# Portfolio Transfers

Portfolio transfers are becoming an increasingly popular mechanism for insurers and reinsurers to release capital from their discontinued businesses. They are a legal mechanism by which insurance and reinsurance business is transferred from one risk-carrier to another.

The effect of such a portfolio transfer is that the old risk-carrier (the transferor) is released and replaced by the new risk-carrier (the transferee) as the insurer/reinsurer of the transferring policyholders/cedants under the transferring contracts. Benefits include:

- Economic and legal finality
- Release of 'trapped' capital
- Avoidance of additional capital requirements and increased regulatory compliance costs as world-wide regulation and capital requirements for insurers and reinsurers increase
- Savings of future run-off costs for discontinued business
- Release of senior management time to concentrate on core businesses
- Removal of risk of adverse insurance and credit default development.

Portfolio transfers are particularly popular in the European Economic Area (EEA), where European Directives have required member states to implement a process for the transfer of insurance and reinsurance business and the move towards a Europe wide regulatory regime gathers pace.

Not all member states have adopted exactly the same transfer procedure, but all have in common the need for regulatory approval, together with some notification/advertising, and a three month period in which to consult with other EEA regulators in transfers of direct insurance business. The UK portfolio transfer procedure under part VII of the Financial Services and Markets Act 2000 (known as a part VII transfer) has become a much used finality tool, with well in excess of 100 part VII transfers having been completed since the Act came into force.

The transfer procedures in the UK and Ireland can be distinguished from the equivalent procedures in most continental European states, in that Court approval is required for a portfolio transfer in the UK and Ireland, as well as regulatory consent. In addition, the transfer procedures in the UK and Ireland permit the transfer of the outwards reinsurance contracts protecting the transferring business without requiring the consent of outwards reinsurers, which has the benefit of ensuring that the reinsurance asset in respect of the transferring business is preserved for the benefit of the transferee post-transfer.

We have completed numerous sizeable portfolio transfers globally, without disruption to counterparty business. Jurisdictions in which we have successfully completed transfers include the UK, Denmark, Norway, Japan and Australia. We are currently engaged in transfers in the UK, Germany and Belgium, and are also familiar with the local transfer procedures in France, Holland, Ireland, Italy and Sweden.

> Enstar Group Limited brings global expertise to identifying, quantifying and rapidly releasing capital.

**Contact**
**Paul O'Shea**
**President**

**Enstar Limited**
**P.O. Box HM2267**
**Hamilton**
**HMJX**
**Bermuda**

**Tel: +1 441 292 3645**
**enquiries@enstargroup.bm**

Your strategic partner

www.enstargroup.com