



NEW HORIZONS:

Amalgamated Life's new CEO Paul Mallen prioritized customer service and growth among his early objectives. The midsize workplace benefits insurer is expanding its product suite as well as its geographic footprint while remaining true to its roots.



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A Targeted Focus

Amalgamated Life's new CEO Paul Mallen faces the fierce competition of the workplace benefits space while plotting expansion in his first year running the midsize insurer.

by Jeff Roberts

The soft light of dawn cast the leafy suburb in shadows as Paul Mallen pulled out of his driveway.

He headed east, toward a sun that had just peeked over the horizon on a late August morning.

The 50-mile commute from his northern New Jersey home took him past patches of deer-filled woods, along congested interstates and then over the Hudson River and Tappan Zee Bridge.

And during that hour-long ride—accompanied only by sports talk radio—the new president and CEO of Amalgamated Life devised his daily game plan before the deluge of phone calls, emails and other demands inevitably seized his calendar.

“I view it as quiet time,” Mallen said a few hours later, in a brick-lined conference room in the insurer's White Plains, New York, headquarters. “It really gives me a chance to think of what I need to get done during the day, things I need to accomplish, strategic items.

“Questions might pop into my head that I need to get answers to. It's just a good way to get started.”

Mallen himself is just getting started.

He took over the midsize group life, medical stop-loss and voluntary benefits insurer in February following the retirement of David Walsh. In doing so, the first-time chief executive assumed

Key Points

New Sheriff: First-time CEO Paul Mallen has prioritized culture, customer service, operational improvements and growth.

Expansion: Amalgamated continues to broaden its customer base beyond labor unions, expanding nationally to include midsize employers.

Differentiator: Having a specific customer and geographic focus is a competitive advantage for midsize insurers in the challenging workplace benefits space.

responsibility for a 450-employee company in a fiercely competitive space filled with multinational competitors such as MetLife, Prudential and Cigna.

The pressures facing insurance CEOs might be greater than ever with rising customer expectations, regulatory volatility and a rapidly evolving market. And seismic changes threaten to reshape the workplace landscape following an influx of entrants such as Axa, the repeal of the ACA individual mandate and alliances such as the CVS Health/Aetna merger and the Berkshire Hathaway, Amazon and JP Morgan health care partnership.

Now it is Mallen's responsibility to navigate Amalgamated through all that as he finds his own way.

“The environment is more complex now than even 10 years ago. There's no question about it,” said Mallen, who joined the company 13 years ago as chief financial officer. “You really have to be proactive.”

Photo courtesy of Amalgamated Life.

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So each morning he aims to “think ahead” as the insurer continues to expand its suite of products and customer base while remaining true to its roots—serving the labor workforce and working class families.

Mallen could represent any new CEO, entrusted to make decisions that directly impact millions of insureds and hundreds of his own employees. And Amalgamated could stand as a case study for any midsize insurer, operating in a hyper-competitive landscape without the benefit of scale or household name recognition.

“The environment is getting more pressured and more challenging,” said Jon Godsall, a partner at McKinsey & Co. and a leader in its insurance and asset management practices. “It places a premium on CEOs to figure out how they spend their time most productively and most effectively.”

Mallen, who turns 53 in October, oversees a complementary family of businesses that includes Amalgamated Agency (a property/casualty brokerage firm), AliCare (a third-party administrator), AliCare Medical Management (a medical management company) and Aligraphics (a printing and graphics company).

“I definitely consult people. I’m new in the position,” Mallen said, referring to his management team, the board of directors and others in the industry. “But I would think anyone in this position needs to consult with others along the way.”

The road map he followed in his first six months focused on culture, customer service, operational improvements and growth. That growth includes the expansion of the company’s voluntary product offerings, including a planned portable term life product.

Meanwhile, he is plotting the course for Amalgamated’s long-term future.

“The goal is growth. Consistent, steady growth,” Mallen said.

Unique Position

The demands are legion.

The prototype of a CEO in 2018 requires an adaptable, inquisitive leader willing to listen, but prepared to make difficult decisions.

“You have to understand what you may need to change,” said Maria Harshbarger, U.S. midmarket leader with Aon’s health and benefits practice.

And in a competitive market, smaller insurers need to differentiate themselves. So Mallen began by asking a frank question.

“What are we good at?” he said.

It is the same question many life insurance giants such as MetLife, Axa and Manulife have been asking in recent years. Several have repositioned themselves by concentrating on their distinct advantages, even if it meant shedding traditional businesses.

How did Mallen answer his own question?

Customer service. Customizing solutions. Educating clients, which he says results in higher enrollment and policyholder loyalty despite the expense.

“We think we can take advantage of where we stand,” said Mallen, who added that Amalgamated’s competitors vary depending on the particular line of business.

Amalgamated knows what it is: a midsize employee benefits company. It knows who its consumers are: working people and the labor workforce.

And it knows where it’s headed: Continuing to diversify nationally, attracting midsize employers through the expansion of voluntary product offerings and stop-loss coverage.

Besides seeking growth, Amalgamated’s expansion to all 50 states aims to reduce its market risk and dependency on one geographic region (New York) and segment (union workers). But there are no plans to move away from its core business.

Amalgamated was established in 1943 when labor leader Sidney Hillman sought to protect New York City’s union clothing workers, particularly immigrant women. It then expanded to cover other union employees.

Its unique standing in the market has been the foundation as it celebrates its 75th anniversary, as well as a decade in New York’s Westchester County, after moving from its original Greenwich Village headquarters in Manhattan.

“We understand working people,” Mallen said. “That’s an important niche. That comes from our labor roots.”

“The majority of the company’s customers are union. Labor will always be a core, and we’re never going to abandon it. But we are focused now nationally and expanding beyond labor. We feel we’re starting to get some traction.”

Of course, it is “challenging to compete” in the group benefits space, McKinsey’s Godsall said. And an evolving environment only complicates that challenge.

“What’s going on in the market right now is very complex,” Harshbarger said. “There’s new entrants that are not the main core players we’re accustomed to. And so, what that means is change.”

But change also means opportunity.

Having a targeted customer and geographic focus is a competitive advantage, provided an insurer remains ahead of the trends driving the tightening market, Godsall said. And Amalgamated has that focus.

“For the smaller players, it’s going to require them to target specific employer segments, based on growth, profitability, demographics, and the geographic concentration where they’re going to play,” Godsall said. “Small players are going to have to be extremely targeted in the employers they’re going to go after and the value proposition they offer.”

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Jon Godsall
McKinsey & Co.

Amalgamated—a stock company owned by the National Retirement Fund—generated \$82.73 million in net premiums written in 2017, an increase from \$80.65 million in 2016 and \$64.33 million in 2013. It recorded net income of \$5.52 million in 2017, rising from \$3.51 million in 2016 and \$3.05 million in 2015.

It has earned 43 consecutive A.M. Best Financial Strength Ratings of “A” (Excellent).

“As a midsize company, we have to deploy capital—intellectual and financial—correctly,” Mallen said. “If we make a big mistake, it hurts. Big time. Whereas if big companies make a mistake, it may not necessarily hurt them as much.

“A larger company has economies of scale. It has name recognition. We’re not going to have that. So we try to be tactical.”

Rising Competition

And competition is rising. Shifting workplace dynamics have fueled growing demand for voluntary products. New annualized voluntary benefits premium grew between 5% and 9% from 2013 to 2017, according to McKinsey.

Several life companies have entered the market, acquiring employee benefits businesses or building their own, drawn by that rapid growth and pressure from stagnating core sales and capital-intensive products. Meanwhile, incumbents have expanded their portfolios.

“It is increasingly competitive because it is an attractive market from a growth and ROE perspective,” Godsall said.

Voluntary benefits offer solutions to increasingly complex needs. Employers have embraced high-deductible plans and shifted costs to employees, leaving gaps in coverage.

Meanwhile, different generations in the workforce prioritize different benefits. Baby boomers seek retirement solutions. Millennials—many burdened by student debt—want financial wellness and quality of life offerings.

“People want choice,” said John Thornton, Amalgamated’s executive vice president of sales and marketing.

Amalgamated has a full suite that includes group solutions (term life, disability, medical stop-loss and specialty drug cost management services) and voluntary benefits (accident, accidental death and dismemberment, critical illness, dental, disability, hearing, identity protection, legal and whole life).

“You’re seeing more high-deductible plans. There’s a big gap there that families need to cover,” Mallen said. “And voluntary benefits give flexibility to different generations in the workforce to pick and choose.”

Amalgamated began offering stop-loss insurance in 2008 and has added disability income, dental, legal and critical illness to its voluntary offerings since 2015.

“Workplace benefits have a different relevance now,” Aon’s Harshbarger said. “It is probably the most diverse market.

“So the value proposition that you have to have for the employer, and more importantly, for the employees—your market—has to be very crisp or otherwise you could easily be commoditized.”

Amalgamated has recognized that digital capabilities and customer service are differentiators.

It has invested in a mobile-friendly website and an electronic application system. It also instituted an advanced information technology system that has streamlined Amalgamated’s administrative processes and improved customer service and claims handling, Mallen said.

As vital as pricing is, accountability and customer service often make the difference. That means getting it right. It means responding quickly. And it means admitting mistakes when they do happen.

“You do need good product, good pricing, good people,” Mallen said. “But it’s all about relationships.”

In the workplace benefits space, the spectrum of customers spans employers, employees, brokers and consultants. And for Amalgamated, there is another

customer that the Cignas and Aetnas of the world don't have: union leaders.

"The bar has really risen for carriers to deliver seamless, intuitive customer experiences," Godsall said. "The biggest shift in the market that we've seen is the need for better consumer-facing capabilities. Industries such as hospitality, service and retail are setting the bar for consumer expectations, and the result is carriers are going to have to improve."

"For a small or midmarket carrier to be successful in this market, they're going to have to be distinctive in delivering a superior customer experience."

But few carriers, even among the biggest players, have been able to accomplish that.

"Any carrier that can deliver superior customer experience will have a leg up in this space," Godsall said.

Fresh Eyes

The goal was always to be a CFO, Mallen said.

Insurance, however, had not been part of the plan.

"It had nothing to do with insurance," said Mallen, who studied accounting at Emory University and earned his MBA in finance and international business at the NYU Stern School of Business.

The Long Island native had spent his career in accounting and finance, working in debt structuring and mergers and acquisitions. He had been a managing director at FTI Consulting and a senior manager at Deloitte, among other stops.

Then Mallen heard about the Amalgamated CFO opening in 2005. He had no background in insurance. But he thinks it gave him fresh eyes.

"When you come from outside an industry, you bring a lot of different perspectives with you," he said. "You think very differently than someone who's been in the industry for their entire career."

Mallen said he wasn't groomed for the CEO position per se, but there was a transition period after he was chosen by the board of directors in October.

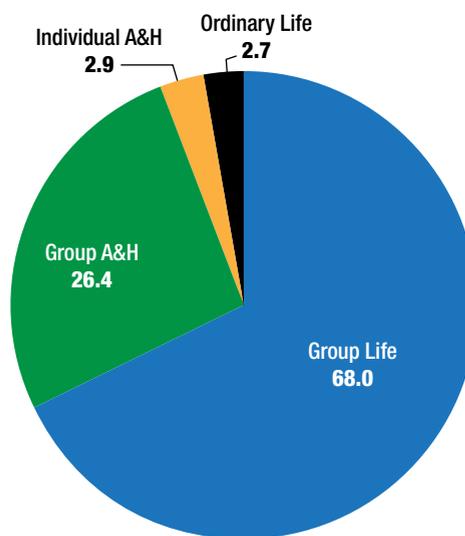
Even before then, Walsh included him in succession plan conversations. The outgoing CEO also "was really helpful when I had certain questions and in guiding me in certain directions," Mallen said.

He had other things going for him. Mallen had a grandfather who was a member of the International Ladies' Garment Workers' Union. And he oversaw the company's finance, IT, underwriting, insurance operations and facilities units under Walsh.

Mallen is also deliberate, even-keeled and team-centric, Thornton says. Nothing seems to bother the new CEO more than internal islands, unanswered emails and unreturned calls.

"He's detail-oriented," said Thornton, who has worked with him for a decade. "He's a very good manager."

Amalgamated Life Insurance Company – 2017 Top Product Lines of Business Net Premiums Written (%)



Source: – Best's Statement File - L/H, US

So what drives him?

"Excellence," Thornton added.

It begins with identifying problems before they arise, or at least before they swell into full-fledged problems.

Mallen pores over daily and monthly metrics from Amalgamated's call centers in White Plains and New Hampshire, scouring for trends and issues. He often focuses on one statistic in particular: first-call resolution percentage.

"How often do we resolve our customers' issues in the first call? The higher the number, the better," said the married father of two sons.

"Fires are going to happen. You have to put them out. But you try to raise issues early. Then maybe we can put it out while it's still smoldering, because once the fire gets roaring, then there are a lot of problems."

Putting out fires, or even preventing them, often means long days.

Mallen typically returns home each night by 7 or 7:30. And just 11 hours later, he will be back in the car, forming another plan of attack to the soundtrack of New York sports talk.

"It's really trying to stay ahead of that curve," Mallen said. "It's figuring out as markets and technologies change, what needs to change along with them." **BR**

Learn More

Amalgamated Life Insurance Company (A.M. Best # 006031)

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