



# QAS Case Study #3 - Negotiation Expertise

## Concept: A Case of Proven Credibility

QAS was contacted about the sale of a company and the effect of the sale on the company's pension plans. After several conference calls, a meeting was held to thoroughly review the objectives of the plan sponsor.

The employer was concerned about the wind up procedures and had been told that it would be early the next year before the plan could make commitments regarding its pension liabilities. Unsatisfied with this timetable, the plan sponsor selected QAS to provide the services and to interface with the insurance carriers and the actuarial consulting firm. The plan sponsor had been sitting in a "cash" position for several months and long term rates which support annuity business had been falling.

QAS proceeded to underwrite the plan provisions into specifications and benefit calculations were performed in order to price annuities for the terminated vested and retired participants. Within two weeks of submitting the specifications and data to the carriers, QAS established a tentative closing date. Preliminary bids were all positive. However, as the closing date neared, interested bidders began to fail in their delivery commitments. The closing date was scheduled with only a few bidders showing definite interest in the business.

Interest rates were rapidly moving against the buyer and the annuity cost was increasing. The original bid was \$15,135,000 and low bids ranged from \$14,200,000 to \$14,300,000. A strong investment became available to one insurer and a bottom line price was hammered out at \$13,800,000. QAS convinced the insurer to accept \$2,400,000 of additional premium on the same interest rate basis for increased benefits that had not yet been calculated, a very unusual thing for an insurer to do. The business was awarded with a total premium of \$16,200,000 to reflect the expected cost of increased benefits.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Time Frame:</b>	<input type="checkbox"/>	<input type="checkbox"/>	5 Weeks
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>High Bid:</b>	<input type="checkbox"/>	<input type="checkbox"/>	\$15,790,000
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Best Initial Offer:</b>	<input type="checkbox"/>	<input type="checkbox"/>	\$14,505,000
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Final Acceptance:</b>	<input type="checkbox"/>	<input type="checkbox"/>	\$13,808,000
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Savings:</b>	<input type="checkbox"/>	<input type="checkbox"/>	\$697,000 / 4.8%