

Managing Life Insurance and Annuity Closed Blocks: Insights from the 2023 EY Survey on Strategic, Operational, and Technological Challenges

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Abstract: *This study investigates the challenges and opportunities of managing closed blocks in the U.S. life insurance and annuity sector, drawing on data from the 2023 EY Closed Block Survey. With over \$2.4 trillion in legacy liabilities and increasing operational inefficiencies, the article explores how insurers are constrained by capital lock-ins, outdated technology systems, and siloed operations. Using executive insights across finance, actuarial, and technology domains, the paper highlights strategic blind spots and proposes practical interventions—ranging from reinsurance solutions to modernization of administrative platforms. It emphasizes the importance of ecosystem partnerships and performance-centric frameworks to unlock the latent value of closed portfolios.*

Keywords: Life Insurance, Capital Efficiency, Technology Modernization, Reinsurance, Artificial Intelligence

1. Introduction

The U.S. life insurance and annuity industry has long managed legacy portfolios of “closed blocks”—products no longer actively sold but still requiring servicing. Unlike actively marketed products, closed blocks receive limited strategic focus yet demand substantial capital and operational resources. EY’s 2023 survey underscores the scale of the challenge: \$2.4 trillion in liabilities tied up in closed blocks with declining profitability and escalating servicing costs.

This article aims to examine strategic, operational, and technological challenges in managing closed block portfolios within the U.S. life insurance and annuity sector, using insights from the 2023 EY Survey.

Given the scale of closed blocks and their growing drag on operational performance, understanding how to unlock their hidden value is vital to the financial health and modernization of the insurance sector

2. Literature Review

The academic literature on insurance legacy portfolios emphasizes three recurring themes:

- 1) **Capital lock-up:** Older portfolios tie up significant capital that could otherwise fund new product development.
- 2) **Technology debt:** Legacy administrative systems increase operational costs and limit customer experience modernization.
- 3) **Consolidation and outsourcing:** Research suggests that block transfers, reinsurance, and third-party administration can drive efficiency gains.

The EY survey builds on this by providing empirical data from industry executives, quantifying inefficiencies and highlighting attitudes toward reinsurance and technology conversion.

3. Methodology

This research is based on secondary analysis of the EY Closed Block Survey (2023). Respondents included CFOs, COOs, CIOs, chief actuaries, heads of legacy businesses, and investment officers from mid- and large-sized insurers and reinsurers. The survey explored seven dimensions of closed block management: strategy, product, capital, expenses, technology, operations, and customer experience.

4. Findings

4.1 Strategic Intent

- Insurers often undervalue closed blocks, overlooking their potential as strategic assets.
- Many insurers view them as distractions from growth priorities.

4.2 Capital Constraints

- 42% of insurers allocate over 50% of their capital to closed blocks.
- 41% reported returns on this capital were below expectations.

4.3 Expense Burdens

- 71% of insurers operate closed blocks at per-policy costs 40% higher than optimized levels.
- Non-integrated operations exacerbate inefficiencies.

4.4 Technology Challenges

- 75% of insurers manage closed blocks on four or more admin platforms; some reported 12+.
- 58% have not reduced mainframe dependencies, perpetuating technology debt.

4.5 Operational Silos

- 83% of closed blocks are managed in non-integrated models.
- Lack of scale and synergy drives duplication and cost.

[5] PwC. *The Future of Insurance Operations*. PwC Global Report, 2022.

4.6 Customer Experience

93% of insurers consider customer experience important, yet 70% rated their current experience as suboptimal.

5. Discussion

The findings reflect a systemic inefficiency: closed blocks tie up capital, consume disproportionate resources, and constrain modernization efforts. Yet they also represent significant unrealized value if managed strategically.

5.1 Reinsurance and Sales

Transferring closed blocks to consolidators or reinsurers can unlock capital and streamline operations.

5.2 Technology Modernization

Selective conversions from legacy systems reduce risks and improve efficiency.

5.3 Ecosystem Partnerships

Combining best-of-breed outsourcing models with integrated operations may optimize servicing.

5.4 Performance-Centric Management

Insurers must adopt benchmarking and periodic reviews to monitor block performance.

6. Conclusion

The 2023 EY Closed Block Survey highlights the dual nature of closed block portfolios: as costly legacies and as underleveraged assets. Addressing inefficiencies through capital restructuring, technology modernization, and operational integration can transform closed blocks into value levers. The future of closed block management will rely on multipronged strategies that balance capital efficiency with customer-centric modernization. Ultimately, managing closed blocks effectively is not just about cost reduction—it is about unlocking strategic value in a shifting insurance landscape.

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