



News release

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Contacts	Marina Mello Email: marina.mello@pwc.com Phone: +1 441 505 3127
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PwC: ‘Bermuda a place for insurance runoff excellence’

PwC’s Global Insurance Run-off Survey estimates global non-life run-off market liabilities of \$864bn

HAMILTON, Bermuda – According to PwC’s latest [Global Insurance Run-off Survey](#) analysis, the growth in legacy activity predicted in the last edition of this Survey has materialised, boosted by significant investment in both new and existing legacy players. The market has maintained its momentum, with over 100 legacy deals publicly announced since our last Survey, consistent with the volume in the prior period.

The Survey includes a number of views from Bermuda chief executives and analysis and insights on the Bermuda market from **PwC’s James Ferris**:

“2020 saw the continual growth of Bermuda’s reputation as a place for runoff excellence,” Ferris says. “The likes of Compre established its Bermuda operations in the year, along with a capital raise, and we saw Darag’s Bermuda entity established in 2020 increase its deal flow. We expect further establishment of Bermuda entities from run-off players into 2021 pointing to the Bermuda Monetary Authority (BMA) becoming a significant regulator in respect of run-off operations globally, as well as group supervisor of significant amounts of US and UK/European liabilities.

“With this critical mass, we expect the Bermuda market stakeholders to continue developing the next generation of innovation for Bermuda to keep it at the forefront of legacy solutions. While 2020 saw a Bermuda domiciled consolidator complete its first US IBT, Bermuda has not yet developed its own framework for IBT akin to the Part VII process, something which may be required in time to support the industry. The year also saw Bermuda being placed on the National Association of Insurance Commissioners (NAIC) List of Reciprocal Jurisdictions effective 1 January 2020, which we expect to only increase the attractiveness of reinsuring into the territory and the solutions that can be developed.

“We may see strong demand for Bermuda specific legacy solutions in the coming years as the 2021 renewal season suggests pricing of new contracts is hardening, which will put those reinsurers with capital intensive legacy business in the spotlight. To maximise investor returns, established insurers should be looking at ways to effectively pass legacy liabilities into the run-off market and recycle the capital into more profitable underwriting.”

Damian Cooper, Insurance partner, PwC Bermuda, commented: “The non-life run-off market has shown tremendous resilience in the face of COVID-19. The strong deal activity has been boosted by some significant investments in both new and existing players. Over the next few years market conditions look conducive to further growth, which is strongly supported by this year’s survey responses.”



Survey respondents predict legacy deal activity will remain at record highs, with the US and Lloyd's markets continuing to be particularly busy. Respondents further indicate that they expect the sector to be heavily influenced by factors such as increased levels of capital availability and hardening live market conditions, which will ensure a strong supply pipeline over the next two years.

Survey key findings

- The majority of Survey respondents believe the global legacy market is growing
- Key restructuring drivers remain consistent with the deal flow that has been observed in the market over the past two years.
- Releasing capital continues to be the primary driver of run-off activity, followed closely by disposing of non-core business and achieving early finality.
- 93% of respondents believe new capital will continue to be made available to legacy market players in the current hardening market.
- 79% of respondents foresee consolidators pricing legacy deals at Internal Rates of Return (IRR) of between 10-20%.

Estimates of market size

- Overall, PwC estimates that the global non-life run-off reserve has increased to US\$864bn, a 9% increase since the previous edition of the Survey.
 - The North America region continues to dominate, with reserves of US\$402bn.
 - UK and Continental Europe markets have a combined reserve of US\$302bn.
 - Run-off liabilities in other key territories, including Asia, the Middle East and South America, have combined liabilities of US\$160bn.

"The legacy market has never been as active as it has since our last Survey, both from a deals perspective, but also from a legacy management perspective within groups. More of our professionals than ever are involved in providing insights and services to the market and we can only see this continuing to expand as the market evolves and develops," **Jim Bichard, Global Insurance Leader, PwC UK.**

Ends

Read PwC's [Global Insurance Run-off Survey](#) for more insights on 2020 and 2021.

Notes

PwC's Global Insurance Run-off Survey is produced in conjunction with IRLA and AIRROC. Our online Survey was sent to a cross section of individuals at (re) insurers, legacy business acquirers, brokers, service providers and other stakeholders in the non-life legacy insurance market.

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