Think Tank

Roundtable on M&A Activity of Legacy Business

Moderated by Ali Rifai and Peter A. Scarpato with participants Oliver J. Horbelt, Neal Wasserman and Brian Snover

Ali Rifai

Peter A. Scarpato

Oliver J. Horbelt

Neal Wasserman

"...over the last five years there certainly has continued to be a growing sophisticated refinement of the tools available to folks to deal with discontinued books of business and legacy liabilities."
— Brian Snover

Peter Scarpato: *Ali Rifai and I are very fortunate to have with us Oliver Horbelt, Neal Wasserman, and Brian Snover. Our Roundtable discussion today seeks your insight into factors that impact the M&A activity of legacy blocks of runoff business. Ali and I will be conducting the interview and we hope to have a very spirited discussion. Let's start off with a general question: what trends have you seen in the market compared to five years ago? Oliver, why don't you start?*

Oliver Horbelt: Sure. I guess I would want to highlight three observations as to what in our view has changed over the previous period. First, we've seen a higher number of deals being transacted during the past five years compared to the five-year period before that. Transaction count during the past five years was generally in the double digits while, in the period before, less deals were concluded with lumpy activity between the years. So if we look at the market correctly over the past ten years, average deal count was anywhere between six to ten transactions compared to double-digit deal counts in more recent years.

The second observation would be that buyers who need to support a more steady production pipeline have started to look for deals that are more at the periphery of a formerly rather centric market. Examples of this are captives runoffs or certain specific servicing or brokerage activities that only in the widest interpretation support the core business of insurance runoff.

The third observation, although a little specific, is that before the financial crisis certain buyers could leverage their purchases by accessing fairly cheap bank loans. We know of examples where acquirers could leverage the purchases with ten-year loans that were priced at 200 to 250 basis points over the corresponding LIBOR. And obviously such terms have not been available more recently; as a result of this we've seen a number of buyers trying to leverage acquisitions by means of retroactive reinsurance rather than external financing.

Peter Scarpato: *Other comments?*

Brian Snover: Yes. From our perspective, it's been relatively quiet as compared to the period a few years ago. I wouldn't use the five-year cutoff per se for the comment I just made.

But it was relatively quiet. I suspect very low interest rates and the economic distractions have had something to do with that from our perspective. But it is certainly the case — and I think Oliver's answer suggested this as well —

continued on next page

Oliver J. Horbelt is Senior Executive Manager-Customized Portfolio Solutions at Munich Reinsurance Company. He can be reached at ohorbelt@munichre.com.

Neal Wasserman is President of White Mountains Re Solutions and can be reached at neal.wasserman@wtm-resolutions.com.

Brian Snover is Vice President and General Counsel of Berkshire Hathaway Reinsurance Division and can be reached at bsnover@berkre.com.

Ali Rifai is Associate General Counsel-Insurance & Reinsurance for North America Zurich and can be reached at ali.rifai@zurich.com. Ali was previously the Publications Committee Chair for AIRROC Matters for 6 years.

Peter A. Scarpato is President of Conflict Resolved, LLC, based in Yardley, PA. He can be reached at peter@conflict–resolved.com. Peter is the Editor of AIRROC Matters.

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Roundtable on M&A Activity of Legacy Business *continued from page 5*

that over the last five years there certainly has continued to be a growing sophisticated refinement of the tools available to folks to deal with discontinued books of business and legacy liabilities.

There are many more brokers involved in this now. You get much slicker presentations. It's become a much more standardized and well-accepted business than it was five years ago. So that's continued to evolve.

But in terms of the opportunities we saw on the M&A side, the drivers for these transactions, what really causes people to seek them out, don't seem to have changed too much.

Neal Wasserman: I would agree as well. I think we've certainly seen an increase in transactions being completed over that five-year period. A lot of that is to some extent as Brian indicated, due to there being more buyers in the market now.

I think there were plenty of opportunities in the past, although often sellers weren't necessarily aware of the market. It's now a well-established market and the proliferation of buyers is bringing prices to a point where many more of these transactions are getting completed.

More recently I think it has cooled off a bit in part due to interest rates and in part due to the loss of some of the peripheral capital providers – referring mostly to some private equity and hedge funds that were helping to push prices up to some of the levels we saw.

Some of those markets after the financial crisis have pursued other options. They have seen other, distressed asset opportunities outside of the runoff market and have left the market and that's helped pricing a bit.

Peter Scarpato: *Would it be fair to say that the current economic environment has impacted pricing negatively or not?*

Neal Wasserman: I think it depends on whether you're a buyer or a seller. It's my view that it has pushed pricing back down to some extent but not to a great degree. It is still much higher than what we would have seen five to ten years ago – but a bit more modest than what we were seeing a couple of years ago.

Brian Snover: Peter I don't know if I could attribute what has gone on in pricing to the economic environment except the interest rate issue because the discount rates and everything else that we use to assess the ultimate liabilities have been impacted by the interest rate.

continued on page 20

Roundtable on M&A Activity of Legacy Business *continued from page 6*

But I don't know if it's the economic environment as much as it is the proliferation of different options for people that might be bringing the pricing (down), making it more attractive for people disposing of liabilities. I do think generally that's probably been the trend.

Oliver Horbelt: Pricing or valuation in general has always been opaque in this market except maybe in those circumstances where entities have certain reporting requirements given their status as listed companies.

For large transactions–particularly in the London market–buy-side competition is still rather intense, in particular for middle-of-the road, not too large, not too complex deals with the effect that in this segment, we are probably still dealing with a seller's market where pricing is still rather competitive.

Obviously, given the current interest rate environment, there's just less room to maneuver with time value of money being no longer being available to offset certain other pricing implications.

Ali Rifai: *Brian, you said there is a proliferation of different options. Are you talking options for the buyers and what are they? What other options are available that impact the price?*

Brian Snover: No I really mean for the seller. What I was speaking to was the options that people have in the UK in particular. There seems to be a push in the US for this as well, where people can attempt to achieve finality through different options and not just sales of books of business or even through reinsurance of books of business which is the structure we use most predominately in our runoff operation.

I think because people have these different options, insolvent schemes in particular. You see renewed interest or chat about the Rhode Island statutory scheme and I do think something's being done there as well. There's at least one book that I think is going through that process.

That tends to have an effect down on the premium people are willing to pay in terms of selling to third parties as well.

Ali Rifai: *In the deals that have closed, what created the opportunity? Or in the deals that didn't close, what created the problem that caused the deal not to close? Can anyone talk to us about what's going on in getting deals to a closing?*

Neal Wasserman: In our experience as we look back probably in the window more than four or five years ago, you would see that most of the deals may not close.

There were a lot of buyers who would test the market but deals would generally not close from a price standpoint. Now, at least over the last couple of years, most deals that come to market end up closing.

This goes back to the number of buyers that are out there and there's a willingness to pay prices that weren't really viable a few years ago. More and more of these transactions are getting done and far fewer are coming back to the market, sometimes multiple times over a number of years.

Ali Rifai: *So you think the pricing is more realistic both from the buyer perspective and the seller perspective? Is that what's causing this?*

Neal Wasserman: Certainly from a seller perspective, the pricing has now moved to a point where it's more acceptable. Obviously to certain buyers, it's still reasonable. I tend to believe that we're still in a market where pricing is higher than it should be.

Brian Snover: Yes I think runoff transactions are products that are very much bought not sold. I mean the person seeking to shed itself of liabilities, it's their decision.

The buyer of a run-off transaction knows better the costs of goods being sold than the seller. That's just the way it works. They have always had some view on their plain point in terms of what they're willing to pay or what assets they are willing to give up to get rid of the liabilities.

I think Neal is right. Because it's a more sophisticated market, the hit rate of deals closing is probably higher because there's generally a greater understanding of how these things work. When you raised the question why don't deals close, it used to be that there were bigger regulatory hurdles on some of these transaction

The New York Insurance Department, for example, ten years ago, had a policy that they wouldn't approve the sales of companies in runoff. Their policy was they have a liquidation bureau to run off companies and they didn't like companies being traded for that purpose.

That's no longer their policy. So these days I think whether or not a deal closes, it's really, like anything else, a matter of price.

Peter Scarpato: *You know, they often say that the devil, or the angel depending on your perspective, is in the details. Would anyone, without disclosing anything confidential or proprietary, be able to give us an example of the specifics of a certain deal and analyze for us the particular issues*

continued on next page

Roundtable on M&A Activity of Legacy Business *continued from page 20*

and/or opportunities that made it a good or a bad type of a transaction? Something that might be recognizable to the market generally or that might just give us a more concrete explanation of this discussion we've had so far in practice.

Oliver Horbelt: While I would have to disappoint you by not wanting to talk about the specific deal, just picking up on something that Brian said before, which is information asymmetry that you have both in reinsurance-driven deals but also in M&A. This is one reoccurring issue and one that we have been observing on top of certain unrealistic expectations, mostly pricing.

But most importantly, if the buyer or the reinsurer cannot close the information asymmetry gap (and sometimes it is a perceived information asymmetry), those factors would have to be priced in. That's often the basis of a deal falling apart given that you have this situation of an information gap.

In my experience, therefore, deals fall apart then mostly because of pricing differences based on information asymmetry that cannot be overcome.

Brian Snover: I don't think the details are even enough of a description that would signify what transaction is being discussed. It's something that – it looks like I'm not the only one — is beyond my willingness to disclose.

Except to say that obviously, in all these situations the buyer comes to the market with a view on what are the ultimate liabilities, or in most cases they do, that they're trying to get rid of. It's just human nature that the buyer taking on that risk has a view of what the ultimate is.

If there's not a meeting of the minds on what that ultimate is and what the cost is to run them off — and in many cases it gets more complicated when you try to price the reinsurance asset that may be coming with it – then the likelihood is there is no deal. But, that's what everyone has said essentially, that pricing the exposure is the devil and the angel in the detail.

You will never have a perfect symmetry of information on both sides. There are plenty of claims that are public and people know what's going on, but that never tells the whole story and the buyer always has an advantage of information.

Ali Rifai: *Thank you. Do you see opportunities being different or the environment different in different countries? And, which countries and why?*

Neal Wasserman: Speaking primarily about the US which is not our exclusive market but it's certainly where we've done far more transactions, regulatory concerns take on a greater importance to some extent than you may have in other jurisdictions. Not that you don't have regulators overseeing these transactions elsewhere. But in the US, you're dealing with a 50-state environment and oftentimes dealing with multiple jurisdictions that are going to want to look at transactions.

continued on page 24

Roundtable on M&A Activity of Legacy Business *continued from page 21*

If you are talking about a portfolio that may be insurance liabilities as opposed to reinsurance liabilities, regulators are going to take an even greater interest given their focus on policyholder protection.

So I think in the US that creates a different environment than you may have in some cases and, although Brian mentioned that potentially new options are becoming available, you still don't really have yet in the US the full array of options that you may have in the UK.

Other than in Rhode Island you don't have the ability to do solvent schemes. You're starting to see now a recent change in NAIC accounting rules for statutory accounting in the US. There is now SSAP 62R which is going to, in some circumstances, allow companies to treat reinsurance of blocks of business as prospective reinsurance as opposed to retroactive.

That may help but that's still going to be a relatively limited market. So it's a challenging market in the US in that respect.

Oliver Horbelt: Yes. I think other than the regulatory options available in different jurisdictions, I'd say it's probably less a country-specific issue rather than one of sophistication and in this respect, I would agree that the deal environment is probably comparable between the US and Europe.

It's interesting looking a little bit further abroad where we've seen a number of opportunities in Asia for example, where one major difference is probably in the decision-making process which is somewhat different from the more mature markets. This leads to specific issues but sometimes also creates opportunities.

Brian Snover: Yes, from our perspective we've tried to deal with the different regulatory environments in the countries as best we can.

I haven't seen a huge difference for us in terms of getting it done. It just so happens that because the US has been the proud parent of so much long-term liability misery in the industry, it's US liabilities whether they are residing on balance sheets in the US, or the UK, or Switzerland, it's US liabilities for the most part we've been dealing with.

Ali Rifai: *So mostly what you see is really the regulatory environment and the sophistication of the players. But no major regulatory hurdles just the normal regulatory issues you have to deal with in each country.*

But nothing that would make you say for example there is a better environment in Germany to buy runoffs or vice versa: in Germany, you cannot buy runoffs because they stop you.

So there are no major problems or opportunities in any particular jurisdiction. It just depends on the particular company or transaction? Is that a fair statement?

Brian Snover: Yes, I think that it's a fair statement. As I said, in my view, these transactions are very much driven by the buyer or the person looking to get rid of the liabilities.

The truth is they will find a way to deal with the regulatory hurdles or something else in order to achieve the objective in most cases before they have too many discussions with the counterparty. So we don't see those kinds of issues.

Peter Scarpato: *Getting back to the general issue about the deals getting done or not getting done and the environment for getting them done, is reserving methodology a factor? For instance, is it easier to do a deal in a particular country where discounting the reserves is allowed?*

Oliver Horbelt: I don't think reserving methodology so far has been a major factor. But in our view this could change going forward. In particular Principle-Based Reserving and fair-value reserving will add a new level of transparency while introducing a lot of challenges.

I'm not even talking about IFRS and possible implications on local GAAP. Those concepts will probably add a higher comparability of financial information and one would think this is a net positive for our market even though so much of our market dynamics, at least historically, have been based on uncertainty and arbitrage of systems and methodologies. So it will be interesting to see what those changes will bring and Solvency II at least in some aspects is an interesting test case.

Brian Snover: Oliver, I'm curious to hear your view on that because I, myself, can't figure...I've heard a lot of opinions. I don't have one of my own. But people have very different views on what Solvency II will do to generate runoff opportunities in the market.

Oliver Horbelt: Well I think one would have to dissect the question in a market for finality, the M&A market and the markets for retroactive reinsurance. And the way Solvency II is currently calibrated under QIS 5, we can see that Solvency II will create opportunities for well-capitalized, well-rated reinsurers where retroactive reinsurance can add considerable capital relief in the form of loss portfolio transfers and adverse development covers under the

continued on page 26

Roundtable on M&A Activity of Legacy Business *continued from page 24*

standard formula, especially for cedents that are not well diversified and that are not particularly exposed to nat CAT and that have a certain tail and volatility in the run-off of their liabilities.

So in those circumstances, we see that Solvency II will provide interesting opportunities that are probably more capital efficiency driven rather than probably with a view to achieve finality.

Peter Scarpato: *I want to shift gears a little bit and ask if anyone of you or all of you are seeing more opportunities in the life markets, if so, why?*

Neal Wasserman: We see them on occasion but don't really consider ourselves a market for life opportunities. We stick with what we know and that's the property casualty runoff business.

Brian Snover: We've done a couple of large reinsurance transactions on closed blocks of business in the life world. We've done them more recently because, as I say, the counterparty wanted to get it done. But I have seen more activity and I don't know why. Maybe it's just the growing awareness on the life side of the house in terms of people dealing with runoff liabilities in closed blocks.

It's more capital relief for the person dealing with the closed block than it is the emergence of huge surprises like asbestos or pollution liabilities or getting the liabilities wrong. Because of course on the life side, except for risks of pandemic or things like that, we haven't had that kind of volatility on a massive basis.

Oliver Horbelt: Same probably for us and, given that life companies were shaken more by the impacts of the financial crisis than the average P&C entity, we have also seen an increase in solvency-related transactions. Not so much by means of M&A and closed block activity but mostly by means of sophisticated reinsurance arrangements.

Ali Rifai: *Our next question has to deal with whether there is a difference in dealing with a distressed company versus a live company that has a closed block that they want to sell or a subsidiary, do you see the opportunities being different or is it again just price driven?*

Neal Wasserman: I think to be honest both ends of the spectrum can be challenging to some extent and maybe the ideal seller is really somewhere in between those extremes.

With a distressed company price is obviously going to be an issue and you have no lack of motivation. But often there are reserving issues. You can have a company that's probably in a difficult financial situation. It doesn't necessarily have the assets to fund a transaction.

On the other hand, the other end of the spectrum, major carriers I think tend to be more opportunistic sellers. They may have non-core runoff books of business that are a distraction to management.

These may be less than ideal uses of capital. But a number of those companies certainly have the in-house expertise to manage those liabilities and they don't necessarily have the same level of motivation to sell. But they certainly are willing to sell at the right price.

But again, I think those are more opportunistic transactions for the sellers.

Ali Rifai: *They're not motivated sellers in other words. They want to see how much they can squeeze out of it?*

Neal Wasserman: Well, no I mean they are to a point. It's an economic decision. It's very much price driven. But they understand their books and more often than not, have

continued on next page

Roundtable on M&A Activity of Legacy Business *continued from page 26*

the resource to continue to handle them so there is not necessarily that great a need to be able to dispose of a book of business if the price isn't right.

Those are situations where over the last several years, we've seen a number of transactions that have come to market and been quoted by a number of companies and then ultimately been pulled – and in some cases come back multiple times in subsequent years.

Some of those deals will eventually get done as liabilities mature and there's less volatility – it becomes easier for buyers and sellers to come together on price. But those have still tended to be the ones that more often than not have not been completed.

Brian Snover: I think that's absolutely right. The difference, a strategic seller versus a seller that's run out of strategies and I think there are probably challenges at both ends of that spectrum.

Peter Scarpato: *Have we, understanding that you have own experiences but also just sort of in general, seen what's going on in the market and what the trends have been over the last few years?*

Can you give any sort of recommendations for buyers and sellers in terms of what hasn't been done enough of before which should be done more in the future with these transactions. Or any sort of ideas for maximizing the potential for having the activity continue or grow and having deals close?

I guess I'm asking all the tough questions.

Brian Snover: The only thing I can think of that would have changed some of the situations I've personally been involved in is from a buyer's perspective, the degree to which the data is transparent and the systems are particularly accessible. There you're dealing with somebody who's actually taken the time to review themselves, the exposures they've got on a granular level of detail. And this all sounds as though it's instinctive. But I can't tell you the number of situations where that hasn't taken place.

But that certainly makes it the greatest challenge we've had is with trying to dig through the data and develop some comfort that we, ourselves, even from the perspective of a buyer who's never going to know everything, have a handle on how best to assess where the bodies are buried and what we're looking at.

Oliver Horbelt: I would mirror Brian's comments.

Neal Wasserman: I would agree. I don't think I have anything to add to Brian's comments.

Ali Rifai: *Now just to follow-up Brian, on your comment. Do you think that that's much different than in a regular M&A transaction where you're buying an insurance company? That management may not know the liabilities as well as maybe they should?*

Brian Snover: I don't think it's very different. I do think that if it's — to use the examples in the agenda — to use a runoff that is part of a larger currently writing carrier. I suspect the emphasis in many cases on keeping the data current and dealing with it is very different than one that's been a runoff for a very long time.

When you actually want to get ready to sell the thing, I've been involved in too many situations where the buyer is surprised by issues that come up that seem instinctive to me or readily apparent. But again, it's not a criticism.

It's just that when something goes into runoff for five or ten years, the emphasis changes and the priorities change and the investment and systems and interest in doing so changes or in talent. There's a reason that the entity is in runoff and somebody wants to shed itself of it and that usually gets reflected in the quality of the data that can be extracted easily from the systems or from the people that are still around.

Ali Rifai: *Okay. I think that's a very good point. I think that's a fruitful thought for anybody who's trying to sell a block of business. That before they go to market, they should spend the time to do the best they can to understand the liabilities.*

And if they can get to the bottom of it, at least understand why there are gaps that they can't fill. This way they can present a full picture to the buyer. Because like you said, you're not going to have perfect information at any time.

But the closer you are to that Holy Grail, so to speak, the easier the transaction will be done.

Brian Snover: I know everyone on the line would agree with me that I've been involved in many situations where it becomes clear about half way through that the objective of the counterparty was not so much to get a deal done with us but to see where we thought the gaps were so.

Oliver Horbelt: And in this respect, Brian, I think that a number of brokers and other consultants have actually added to the credibility of those processes.

Brian Snover: Yes.

Oliver Horbelt: And some better than others.

Brian Snover: Yes.

Ali Rifai: *Now Oliver going back to the solvency issue, do you*

continued on page 29

Roundtable on M&A Activity of Legacy Business *continued from page 27*

think Solvency II and some of the new IFRS would help with that the quality of information? Would force companies to do a better job in figuring out that information gap?

Oliver Horbelt: Well I think Solvency II is probably easier to answer at this point given that we've gone through a number of specification and calibration rounds. Capital management, though, will become much more important and integrated. And it will become transparent how well a company does that. For our market, I do believe that it will lead to an increased use of reinsurance capacity and the solvency specifications will allow for a number of carriers to provide superior solutions in that respect. Will it lead to an increase of legacy M&A? I really don't know at this point.

Neal Wasserman: I wanted to ask Oliver one more question related to Solvency II because there certainly seems to be a consensus that it will lead to more demand for these types of M&A transactions.

But the other side of the equation that I think sometimes gets ignored is what that does to the buyer side or the pricing side. And to the extent that required capital goes up for the seller, there's going to be a similar effect from a buyer's standpoint. Maybe there are some arbitrage opportunities but you're going to see prices go down, I would think. So if there's not right now the economic or pricing agreement to reach a transaction, I'm not sure you're going to have it after Solvency II comes into play because the demand is going to go up but the pricing requirement from the buyer is also going to change.

Oliver Horbelt: Well I think that that's partly true. What it will lead to is a heightened level of transparency about the real cost of capital of an insurance enterprise under a certain calibration logic. Redistribution of risk, for example by means of retroactive reinsurance, to a better diversified and a highly rated reinsurer can create significant capital relief that is not entirely erased by the capital requirements of the assuming entity. Therefore, and given the effects of diversification, if you look at the large reinsurance groups in the world those transactions are still worthwhile from an economic and solvency perspective. And that's reflected in the way the Solvency II standard model has been created.

So we believe that the motivation for doing these transactions from those perspectives will increase, especially for companies that have limited access to capital markets, that cannot increase their own funds and correct the solvency position in the timeframe that's needed.

Ali Rifai: *Okay this is great, thank you. One other question that we have is, can you tell us if you have seen any change in who the current buyers are in the market? Are there more money funds coming in? Are there more runoff specialists, brokers that have management companies?*

Who are you seeing in the market and is that a shift from where it used to be?

Neal Wasserman: Over the last few years, I don't think there's been a real significant change. Looking back over a ten-year period, certainly there are more far more runoff specialists.

But over the last few years, I think you've had a relatively stable group of buyers with the exception, as I stated at the outset, of some peripheral capital that was in the market and has left in the wake of the financial crisis.

But you now have a population of buyers that are really comprised either of the larger insurer and reinsurers like we have around the table here or the runoff specialists like the Enstars and Tawas and R&Qs.

Brian Snover: Yes I agree with Neal. I can't add much to what he said. That seems to be the population we're seeing. And in terms of again, the drivers on the buy side of this stuff, I get the sense that there are a couple of private equity firms that perhaps dabbled in this for a while and didn't like, for example, how long the capital can really get trapped.

And I'm not so sure it works well with their models and their drivers for the most part. I agree with Neal in terms of the players that are out there today.

Oliver Horbelt: Yes I think that the group that can seriously transact this business has stayed fairly consistent over the years with few new competitors in the marketplace. Probably 80% of all transactions (and that's both reinsurance and legacy M&A) are conducted by the top five to seven providers. Some of the sponsors might have changed with certain implications on hedge-fund driven capacity. But I don't think that the net-net impact is very observable.

Peter Scarpato: *And one other follow-up related question to that. What are the buyers that are out there looking for? I mean has it changed? Are they looking for blocks of business? Or are they looking to acquire legal entities?*

For example, one of the things that I heard years ago was, a big driver and why active companies wanted to shed some of their legacy runoff business was because it was sort of a drain on resources. It was a drain on capital. It was a drain on focus.

Are companies now, some of these larger companies staffing up or more comfortable with acquiring a runoff business that's part of a larger transaction and handling it in-house? Or is it the reverse effect?

continued on page 31

Roundtable on M&A Activity of Legacy Business *continued from page 29*

Neal Wasserman: I think whether buyers are looking for blocks of business or actual legal entities depends a lot on who the buyer is. From our perspective, we tend to look at both types of transactions, but would generally favor stand alone legal entities. That just fits our business model a bit better.

I suspect Brian and Oliver may have a different take on that. And I guess I'd be curious both from Brian and Oliver's perspective about whether or not the passage of 62R in the US creates opportunities for you to write loss portfolio transfers on blocks that might not have been available in the past?

Oliver Horbelt: Well I think the sophisticated buyers have the setup to acquire both discrete books as well as legal entities. And in the past both have been equally available.

In my view, blocks are usually more flexible to handle once you've managed to strip them out of the former parent. There are obviously the regulatory hurdles to do so and the options available to transfer blocks are vastly different in Europe, particularly the UK as we discussed compared to the US.

SSAP 62R does provide certain incentives for cedents to retroactively reinsure their legacy liabilities as in the benefit of applying prospective reinsurance accounting is a plus. I don't think it has been a market changing event as I think cedents are familiarizing themselves with the possibilities of let's say a more intuitive regulatory and accounting environment.

But we have seen an interest in retroactive reinsurance transactions that are driven by the change in the accounting treatment.

Ali Rifai: *I just have a follow-up question taking into consideration things that all of you have mentioned today, you've been in this space, and especially in the US, you've managed to figure out how to buy blocks of business or companies in runoff.*

Do you think if there was an opportunity or a law that would allow solvent schemes like in the UK, it would open the floodgates for run-off acquisition opportunities?

Or you have a template already of how to do it that it would only help on some transactions? But it wouldn't be this boom either for buyers or sellers?

Brian Snover: I just think the US regulatory legal environment makes it very difficult, I suspect, for a solvent-scheme type opportunity to really get a lot of traction.

With the level of litigiousness over here and the idea over here, under the 50 different regulators that Neal referenced earlier, that long tail liability creditors are going to be crammed down in terms of what they're going to take. And yet, equity will walk away with something, I think that's a very tough sell in the US.

I think that most of the greatest challenges to the success of specific solvent schemes in the UK have been from US creditors.

Neal Wasserman: I agree with Brian. You have in Rhode Island anyway, and Brian alluded to this earlier, you have solvent scheme legislation there that I think when it was passed a number of years ago, many people thought might lead to a number of these transactions being done.

None that I know of have occurred to date. There's one pending which I suspect will go through. But that's one that is somewhat unique in a lot of ways.

Brian Snover: (Yes).

Neal Wasserman: And I don't think that one deal is necessarily going to create the flood of further transactions. It's just the legal environment that Brian alluded to that I believe will prevent those kind of things from happening on a large scale in the US.

Oliver Horbelt: And as we know the New York statute allows for a plan of recapitalization for a reinsurance entity. And this statute has been in place for many years. Yet only a handful of companies have actually made use of it. So in those circumstances where you have the option space, it's not been used often.

Brian Snover: And even in the New York example that is very much a mechanism by which the entity is supposed to be reserving to pay its debts for a certain class of creditors. But its design never really was intended to be one by which the equities stakeholders could get their capital out sooner.

Oliver Horbelt: No, that's absolutely correct.

Ali Rifai: *That's great. I don't have any further questions. I don't know Peter, if you have any?*

Peter Scarpato: No I do not. My only other question would be if any of the gentlemen had any final comments or thoughts that we didn't touch on that might be important to the topic?

Ali Rifai: *Or even questions that they may have of each other. We open it up for discussion.*

Brian Snover: I'm grateful to be asked to do these things because I don't get the opportunity to hear from Oliver and Neal and people like that very often. So I learn a lot more than offer so thanks and sorry for that.

continued on page 34

Alert No. 35

KPMG Policyholder Support Update

KPMG's Restructuring Insurance Solutions practice has been providing Policyholder Support Alerts to the insurance industry regarding Schemes of Arrangement for a number of years. These alerts act as a reminder of forthcoming bar dates and Scheme creditor meetings. To subscribe to these alerts or access KPMG's online database of solvent and insolvent Schemes of Arrangement, please visit their website at www.kpmg.co.uk/insurancesolutions.

Solvent Schemes – Upcoming Key Dates

ENGLISH & AMERICAN UNDERWRITING AGENCY ('EAUA') POOLS

Schemes for the 16 companies which participated in the EAUA Pools were approved at Meetings of Creditors on 30 April 2010. The Schemes became effective on 12th October 2010 and the bar date was set as 11 April 2011. Further information is available on www.englishandamericanpools.com.

ALLIANZ GLOBAL CORPORATE & SPECIALTY (FRANCE); AGF MARINE AVIATION TRANSPORT AND COMPAGNIE D'ASSURANCES MARITIMES AERIENNES ET TERRESTRES ("CAMAT") ; ALLIANZ IARD; DELVAG LUFTFARHT VERSICHERUNGS AG; NÜRNBERGER ALLGEMEINE VERSICHERUNGS AG (IN RESPECT OF THE CAMOMILE UNDERWRITING AGENCIES LIMITED BUSINESS)

Schemes for the above companies were approved at Meetings of Creditors on 10 June 2010. The Schemes became effective on 26 July 2010 and the bar date was set as 21 February 2011. Further information is available on www.CUAL-scheme.co.uk.

Other Recent Developments

TOKIO MARINE EUROPE INSURANCE LIMITED ("TOKIO MARINE")

A Practice Statement Letter was sent to all known brokers and policyholders on 28 August 2009 indicating the above company's intention to propose a Scheme of Arrangement. No specific date for the application to the High Court of Justice of England and Wales for permission to convene Meetings of Creditors has been announced. Further information is available on www.TMEISCHEME.com.

MINSTER INSURANCE COMPANY LIMITED, MALVERN INSURANCE COMPANY LIMITED, THE CONTINGENCY INSURANCE COMPANY LIMITED, PROGRESS INSURANCE COMPANY LIMITED, GAN ASSURANCES (FORMERLY GAN ASSURANCES IARD), QBE INSURANCE (EUROPE) LIMITED AND THE RELIANCE FIRE AND ACCIDENT INSURANCE CORPORATION LIMITED

The bar date for the above companies' Scheme of Arrangement passed on 21 September 2010.

Insolvent Estates

ENGLISH & AMERICAN UNDERWRITING AGENCY ('EAUA') POOLS (ENGLISH & AMERICAN INSURANCE COMPANY LIMITED, THE INSURANCE CORPORATION OF SINGAPORE (UK) LIMITED AND THE HOME INSURANCE COMPANY (IN LIQUIDATION) - INSOLVENT PARTICIPANTS)

See Solvent Schemes above. ■

Please contact Mike Walker, Head of KPMG's Restructuring Insurance Solutions practice in the U.K. at mike.s.walker@kpmg.co.uk should you require any further information or guidance in relation to insurance company schemes and insolvencies.

Roundtable on M&A Activity of Legacy Business *continued from page 31*

Neal Wasserman: Likewise. And thanks to Peter and Ali and to Brian and Oliver. It's been an educational experience for me as well.

Oliver Horbelt: Yes, same here. I hope people get something out of this.

Ali Rifai: *I think they will. I think from my perspective, this was very informative, very useful. And, I think we all learn and a lot of people are going to learn from the three of you who are really in the middle of this space and know it more than anybody else.*

So we thank you very much for participating. I think this was very helpful. And I think it will be an excellent article that will be well received.

Peter Scarpato: *Well thank you very much; we appreciate it.* ■