

## SUMMARY

The divestiture of this business unit was especially complex because of regulatory requirements and a large number of legacy applications. Daugherty helped this insurance provider successfully manage the issues.

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# Daugherty Helps Client Manage IT Issues During Complex Divestiture Situation

## BUSINESS CHALLENGE

In order to provide service and support to over 150,000 policy holders our client determined it needed to divest itself of its Senior Health Insurance business.

Once the transaction was approved by regulators, a new company would be created. The divestiture revealed a large number of legacy applications, including duplicate applications with each entity having its own instance for individual reporting and consolidation to the parent company. Two major challenges were present:

1. Determine the minimal system reporting required for the new organization to be a standalone entity on the day approval was received. This was to support the transitional services as required legally, as well as meet the ongoing requirements.
2. Separate the entities being moved to the new organization to facilitate the above while maintaining the reporting integrity of the parent company. This was needed because if approval was not received, the transactions would need to be reversed and the structure returned to its original state.

## SOLUTION

Daugherty was selected by the client's management team to

- Provide specific experience related to Mergers, Acquisitions, and Divestitures
- Provide a methodology and approach and gain consensus on both
- Provide a governance structure to be used by all project teams (14) across the two entities

- Work to incorporate the above activities into the existing processes and approaches while providing direction and guidance on changes and enhancements

Daugherty provided methodology, approach, templates and other proprietary tools that helped the Divestiture process go smoothly. We helped refine the existing processes of the parent company, managing five critical project paths including:

- Accounting
- Statutory Reporting
- Treasury
- Legal
- Actuarial

Additionally, we supported the new company's selection of new applications. Daugherty helped create approaches related to testing, audit tools, internal audit and SOX compliance, and worked with the external audit firm regarding requirements to review the completed transaction.

## RESULTS

The team completed all activities required to establish the new organization as a separate financial reporting entity. Because approval was granted by regulators 30 days later than anticipated, the procedures and policies identified and put in place to reverse the transactions recorded in the interim time period worked as planned.

In addition, the project structure and program governance put in place and established by Daugherty were incorporated into the Enterprise PMO and continued into Phase 2 of the project, which focused on supporting the day-to-day activities of the new organization until it was running its own applications.