're very pleased with what the portfolio has done for us over the last few years," said Walsh. "We haven't had high peaks, but we've had very shallow valleys, and that's really the point of the long view."

Based on the preliminary figures for the first nine months of 2012, the company is continuing its annual increase in net premium revenue. Mallen said the steady growth was due to geographic expansion into all states, more products and an expanded sales force. "And we have a very loyal customer base," he said. "We are able to maintain strong persistency rates when policies come up for renewal."

Strong persistency also has to do with the way Amalgamated Life





## The steady growth in net premium revenue in 2012 was due to geographic expansion into all states, more products and an expanded sales force.

—Paul Mallen,  
Amalgamated Life Insurance Co.

writes group life insurance. Unlike most insurers, which base coverage on a multiple of each employee's salary, Amalgamated provides a fixed benefit per life in the group. "When times are good, multiple of salary can be extremely profitable, but when the

economy turns down, it can be problematic," said Walsh.

### Affiliates Work Together

Walsh's executive team has also worked to leverage synergies among the six companies in the Amalgamated

family, which generate more than \$900 million in premium equivalents. Three are the life company, which writes group life, accident, disability and stop-loss; a third-party administrator (AliCare), which provides claim processing; and a medical management firm (AliCare Medical Management), which provides patient-centric programs to promote optimal medical outcomes. "Those three allow us to be in the health care insurance business against larger competitors, the major carriers," said John Thornton, executive vice president of sales and marketing. Amalgamated has an arrangement with the Blue Cross/Blue Shield network in which the life company provides the stop-loss insurance, AliCare processes claims and AliCare Medical Management coordinates customized patient care.

The other three are AliComp for computer outsourcing, which services many TPA clients; Amalgamated Agency, which provides property and casualty brokerage; and AliGraphics, a printing company that can quickly produce summary plan descriptions, which all plans need. These three provide services to existing clients and an entrée to prospective clients, Thornton said. "So although the six companies are independent, we have put them under the banner of a family of companies and have rebranded ourselves as the Amalgamated Family of Companies."

Walsh said that the companies "were very siloed operations, and John [Thornton] and his team really dug into the best way to balance and maintain the independence of each from a bottom-line point of view, because they all have to make money. We don't use any of them as loss leaders, but present them as a unified family of companies to show a much broader range of services we can provide."

Despite expansion in products and geography, about four-fifths of Amalgamated's direct premium revenue is derived from New York, where a majority of union-sponsored multi-employer plans covering national collective bargaining agreements are domiciled, according to the A.M. Best

## Amalgamated Life Insurance Co.

**Founded:** 1943

**Parent:** National Retirement Fund

**Headquarters:** White Plains, N.Y.

**Licensed in:** 50 states and D.C.

**Employees at headquarters:** about 425

**Employees, total:** about 570

### Amalgamated Family of Companies:

Amalgamated Life, Amalgamated Agency, AliCare, AliCare Medical Management, AliComp, AliGraphics

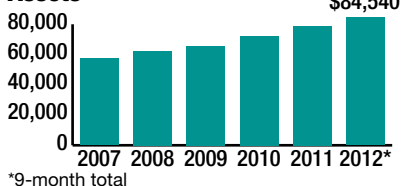
Sources: A.M. Best Credit Report; Amalgamated Life



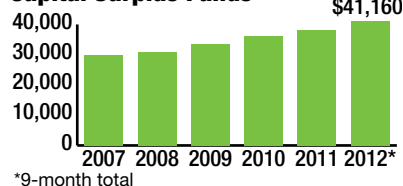
## Key Financial Indicators (\$000)

Total Capital

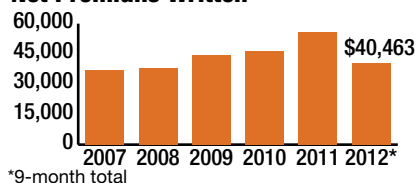
### Assets



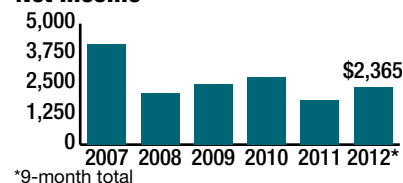
### Capital Surplus Funds



### Net Premiums Written

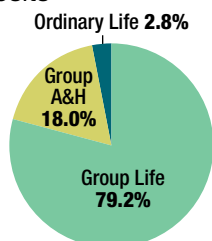


### Net Income



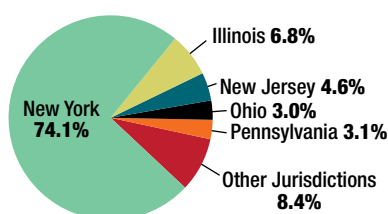
### 2011 Top Lines of Business (%)

Based on Net Premiums Written & Deposits



### 2011 Top States of Business (%)

Based on Direct Premiums Written



Source: BESTLINK



Credit Report. However, Thornton said the sales force is growing across the country, and it now markets products in New England, the South, the West Coast and the Midwest, and product approvals are increasing. "Five years ago, it was almost 100% of our premium," said Walsh. "Five years from now, it will be much less than 80%. And it's not that our New York business premium is going down. It's that our nationally focused business has gone up faster."

### Product Development

Since Thornton joined the company in mid-2008, his team has greatly expanded the product portfolio. "We were essentially a life, accident and disability carrier, and we've gotten into the stop-loss business," he said. "We've expanded our voluntary product line, not only through our own products, but through associations with other carriers." Those new products include a dental plan with the Guardian Life Insurance Company of America, a legal plan with Legal Access, a work site vision plan through NGL and the Avesis network, and an individual whole life policy with Boston Mutual Life Insurance Co.

Thornton said the reason for contracting with those companies is because they have distribution



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Amalgamated Life Insurance Co.

networks that Amalgamated did not want to develop on its own. However, Amalgamated has developed on its own a work site accidental death and dismemberment policy and a work site disability policy. This year, it intends to roll out a critical illness and accident policy.

The whole life insurance sold to individuals at the work site "is very good for us and Boston Mutual," he said. Many of the enrollments for whole life are face to face because it has to be explained to prospects. Said Walsh: "It's really a throw-back to a former era, when my folks bought whole life from an agent who came to the house." Many middle-income Americans are not being reached in that way, so Walsh said sales at the work site are cost effective compared to finding prospects in other ways.

Amalgamated has also added to its business by assuming blocks of business from other carriers in Medicare

supplement, interest-sensitive whole life, whole life paid in full and traditional whole life. "We have made those transactions in the same way we do all of our business: with extraordinary focus and discipline," said Thornton. **BR**

### Video:



Watch an interview with David Walsh, John Thornton and Paul Mallen at <http://www3.ambest.com/ambv/displaycontent/video.aspx?vid=amalgamated313> or scan this code with your smartphone.

### Learn More

#### Amalgamated Life Insurance Co.

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**Distribution:** Salaried sales force, brokers, consultants, partnerships

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