

PRESS RELEASE
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ARC reports positive 2009 and considers how Solvency II will become an increasing challenge for the run-off sector during 2010

Commenting at its 2010 Congress, ARC, the UK trade body for legacy management professionals, today gave its annual sector overview.

Sector highlights:

- Saw an upwards trend in UK run-off liabilities. Total liabilities of the UK non-life run-off market are estimated at £37.4 billion (2007: £28.3 billion).¹
- Run-off sector has pulled through the recession in a relatively healthy state.
- Noticeable acquisitions include British Engine and BF Ruck, along with further consolidation amongst service providers.
- Scottish Lion decision and appeal, reconfirms validity of solvent schemes of arrangement while reaffirming the importance of transparency and fairness. Case opens up the possibility of further litigation on this issue in the English courts.
- The UK Asbestos Working Party's 2009 Update estimates that the future cost of UK asbestos claims could be around £11bn – this will have a significant impact on both the legacy and live sectors for decades to come.

¹ The Seventh KPMG Run-Off Survey of Non-Life Insurance

- The impact of Solvency II began to be recognised as a real challenge for the sector during 2009 – as the implementation deadline approaches this is likely to become an increasingly important issue.
- Following the European Court of Justice’s decision concerning VAT on insurance transfers, we have yet to see the full impact on Part VII transfers. Given the growing use of large scale internal transfers amongst larger insurers streamlining operations ahead of 2012, there is no doubt this will be a major issue.

ARC highlights:

- ARC’s Solvency II Working Party has responded to the third round of the Solvency II Consultation Papers issued by CEIOPS and has opened dialogue with both the FSA and Karel van Hulle, the EC Commissioner responsible for delivering the new directive.
- Appointment of Bill Hook, Operational Director at Tawa plc, and Rhydian Williams, Owner and Director of RI-Solve, to the Board.
- ARC Academy remains a vital education tool for both the live and run-off sectors.
- Fourth annual ARC Awards continue to underline sector innovation and excellence

ARC chairman, Paul Corver, said: “ARC has offered vital support to its members throughout the last year and continues to be the voice of the industry. The implications of Solvency II are likely to be an increasingly dominant issue for run-off companies during 2010. We as a sector need to be sure we are prepared to meet this challenge, in our individual businesses and by participating as a group in representing our interests to the Commission. In addition, we need to continue to renew the skill base of our sector to ensure we are well equipped to deal with the prevailing economic conditions and the impact of regulatory change.”

Julian Miller, Academy Chair, added: “The Academy has gone from strength to strength this year and continues to provide one of the key training resources for the sector. Likewise, the quality of entries for the 2009 awards highlighted the creativity and professionalism that can currently be found in the legacy management sector. “

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For further information:

Haggie Financial

Alex Parry 020 7417 8989 / 07813 808 738

Samantha Whiteley 020 7417 8989 / 07787 545 529

Notes to editors

About ARC

As the UK trade body for insurance and reinsurance legacy management professionals, ARC is recognised as the voice of the sector by a wide range of bodies including the FSA and the UK government's Department of Work and Pensions as well as market organisations. Its members include service providers, insurers and reinsurers with discontinued business - both solvent and insolvent - and associated professionals such as accountants and lawyers.

ARC's objectives are to:

- Promote excellence within - and understanding of - legacy management
- Build sector expertise and skills through education initiatives
- Raise awareness of legacy issues affecting discontinued and live business
- Represent members to UK government, regulatory and market bodies
- Liaise with overseas government, regulatory and market bodies

Further information on ARC is available at: www.arclegacy.eu