

Insurance Day - 09-11-2007

## **Deutsche first German firm to move run-off to UK subsidiary**

**Peta Miller**

DEUTSCHE RÜCK has become the first vehicle to use new German rules under the European Union (EU) Reinsurance Directive to transfer run-off business to a UK subsidiary, writes Peta Miller.

Deutsche Rückversicherung, based in Düsseldorf, used the legislation to transfer third-party run-off reinsurance business to its UK subsidiary, Deutsche Rück Reinsurance Company, where it will be managed by run-off consultant Chilmington International.

It achieved the transfer using rules that came into force in Germany on June 2 under the new Insurance Supervisory Act VAG, introduced by the German parliament as part of the country's implementation of the directive.

The objective of the move is to wind up the run-off while insulating the core active reinsurance business of Deutsche Rückversicherung from any future adverse loss deterioration as it continues operating.

Deutsche Rückversicherung chief executive, Jürgen Rehmann, said: "The key benefit of this initiative is that it enables us to fix a maximum cost for the run-off liabilities and to concentrate those liabilities in the UK."

Chilmington group head of consulting, Ian Marshall, said that while the German procedure had been simpler and less costly "in this particular situation", this did not negate the advantages of the Part VII transfer in other situations. "In this respect, the German transfer procedure should be seen as a valuable addition to the overall toolkit for Germany-UK transfers, not a replacement of existing mechanisms," he said.

In August, motor insurer Highway completed its exit from Lloyd's via the first transfer of non-life business outside the market (IDnewscentre, Aug 2).