

2022 in review

Non-life insurance run-off deals

February 2023

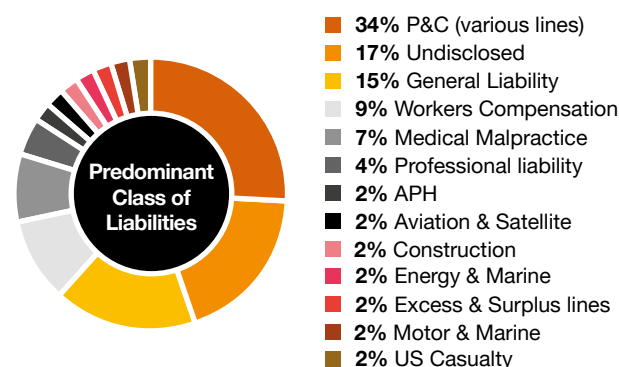
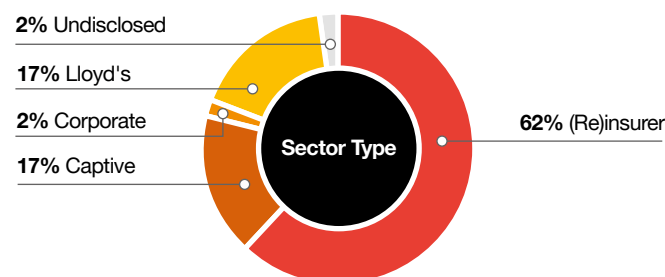
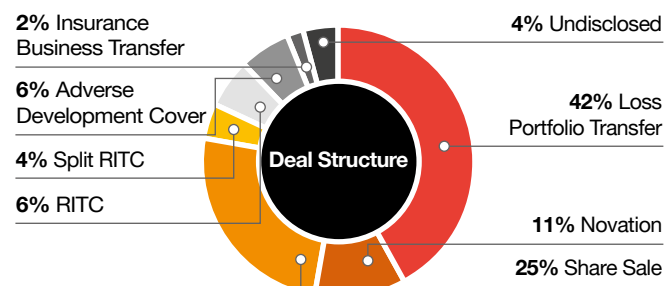
2022 was another active year in the non-life run-off deals market with 48 transactions being publicly announced. We have seen large deals being completed and North America has once again dominated geographically by deal volume, accounting for more than 50% of all transactions.

Given the growing profile of the legacy sector recently, at face value the number of deals looks low compared to the previous two years (54 and 53 publicly announced deals in 2021 and 2020 respectively). However, 2022 saw a number of very significant deals being announced, topped by Enstar's \$3bn+ deal with Aspen plus multiple deals at Lloyd's. These, including an innovative split RITC that PwC advised on, fuelled the same quantity of estimated liabilities being acquired by the legacy market as in 2021 (c.\$8bn) despite the decrease in deal volume. This trend towards larger deals looks set to continue with a number of substantial deals set to be announced in Q1 2023 and our conversations with market participants indicate that a number of players will be announcing deals that they have recently been concluding.

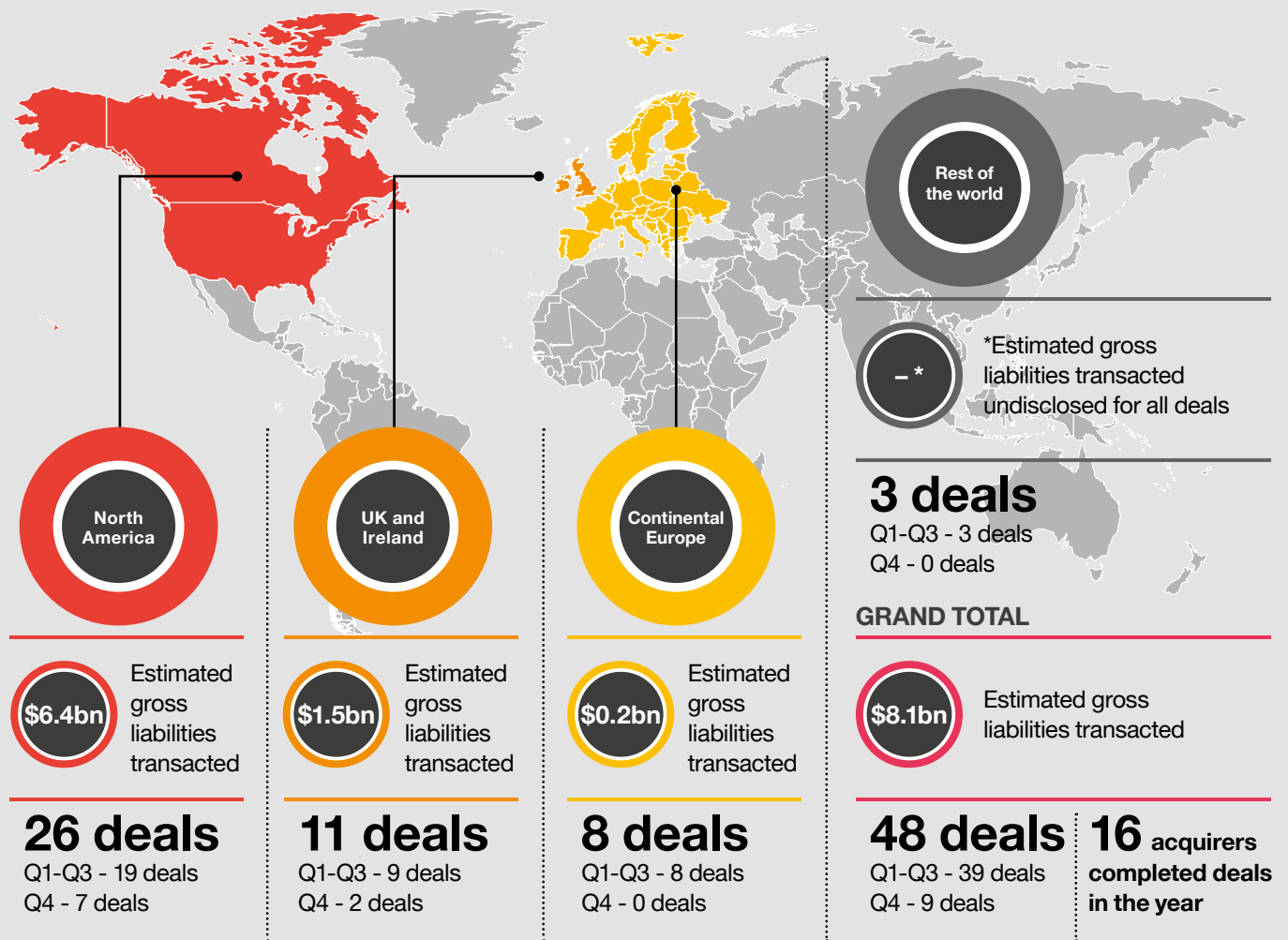
A further factor potentially influencing deal volume in 2022 has been the general uncertain economic environment and the protracted period of high inflation. Whilst supply into the market from sellers and brokers has been plentiful, it appears that acquirers have retained their pricing discipline. This underwriting caution and ensuring that the deal is the "right deal" through detailed due diligence has likely contributed to some transactions remaining on the shelf. As we move forward into 2023, we expect to see a continuing

focus by sellers and their advisers on providing better quality data to allow acquirers the best chance to price accurately and competitively. Better data is being demanded to support all business processes and acquirers too are increasingly transforming their data and analytics capabilities to improve efficiencies in due diligence, integration and claims handling to add valuable margins to their returns.

Transactions by volume:



2022 Deal Activity by Region



Another theme that emerged during the year was arguably the beginning of a resurgence in Part VII transfers in the UK. A number of legacy consolidators concluded Part VIIs either with third parties to consummate the legal transfer of liabilities subject to an initial reinsurance transaction or to generate internal synergies and savings by consolidating books to facilitate entity clean up. In some contrast, momentum and take up in the US IBT market remains frustratingly slow but it is anticipated that 2023 will see further IBTs concluded and potentially additional US states entering the market with their own transfer regulations.

The market's growth to date has often been driven by specific structural catalysts including Solvency II and the Lloyds Decile 10 review. The current activity in the sector is characterised by the increasing recognition from (re)insurers of the capital benefits that can be obtained from a back book transaction, particularly in a persisting hard market. Whilst the legacy market will always be available to deal with non-core or problematic portfolios, this heightened capital optimisation driven rationale for exploring legacy transactions is encouraging for the long term sustainability and continued growth of the market.

The fallout from the 1/1 reinsurance renewal season is yet to be seen but it is expected that one impact of the reduction in reinsurance capacity will be greater contraction in underwriting business plans, which may even flow into exits at the primary insurer level. This should logically lead to greater deal flow for the legacy market as carriers will start to explore what to do with closed lines which will prove to be a drain on capital and resources. It will also be interesting to see if 2023 sees a breakthrough in ESG opportunities for the market as insurers continue to refine and focus their journey towards net zero and social responsibility.

We might also witness an increase in secondary market legacy deals. Larger and mid-tier players may look to clear out older books of business that are no longer satisfying their return hurdles or have a disproportionate cost burden but which could still be attractive to other players with slightly different models at the smaller end of the legacy food chain.

The continued collaboration of the live and legacy markets to seek solutions to optimise capital and streamline operations, could lead to a bumper year for deals in the legacy market in 2023.

Deals in Q4 2022

Acquirer Group	Target	Country of Target	Predominant Territory	Type of deal	(Re)insurer/ Lloyds/ Captive/ Corporate	Predominant class of liabilities
Canvas Holdco LLC (JV of Global Risk Capital LLC and Premia)	SPX Technologies	USA	North America	Share Sale	Corporate	APH
Compre	Medical Insurance Company DAC	Ireland	UK & Ireland	Share Sale	Corporate	Medical Malpractice
DARAG	Undisclosed US carrier	Bermuda	North America	Loss Portfolio Transfer	(Re)insurer	Workers' Compensation
Fleming Re	Conifer Holdings Inc.	USA	North America	Loss Portfolio Transfer	(Re)insurer	Undisclosed
Genesis Legacy Solutions	CPA Insurance Inc.	USA	North America	Share Sale	Captive	Undisclosed
Premia	Undisclosed	USA	North America	Undisclosed	Undisclosed	Undisclosed
Quest	Aioi Nissay Dowa Insurance Company, Ltd.	UK	UK & Ireland	Insurance Business Transfer	(Re)insurer	Aviation & Satellite
R&Q	Undisclosed	USA	North America	Loss Portfolio Transfer	(Re)insurer	General Liability
RiverStone International	Axis Capital	Bermuda	North America	Loss Portfolio Transfer	(Re)insurer	Professional liability

Deals in Q1-Q3 2022

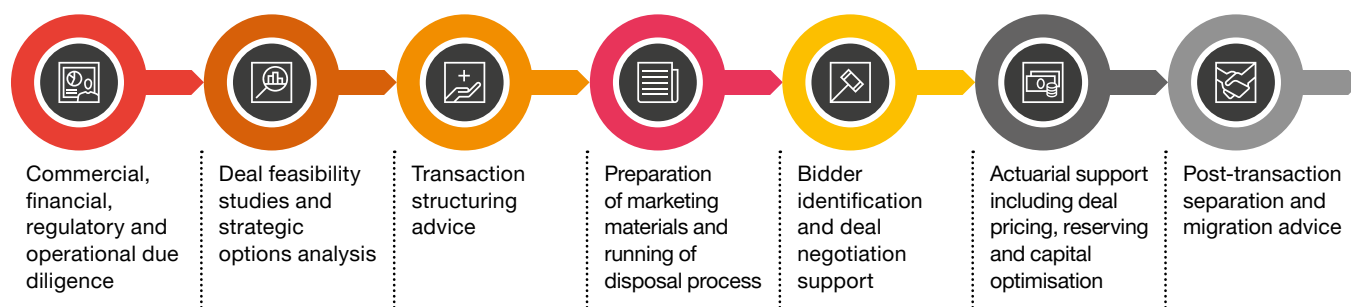
Acquirer Group	Target	Country of Target	Predominant Territory	Type of deal	(Re)insurer/ Lloyds/ Captive/ Corporate	Quarter Transacted
DARAG	Unnamed Guernsey based reinsurance captive	Guernsey	Continental Europe	Share Sale	Captive	Q1
Enstar	Aspen Insurance Holdings Limited	Bermuda	North America	Loss Portfolio Transfer	(Re)insurer	Q1
Fortitude Re	JRG Reinsurance Company Ltd.	Bermuda	North America	Loss Portfolio Transfer	(Re)insurer	Q1
Fortitude Re	Undisclosed	Bermuda	North America	Loss Portfolio Transfer	(Re)insurer	Q1
Genesis Legacy Solutions	Applied Medico-Legal Solutions Risk Retention Group	USA	North America	Adverse Development Cover – in the money	(Re)insurer	Q1
Marco	Verto Syndicate 2689	UK	UK & Ireland	RITC	Lloyd's	Q1
R&Q	Firstgroup Plc	UK	UK & Ireland	Loss Portfolio Transfer	(Re)insurer	Q1
R&Q	Hiscox	Bermuda	North America	Loss Portfolio Transfer	(Re)insurer	Q1
R&Q	Undisclosed	USA	North America	Loss Portfolio Transfer	Captive	Q1
R&Q	Undisclosed	Australia	Rest of world	Adverse Development Cover	(Re)insurer	Q1
RiverStone (USA)	Crum & Forster	USA	North America	Loss Portfolio Transfer	(Re)insurer	Q1
RiverStone International	Acappella Syndicate 2014	UK	UK & Ireland	RITC	Lloyd's	Q1
RiverStone International	MS Amlin	UK	UK & Ireland	Split RITC	Lloyd's	Q1
Swiss Re	Undisclosed	Singapore	Rest of world	Loss Portfolio Transfer	(Re)insurer	Q1
Swiss Re	Champlain Reinsurance Company	Switzerland	Continental Europe	Share Sale	Captive	Q1
Catalina Holdings (Bermuda) Ltd.	Subsidiaries of QBE Insurance Group Ltd.	Bermuda	North America	Loss Portfolio Transfer	(Re)insurer	Q2
Compre	Undisclosed	Undisclosed	Continental Europe	Loss Portfolio Transfer	(Re)insurer	Q2

Deals in Q1-Q3 2022

Acquirer Group	Target	Country of Target	Predominant Territory	Type of deal	(Re)insurer/ Lloyds/ Captive/ Corporate	Quarter Transacted
Cowen	Kelvin Re	USA	North America	Share Sale	(Re)insurer	Q2
DARAG	Undisclosed	USA	North America	Novation	Captive	Q2
Fortitude Re	Plans' Liability Insurance Company	USA	North America	Share Sale	(Re)insurer	Q2
Genesis Legacy Solutions	Mary Free Bed Rehabilitation Hospital	USA	North America	Adverse Development Cover	(Re)insurer	Q2
Marco	Capita Insurance	UK	UK & Ireland	Share Sale	Lloyd's	Q2
R&Q	Undisclosed	France	Continental Europe	Novation	(Re)insurer	Q2
R&Q	Undisclosed	USA	North America	Loss Portfolio Transfer	(Re)insurer	Q2
RiverStone International	Pioneer Syndicate 1980	UK	UK & Ireland	RITC	Lloyd's	Q2
Swiss Re	Frank Winston Crum Insurance Co.	USA	North America	Loss Portfolio Transfer	(Re)insurer	Q2
Compre	Basler Sachversicherungs AG	Germany	Continental Europe	Loss Portfolio Transfer	(Re)insurer	Q3
Compre	Undisclosed	France	Continental Europe	Loss Portfolio Transfer	(Re)insurer	Q3
DARAG	Undisclosed	USA	North America	Undisclosed	(Re)insurer	Q3
DARAG	Undisclosed captive	USA	North America	Novation	Captive	Q3
Enstar	Argo Group International Holdings, Ltd.	USA	North America	Loss Portfolio Transfer	(Re)insurer	Q3
Enstar	Probitas 1492	UK	UK & Ireland	Split RITC	Lloyd's	Q3
Premia	Hiscox Syndicate 33	UK	UK & Ireland	Loss Portfolio Transfer	Lloyd's	Q3
R&Q	Undisclosed	Isle of Man	Continental Europe	Share Sale	Captive	Q3
RiverStone (USA)	Western Property & Casualty Insurance Company	USA	North America	Share Sale	Captive	Q3
RiverStone International	Syndicate 5151 managed by Endurance at Lloyd's, Sompco International	UK	UK & Ireland	Share Sale	Lloyd's	Q3
Swiss Re	AIG Re-Takaful Berhard Company	Malaysia	Rest of world	Novation	(Re)insurer	Q3
Swiss Re	Glacier Reinsurance AG	Switzerland	Continental Europe	Share Sale	(Re)insurer	Q3
Swiss Re	Undisclosed	USA	North America	Novation	(Re)insurer	Q3

How we can support our clients

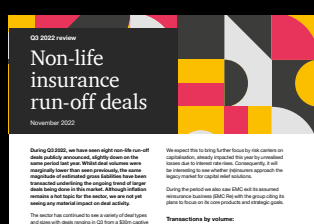
The non-life insurance run-off deals team has access to more than 200 specialists who can provide expert support throughout the deal lifecycle, including:



Further information on the non-life run-off insurance market on pwc.com



[Global Insurance Survey 2022](#)



[Non-life insurance run-off deals Q3 2022](#)



[Non-life insurance run-off deals H1 2022](#)



[Non-life insurance run-off deals 2021](#)

Global Insurance Run-off Survey 2022

We launched our latest Global Insurance Run-off Survey in September 2022 which contains thought leadership pieces on a range of topics including the run-off deals landscape, regulatory challenges, value creation opportunities, operational implications of run-off deals and optimisation of capital. The Survey report also includes a deeper dive into run-off activity in each of the prominent territories around the world. We continue to receive positive feedback on the Survey and you can check it out using the link above.

Contact the team

Andrew Ward

M: +44 (0) 7902 792216
E: ward.andrew@pwc.com

Hannah Vaughan

M: +44 (0) 7850 513301
E: hannah.m.vaughan@pwc.com

Louis Isaacson

M: +44 (0) 7805 235949
E: louis.isaacson@pwc.com

Alan Augustin

M: +44 (0) 7720 425892
E: alan.augustin@pwc.com

Robbie Kerr

M: +44 (0) 7841 786570
E: robert.d.kerr@pwc.com

Tilda Smail

M: +44 (0) 7483 927966
E: matilda.a.smail@pwc.com

About the data

The data used in this publication has been sourced from company announcements and other publicly available information from date of publication rather than from completion date.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2023 PricewaterhouseCoopers LLP. All rights reserved. 'PwC' refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

SPS Design RITM10773670 (01/23).