

DEUTSCHE RÜCK SCHEME SANCTIONED

Chiltington International Limited, run-off adviser to Deutsche Rück UK Reinsurance Company Limited ("**DRUK**") announced that DRUK's Solvent Scheme of Arrangement was sanctioned by the High Court on 16 June 2009 and became effective on that date. The Scheme was approved by an overwhelming majority of creditors at a meeting held in May 2009.

DRUK is the UK subsidiary of Düsseldorf-based German reinsurer, Deutsche Rückversicherung AG ("**DR AG**"). The Scheme business consists of reinsurance business written by DRUK in London together with two portfolios of reinsurance business transferred from DRAG to DRUK in October 2007. These transfers represented the first use of a German law similar to Part VII of the UK's Financial Services and Markets Act 2000, and Chiltington and Sidley Austin LLP advised DRUK in carrying them out.

Presenting Chiltington and Sidley Austin with an award for excellence in relation to these portfolio transfers in November 2008, Philip Grant, then Chairman of the Association of Run-Off Companies, commented that the transfer represented "an imaginative and innovative use of legislation to achieve administrative efficiencies and an optimal use of jurisdictions for finality."

Chiltington and Sidley Austin LLP's London-based insurance team, advised DRUK in relation to the Scheme of Arrangement.

Juergen Rehmann, DR UK's managing director commented "DRUK also believes the scheme is notable for its ease of use for creditors and which is a principle which the company felt important to try to achieve. Examples of the features to achieve this are that there is no so called "Ascertainment Date", which forces creditors to value their claims at a specified date and the provision of long tail claim benchmark factors in the Claims Valuation Methodology for optional use by creditors, particularly those without their own data."

Group Head of Consulting at Chiltington, Ian Marshall said "Predictions that Continental European insurers and reinsurers will increasingly look to consolidate legacy business into the London Market have been given an added fillip by DRUK's achievements".

Nigel Montgomery of Sidley Austin noted that "The transfer of business within insurance groups is likely to increase in anticipation of Solvency II particularly given the savings that can be achieved by consolidating run-off, as well as the potential to apply Schemes of Arrangement where they are appropriate."