GERMAN RUN-OFF FORUM
COLOGNE 8 APRIL 2016

CHALLENGES IN CONNECTION TO A POOL TRANSFER

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AGENDA

1. Compre transactions
2. Finality solutions
3. Challenges in connection to a pool transfer

WHAT IS COMPRE TODAY

- An insurance & reinsurance legacy specialist
- Focused on acquisition and management of discontinued non-life portfolios (“run-off”)
- All classes including property, liability, marine and motor accident
- European business with operations in the UK, Finland, Germany, Sweden and Switzerland
- Involved in pool transfers

COMPRE TODAY

30+ year track record in acquisition and management of run-off companies, portfolio transfers & reinsurance solutions. Long term commitment to the insurance market
Privately owned with shareholders actively involved in management of the business
New capital from external investors in 2015 to fund growth. Externally funded since 2004
European service capability – Finland, Germany, Sweden, Switzerland, Germany, UK
Experienced resources covering most classes of direct and reinsurance business
Executive Management Team of 6 with technical, financial, actuarial, M&A and legal experience

ACQUISITIONS TRACK RECORD

Over 10 years track record of successful acquisitions. Acquired companies have their own track record in addition

10 run-off company deals completed – Finland, Germany, Sweden, Switzerland, UK

8 run-off portfolio deals completed covering 19 individual portfolios – Denmark, Finland, Germany, Norway, Sweden, UK

4 run-off portfolios deals expected to completed 1Q 2016 – France, Germany, UK

Acquisition counterparties include – Allianz, Gjensidige, HSBC, If P&C, Länsförsäkringar Sak, Pohjola, Sampo, Sparebank 1, Swiss Re, Tryg

ACQUISITIONS TRACK RECORD

Company Acquisition

- FIGRE *(UK -1994)*
- Patria Re *(Finland – 2004)*
- ST International *(Finland – 2004)*
- Bothnia *(Finland – 2006)*
- Moorgate *(UK – 2006)*
- WI Insurance (Wasa) *(Sweden – 2009)*
- Stockholm Re *(Sweden – 2009)*
- London & Leith *(UK – 2010)*
- AURORA Versicherungs AG *(Switzerland – 2013)*
- Hamburger Internationale Rückversicherung AG *(Germany – 2014)*

Portfolio Acquisition

- If P&C *(Finland – 2006)*
- Tryg Vesta *(Denmark – 2009)*
- LF *8 portfolios (Sweden – 2012)*
- Sparebank 1 *2 portfolios (Norway - 2012*
- Unison *3 portfolios (Norway – 2012)*
- Gjensidige *(Norway – 2015)*

Reinsurance Solution

- Atlantic Mutual *2 portfolios (UK – 2014)*
- Anonymous Mutual *(Germany – 2015)*
- QBE - Ridgwell Fox Pool *(UK – 2016)*

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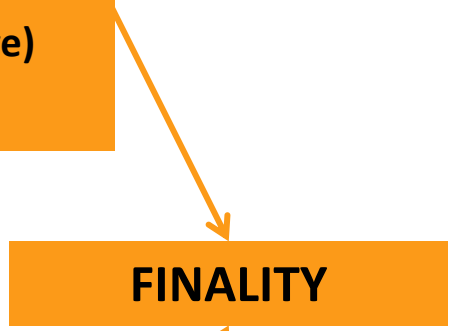
RUN-OFF OPTIONS

- In-house solution
- **Sale of the company**
- **Portfolio transfer**
  - **Transfer approved by regulators (EU directive)**
  - **Part VII transfer**
  - **Novation**
- Financial reinsurance instruments
  - Retrospective solutions (reinsurance)
  - LPT
  - Finite Reinsurance
- Strategic commutation program
- **Solvent Scheme of Arrangement**
- **Liquidation**
- **Insolvency**



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CHALLENGES IN CONNECTION TO A POOL TRANSFER

- Pool members from various jurisdictions
- Different legal solutions required (corporate / insurance supervisory etc.)
- Choice of law in business underwritten
- Different size of shares – in different years
- Roll-overs (clean cut, portfolio entry / exit situations etc.)
- Financial strength of pool members
- Different interests
- Historic developments (mergers, insolvencies, transfers etc.)
- Different knowledge / experience i.r.o. options

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CHALLENGES IN CONNECTION TO A POOL TRANSFER

- Pool member interactions (administration, reinsurance etc.)
- Fronting / Reinsurance
- Administration (outsourced / staff transfer?)
- File / staff situation

<u>From the transferee perspective:</u>

- Transferred into one platform
- Local requirements (legal, tax, regulatory, organisational etc.)
- Capital requirements (Solvency II)
- Total or partial transfer

EXAMPLE

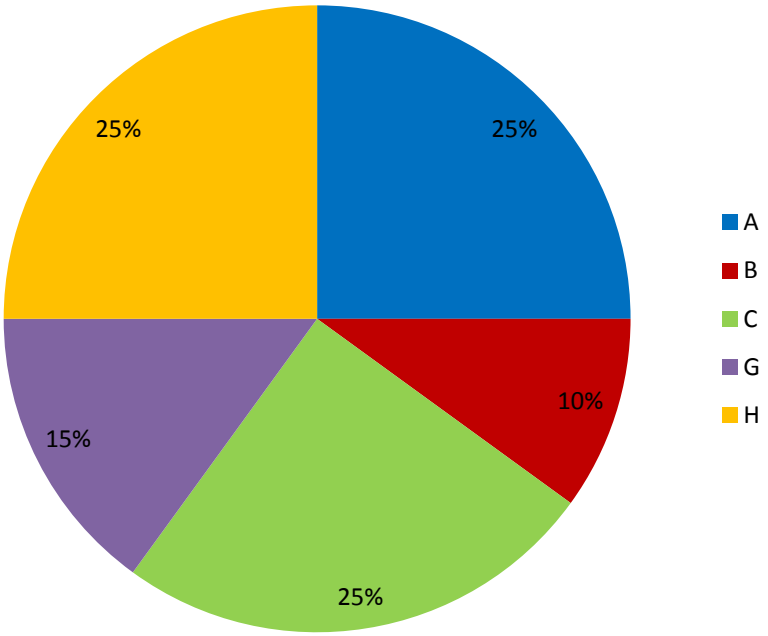
- Pool administered in UK
- Underwriting years 1975 – 1992 in Netherland
- Pool administration outsourced until 1997
- Outsourcer insolvent – very bad file situation
- Pool member A took over administration as from 1998
- Various challenges:
  - 10 pool members with different shares in different years
  - Some with reinsurance, some not
  - Sometimes: reinsurance through pool
  - Pool members insolvent
  - Fronting, roll-over, transfers, acquisitions
  - Various divergent interests

EXAMPLE

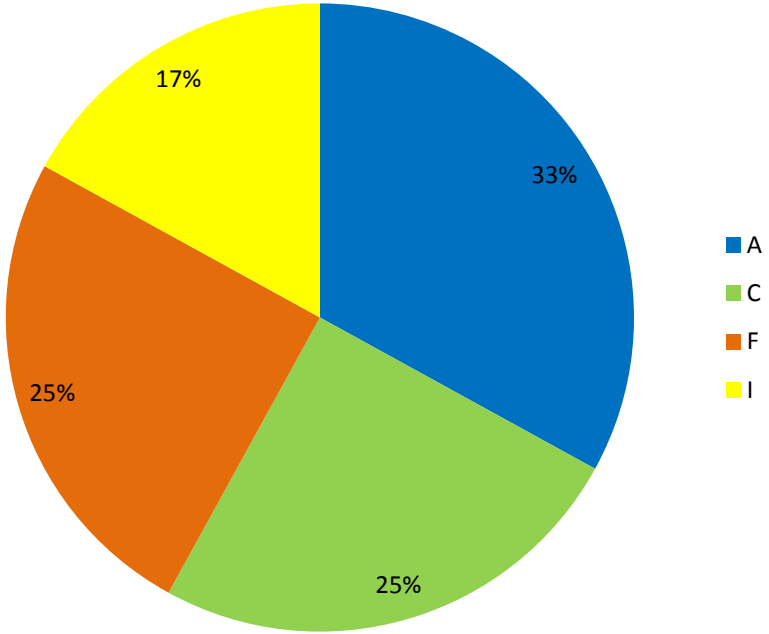
Pool member	Country	Size	Years of Participation	Share	Current status	R/I	from	Years	Shares	Net	Comment
A	UK	Large	1975-1992 1992	25-33% 17%	Active	Yes No	Market	1975-1992	10%	22,5-47%	U/W since 1978 Liabilities from I
B	Italy	Large	1975-1986	10-17,5%	Insolvent	Yes	A	1975-1980	25%	7,5-13,125%	
C	Germany	Large	1975-1990 1987-1992	25-33% 15-25%	Active	Yes No	Market	1975-1992	20%	35-64,5%	"Inherited" second share through acquisition
D	Germany / Argentina	Small	1987-1990	7,5-10%	Active Insolvent	No				7,5-10%	Fronting
E	Germany	Large	1983-1990	15-33%	Active	Yes	Pool	1983-1990	10%	13,5-30%	
F	Switzerland	Large	1987-1992	25%	Active	Yes	A	1987-1992	50%	0%	Portfolio exit to C - not legally binding
G	Netherland / UK	Small	1975-1977	15-22,5%	Merged into UK group	Yes	A	1975-1977	75%	5-5,625%	Founder / U/W agent until 1977 followed by A
H	France	Large	1975-1977 1980-1985	25% 12,5%	Active	Yes No	Pool	1975-1977	50%	up to 25%	Took over liabilities from J for 1980 - 1985
I	France	Small	1992	17%	Active	No				0%	Transferred liability to A
J	Belgium	Small	1980-1991	12,5%	Active	No				12,5% (1986-1991)	Transferred 1980 - 1985 liabilities to H

EXAMPLE

1975



1992



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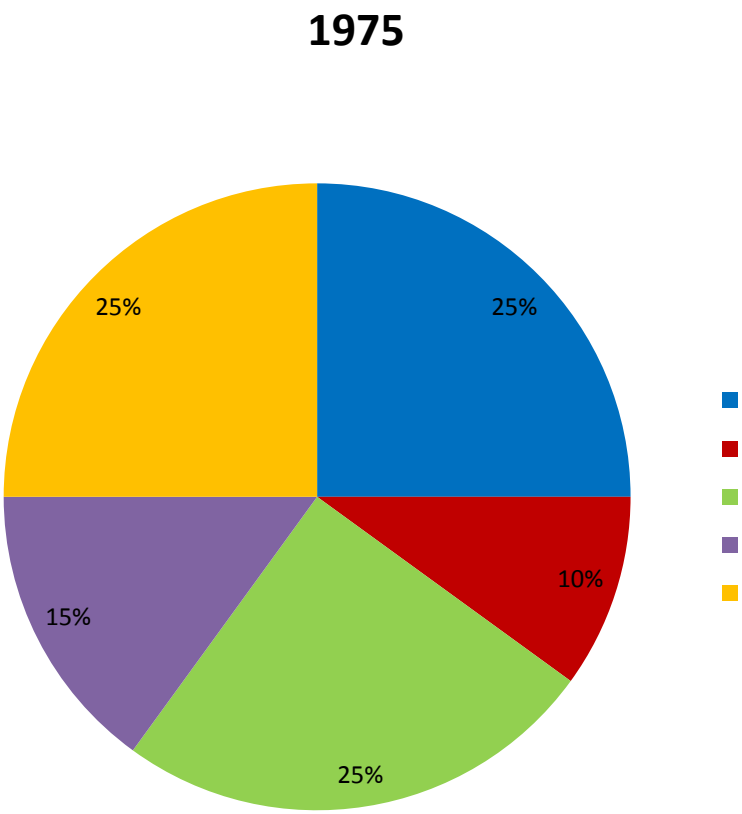

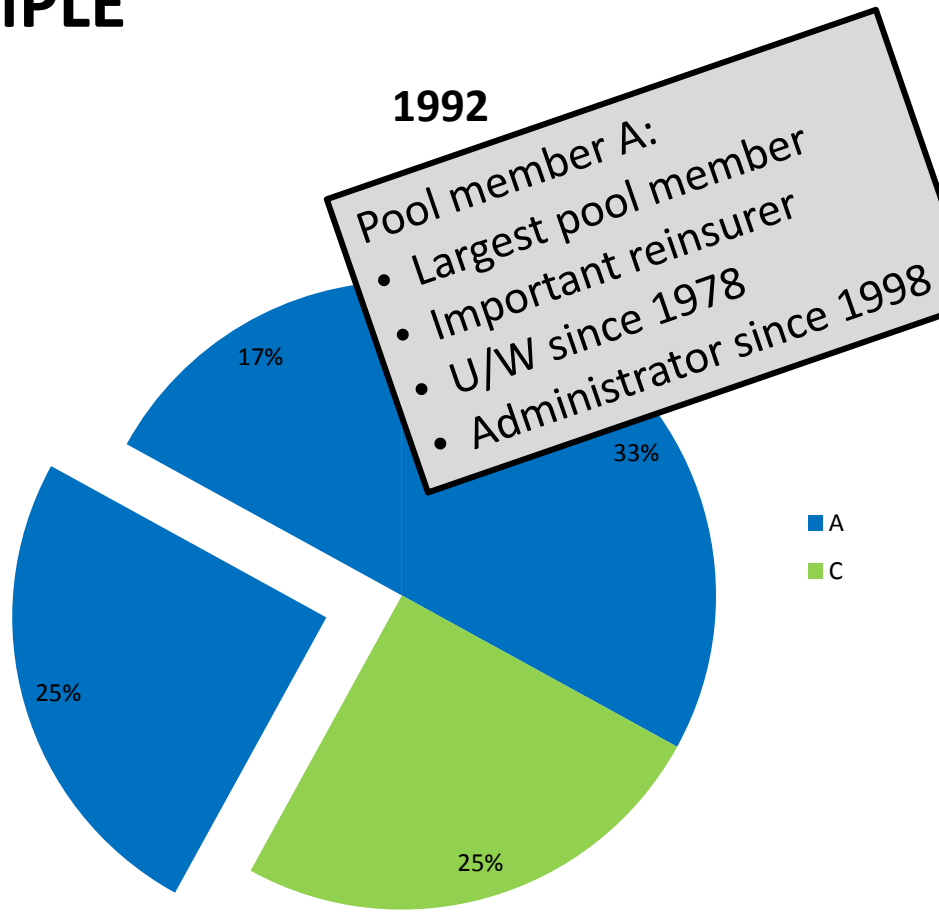

- I transferred liabilities to A
- Portfolio exit F to C – legally binding ??
  Reinsurance F to A !!

TRANSFER OPTIONS

- Insurance Supervisory Acts
  - Various national regulations
  - Different regulations for insurance and reinsurance
  - Mixed insurers
  - Cross border transfers
  - Solvability
- Merger Acts
  - Spin-off
  - Transfer of assets and liabilities
  - Cross border mergers
- Governing Law
- Involvement of regulators
- Finality for the transferor (economic, legal, operational)

RESUME

- Complex legal situation
- Facts and figures unclear
- Not necessarily same interests
- Pool administration might be an issue
- Total take-over or just partly
- Different solutions / prices as per pool member
- Contracts:
  - Framework Agreement
  - LPT Agreement
  - Pledge Agreement
  - Run-off Management Agreement
  - Portfolio transfer contract

THANK YOU FOR YOUR ATTENTION

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