

MANAGEMENT SOLUTIONS

Finality solutions and outsourcing options

We work in close partnership with our clients to such a degree that the line can blur between our two organisations. We share your goals and assume responsibility, ultimately, staking our reputation on being able to protect yours.

Thinking delivered

PRO Insurance Solutions

PRO offers a range of solutions designed to allow clients to progress, finalise or refocus their business. Our service takes many forms but the emphasis is always on problem-solving and delivering results.



Innovation
and support
underpinning
business strategy

Our clients choose PRO because we're able to professionally manage their liabilities and assets while also protecting corporate reputations and confidentiality. They are also aware of our track record in delivering innovation, and the fact that many of the solutions we have pioneered are now recognised as best practice throughout the industry. Using these solutions relieves them of the day-to-day management of liabilities as well as other operational issues such as staffing, premises and IT.

Whatever the type or scale of project, we put together a dedicated team which brings a profound knowledge of the intricacies of the insurance and reinsurance market and ensures a smooth transition. Below is an overview of our comprehensive range of management solutions.

Managing Discontinued Liabilities

There is an ever-increasing recognition of run-off as an industry and of the balance sheet benefits of effective run-off management. Managing discontinued liabilities demands entirely different skills to managing an ongoing portfolio, so it pays to seek advice from the specialists.

Our focus is firmly on managing discontinued liabilities to extract maximum value from the balance sheet in a manner that protects the reputation of our clients. We understand the key business drivers and can provide innovative answers. Using our professional services enables insurers and reinsurers to overcome the associated costs and restraints of run-offs and provides the opportunity to refocus their business.

Every portfolio has idiosyncrasies and every client has different objectives. Our team has the experience and skilled resource to adapt to meet those objectives. We always begin with in-depth initial consultation. Once we have a clear picture of our client's issues and long term requirements, we are then able to focus our advice and recommend a tailored solution that may incorporate:

- Traditional Run-Off
- Accelerated Run-Off
- Practical Finality through Reinsurance Solutions
- Sale of the Company
- Solvent Scheme of Arrangement
- Part VII Portfolio Transfer.

Run-Off Solutions

There are a number of options available to businesses managing discontinued liabilities – which one is right will depend on the nature of the discontinued business as well as the constraints and objectives of the capital providers.

Traditional run-off

Our team is equipped to add value at all stages of the run-off cycle, from developing strategies for entering run-off through to exit strategies for finality and closure. Based upon the agreed run-off strategy, we provide a dedicated team to manage the process from start to finish. As part of that service we can also tackle the difficulties associated with managing a run-off in-house, such as lack of staff motivation and retention. The management reporting developed by PRO allows clients to control their business without a significant strain on management time.

Traditional run-off strategies allow clients to:

- Ensure liabilities are contained and reduced wherever possible by proactive claims management
- Maximise assets via reinsurance recovery
- Control ongoing operational costs
- Manage cash requirements
- Enhance their reputation
- Provide exit solutions if required.

Accelerated run-off

Our team is equipped to add value at all stages. Increasingly, clients require a strategy which involves more than the ongoing management of discontinued liabilities – one which delivers improved balance sheet management and the potential release of capital.

For these clients, an accelerated management of the run-off is the answer. Achieved through commutations, it enables them to reduce insurance liabilities and realise reinsurance assets. It also minimises risk, reducing the portfolio to a more manageable level and creating the opportunity for final closure. The strategy is particularly relevant in circumstances such as:

- Reducing liabilities and realising reinsurance assets on large complex books to facilitate closure
- Maximising reinsurance assets on highly geared books by commuting reinsurance in advance of closure
- Reducing liabilities on a step by step basis for volatile portfolios where liabilities or data is unknown.

As well as allowing the potential release of reserves, an accelerated strategy also delivers a saving in management expenses.

We provide a wealth of experience in developing commutation strategies complemented by skilled commutation resource.

Finality Solutions

More and more businesses are acknowledging the importance of proactively dealing with discontinued liabilities. Increased regulatory capital requirements to underwrite business, growing expectations of shareholders and the rising influence of rating agencies are just some of the reasons why.

PRO has a market-leading focus on developing strategies that bring finality to discontinued liabilities. This allows our clients to achieve closure of portfolios and, where possible, release surplus capital.

Working with a number of capital providers, we offer a range of finality solutions.

Reinsurance Solutions (Practical Finality):

This method ring-fences the whole or parts of the balance sheet by transferring liabilities to a financially strong reinsurer. The future operational costs and/or the costs of reinsurers default can be included. It releases the capital required to support liabilities by replacing it with a reinsurance cover.

Ensuring the security of reinsurers and the limit of cover is essential to ensure “practical finality”. We are able to achieve this by sourcing reinsurance products from a selection of reinsurance partners.

There are numerous benefits to Practical Finality:

It provides certainty by transferring liabilities, including an allowance for unforeseen deterioration, risk of reinsurer default, cost of management and other operating expenses. The transaction is relatively straightforward and can be completed quickly. Practical Finality is particularly suitable for large complex portfolios and it allows all aspects to be covered. Structuring transactions is flexible and there is an option to include loss corridors and profit commission. It is often the most effective solution for freeing up assets stranded overseas.

Sale of the Company:

This solution provides owners with complete finality (unless guarantees or warranties are given to the buyers) and has the benefit of releasing any surplus capital, allowing the company to focus on ongoing business. We work with a range of leading capital providers to facilitate the sale process. A sale to a third party investor or vulture fund can be coupled with reinsurance backing from a major risk carrier. Following the sale, we handle all aspects of ongoing operations, greatly minimising potential damage to corporate reputations.

Solvent Scheme of Arrangement:

A Solvent Scheme of Arrangement (as governed by the Companies Act 1985) introduces a wholesale estimation of all present and future claims liabilities at a set date. A very flexible mechanism, it brings about a commutation with all policyholders and allows a final distribution to be made to creditors.

The advantage of this solution is that it enables a book of business to be shut down, providing certainty and the potential to release surplus capital. It also brings an end to a long tail run-off and potential claims deterioration and reinsurance failure. Long-term, there are also savings on future run-off costs.

We provide strategy planning, management of operational activities and IT solutions as part of the scheme process. We also offer pre-scheme commutation advice which can help to alleviate the risk of lost reinsurance.

Part VII Portfolio Transfer:

This is a mechanism for transferring general insurance business, ranging from single contracts to an entire portfolio, to another insurer. This procedure is set out in the Financial Services and Markets Act 2000 (FSMA2000). Following Court approval, it provides the power to transfer assets as well as liabilities of the transferring business. Such assets can include the cash supporting reserves, the reinsurance assets and trust funds.

The advantages of Part VII Transfers are that they offer finality to the transferor and have the flexibility to be applied to portfolios or whole books, they also have considerable benefits for the collapse of complex (re)insurance pools. Following transfer the court has power to make an order for the dissolution of the transferor.

Our experienced team is able to help with all aspects of the transfer, including identifying and preparing the business to be transferred and the preparation of the report by the independent expert, as required by FSMA2000.

Managing live business

Administration support

In a competitive marketplace based on high volume processes, the right administrative support is vital. Our large, multi skilled support team enables clients to reduce the overhead costs normally associated with our industry. Additionally, we can provide resources on a flexible contract to meet seasonal peaks or to help clear backlogs.

We offer expertise and support in all these key areas:

- Underwriting contract processing, full risk input
- Premium processing and collection
- Broker ledger reconciliation
- Advice on extracting an improved level of service from brokers
- Credit control collection services
- Claims adjusting
- Inspections and audits
- Commutations.

