



Institute
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IFoA GIRO Conference 2024

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Actuaries in legacy deal pricing

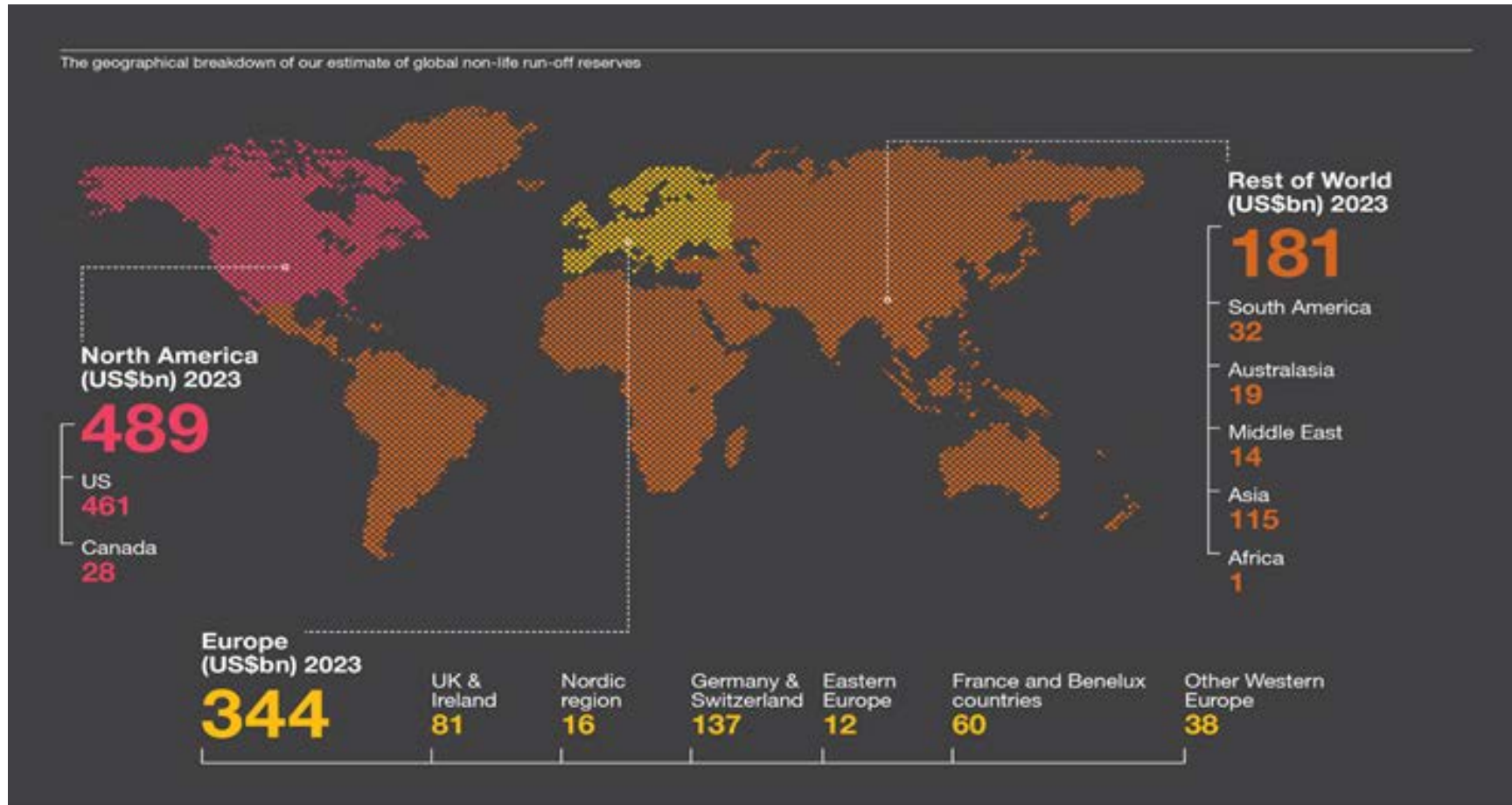
Philip Jacob, PwC
Charan Maheswaran, PwC

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How big is the legacy market?



Global non-life run-off reserves

> US\$1tn

Global corporate run-off liabilities

> US\$73bn

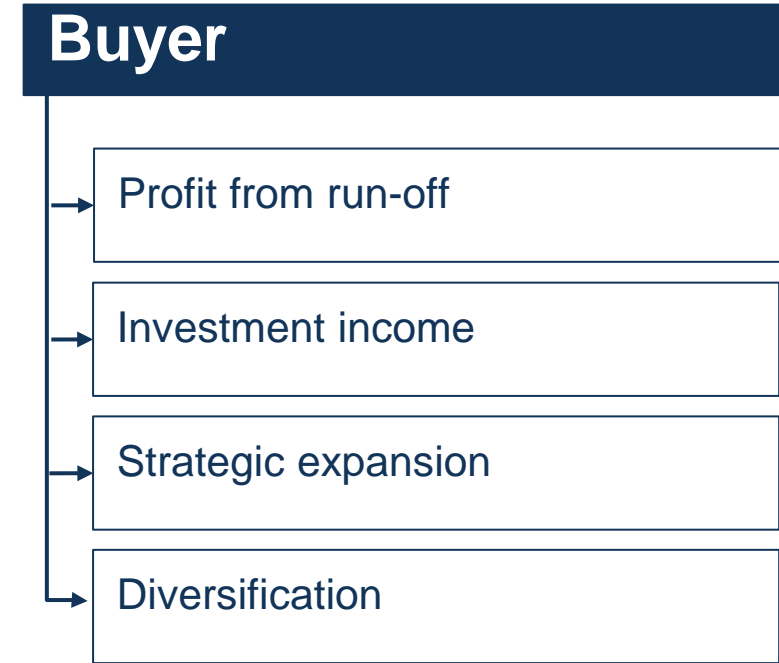
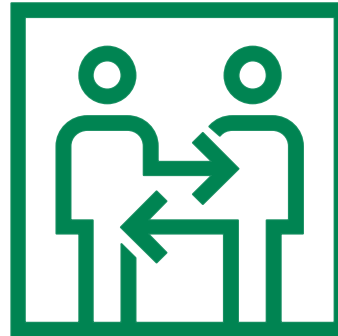
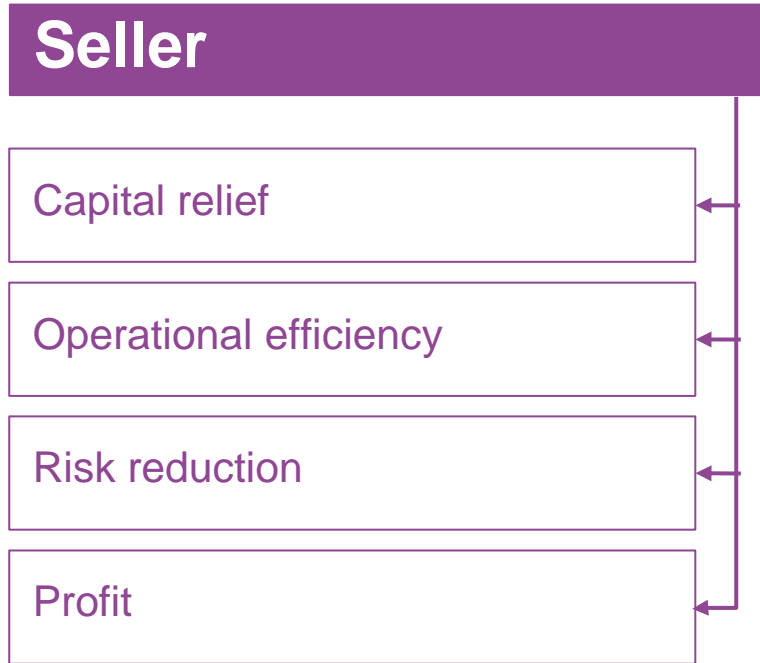
Source: PwC Global Insurance Run-off Survey 2024

Publicly disclosed legacy deal activity – Q1-Q3 2024



Source: PwC Non-life insurance run-off deals review Q3 2024

Why do a legacy deal?



Transaction structures

Reinsurance

Loss Portfolio Transfer (LPT)

Adverse Development Cover (ADC)

Reinsurance to Close (RITC) - Lloyd's

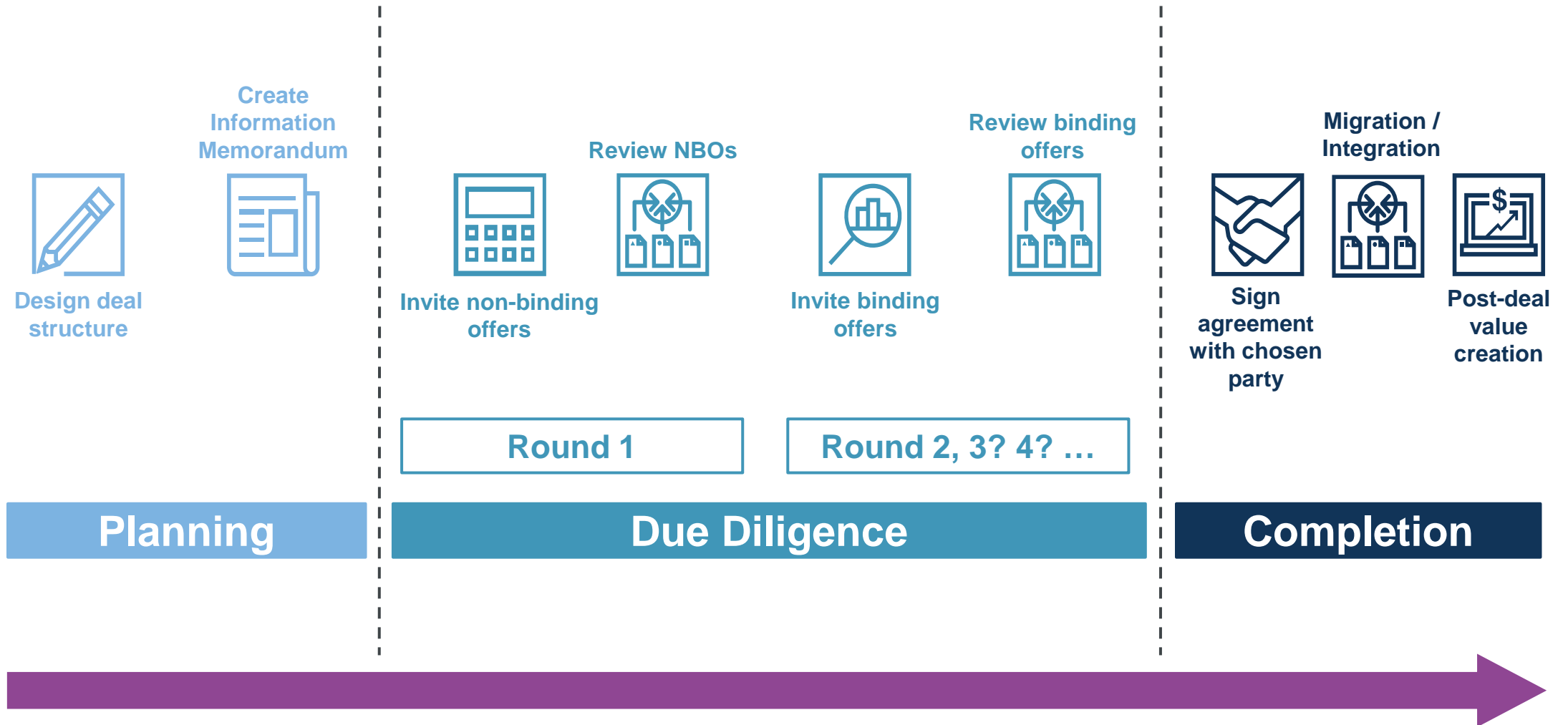
Legal finality

Insurance Business Transfer (IBT)

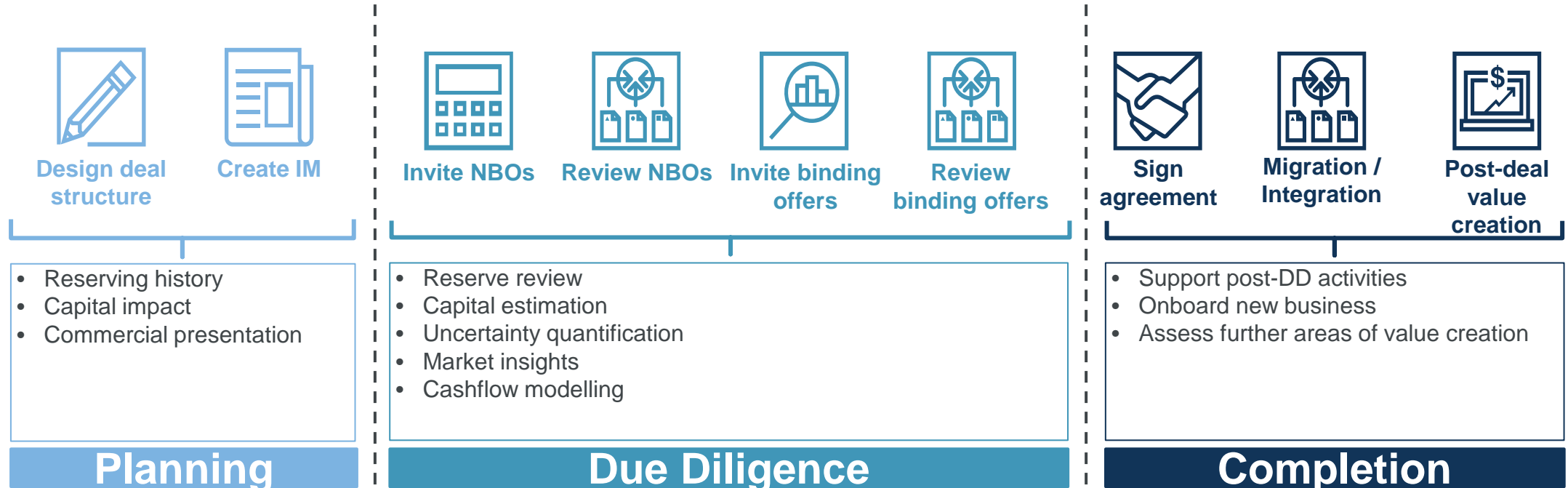
Share sale

Novation

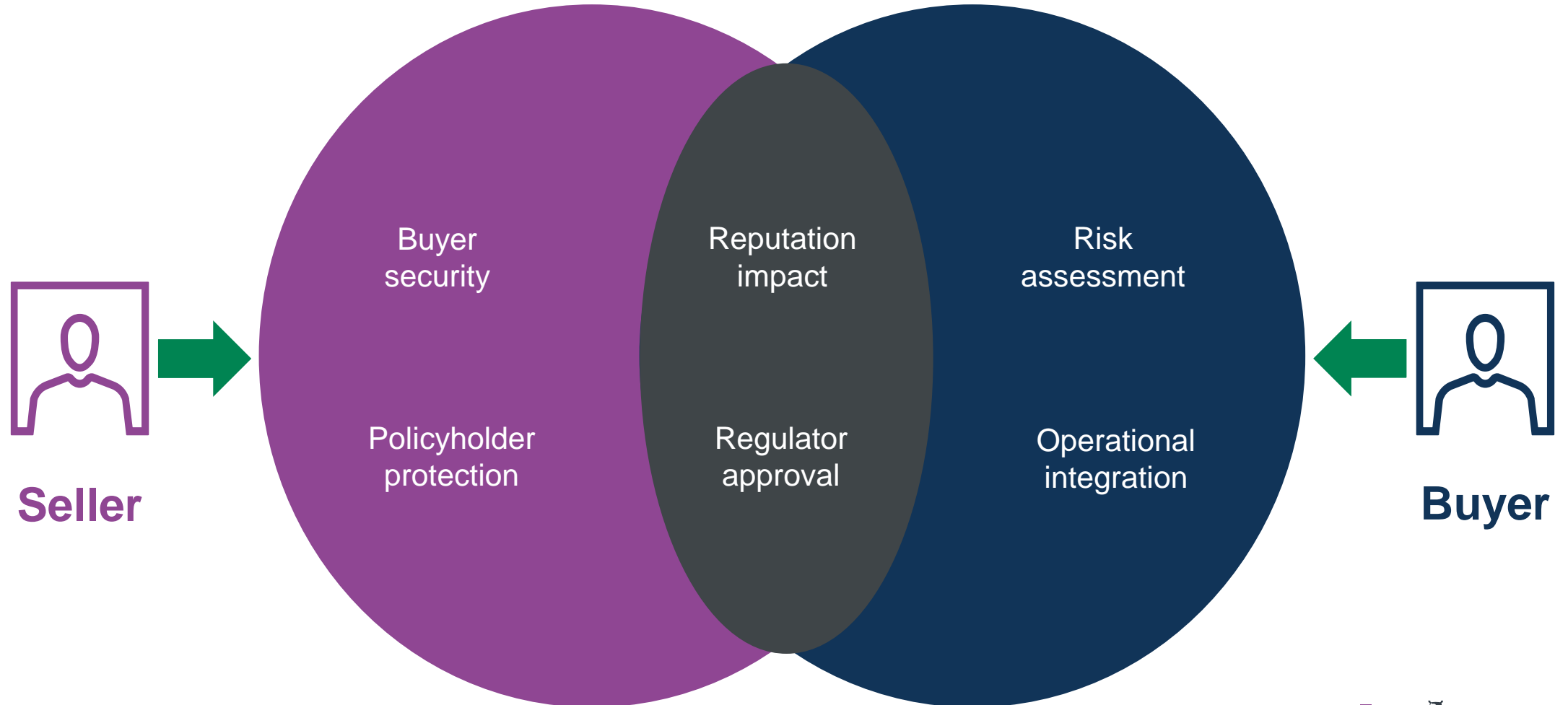
Transaction process – overview



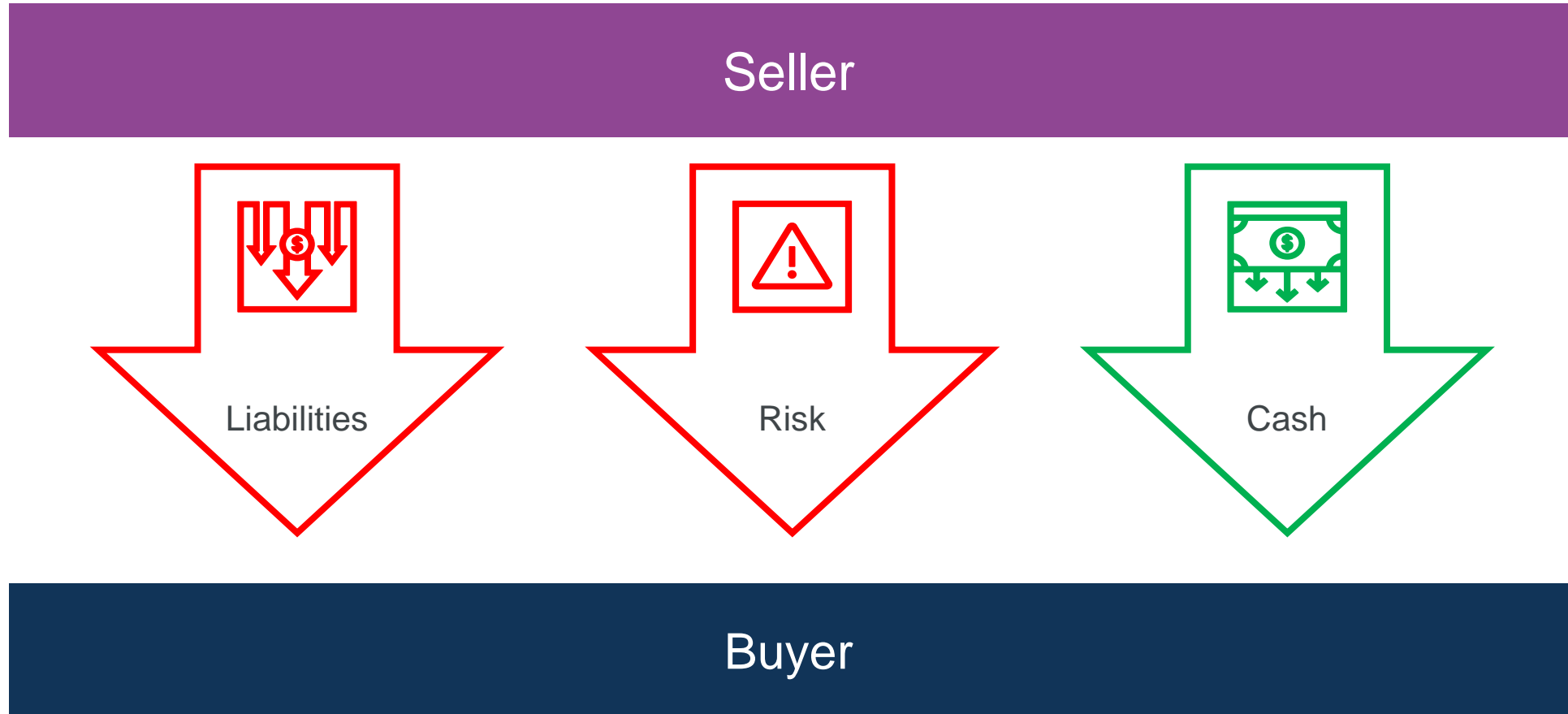
Transaction process – actuarial involvement



Qualitative considerations during a deal

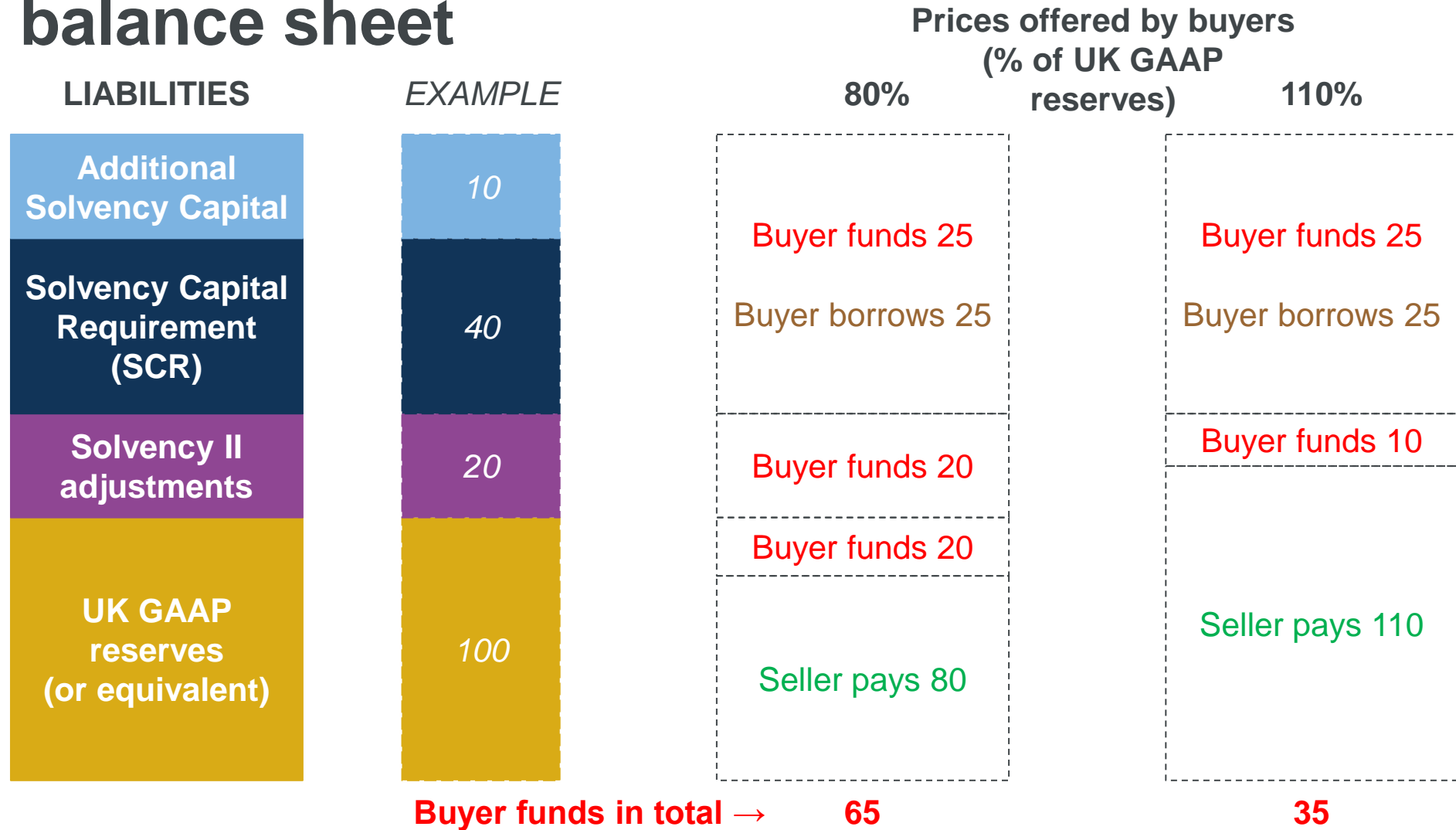


How do you transact? (LPT example)



Price = % of Reserve

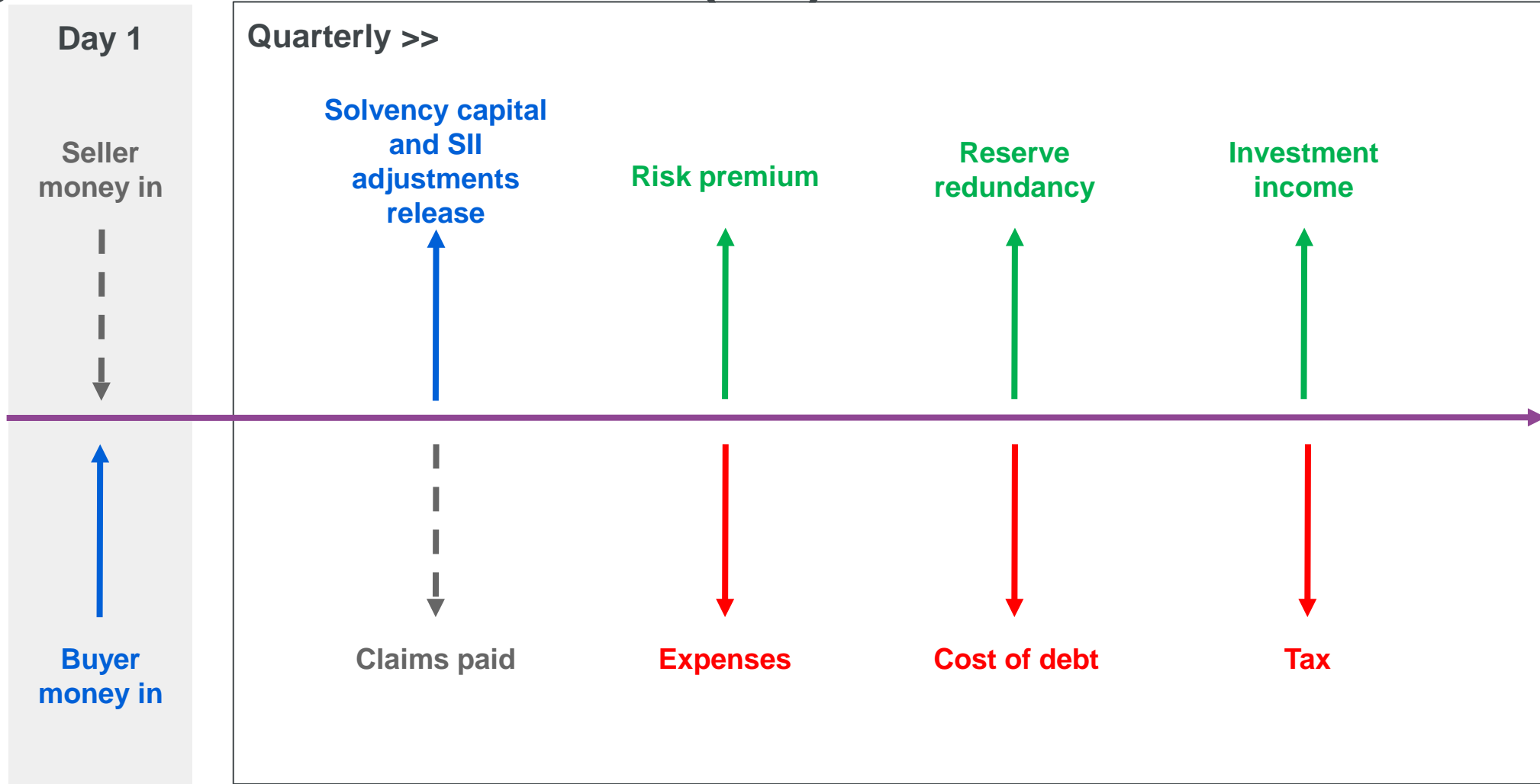
Day 1 balance sheet



Buyer cashflow overview (1/2)



Buyer cashflow overview (2/2)



Takeaways for you

Seller

- Consider and propose legacy deal solutions
- Identify capital-intensive parts of business
- Bring a commercial mindset to reserving

- Perform comprehensive due diligence
- Investigate uncertainty
- Examine deal pricing levers

Buyer

Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.