

# Transferring skills

In addition to being claims director with KMS, **Paul Corver** has recently joined the board of ARC as deputy director. **Derek Austin** asked him about his experience with the Kwelm run-off and how he sees ARC's role evolving

Paul Corver's introduction to run-off was a dramatic one, being thrown into the deep end at Kwelm, one of the biggest and most influential London market insolvencies from the 1990s. His insurance career started with HS Weavers in 1985, first on the accounting side and then moving to underwriting. Corver still vividly recalls the day, on 26 March 1990, that Weavers stopped underwriting: 'It came as much of a shock to the underwriters as to the brokers and to the market as a whole.' While many of the underwriting staff moved over to Anglo American, Corver was among those encouraged to stay on and sort through the fallout, to look at how the company could adapt and move on.

While there had already been some run-offs and insolvencies in the market, 'Kwelm was the biggest participant in London to suddenly hit that wall of liabilities that were flooding in from the US.' Though Walbrook initially continued in solvent run-off, by 1992 all five Kwelm companies were put into provisional liquidation. 'At that stage I started working closely with Cork Gully and Coopers & Lybrand, who came in as provisional liquidators, to try and

pull together what was needed in order to address the liquidation, and schemes of arrangement – which had been trialled and tested in some smaller cases – were put forward. The 15 years since have shown that the scheme was the perfect tool for Kwelm and delivered the right result for the creditors.'

The scale of the Kwelm insolvency, with its many US direct policyholders and potential liabilities in the billions of dollars, made it a groundbreaking scheme. 'It broached a number of the issues and problems that had to be overcome, especially with the US policyholder community,' says Corver. 'Their biggest problem was that their rights of litigation under the policies were taken away from them and supplanted by the scheme and the protection under section 304. That saved enormous amounts of money in litigation costs, attorney representative fees, etc, which in turn got ploughed back to the creditors.'

In 1992 Kwelm set up Kwelm Management Services to handle the run-off of the Kwelm companies. Then in 1997 it set up another company, Bevis Insurance Services, which later became KMS Insurance Services, to handle solvent company clients.

'Kwelm had a very sound operation, that had 200 people at its peak, and there were other companies, either associated companies that were on the Weavers stamp or other companies in the market, that could benefit from those services.' The economies of scale thereby achieved reduced the cost of the run-off for the Kwelm creditors.

By 2004, 90 per cent of the reinsurance asset had been collected or commuted, and an amending scheme was proposed to close the estate, with a bar date of September 2004. Now head of claims at Kwelm, the closing scheme became one of Corver's key projects. By December 2005 the substantial payment to creditors had been made but the estate was not, and still is not, fully closed. 'There will be a final payment to creditors, but probably not for another three or four years.'

After the substantive distribution to creditors, the Kwelm administrators wanted to park the remainder of the run-off with an organisation that had the required knowledge and experience, and Corver plus three other Kwelm executives were keen to set up on their own in the market. So they purchased KMS Insurance Services off Kwelm, and with

it all the pre-existing contracts and services, including the liquidation of Bermuda Fire & Marine.

The new KMS started trading at the beginning of 2006. Its consultancy business includes due diligences for run-off acquisitions and debt portfolio acquisitions, assisting with commutation strategies and asset recovery, audits and inspections, and its clients include live underwriters as well as run-offs. 'We're starting to see the transfer of those skills that are learned from the legacy market transferring across to the live market, where they are equally as beneficial,' he says.

While Kwelm was one of the initial members of ARC, Corver had little involvement at the outset as he was spending so much time in the US. 'Then in autumn 2007 I was approached by Bill Bower and asked if I would consider going on to the ARC board. I thought, yes, that would be an interesting challenge and a way for me to get to know more people in the London market,' says Corver. He has also indicated his willingness to stand as chairman when Philip Grant steps down in the autumn, subject to the members approving him as a director at the AGM.

While Kwelm was an archetypal run-off of the old school, the nature of books in run-off is now changing. 'The run-off of the traditional toxic years is now running off. However, we can always rely on the market to produce new tranches of run-off as it goes through hard and soft cycles, as underwriters withdraw from lines of business or jurisdictions,' says Corver.

'The market changes and adapts and I think that the skills that we have acquired in London by having a particular focus on run-off will help the live market address and resolve issues they may have with new books of legacy business,' he adds.

ARC was founded originally to ensure the concerns of the run-off

sector were not overlooked by the wider insurance market. Today, Corver mentions the call by Alberto Corinti of the CEA (see page 33) for those in the run-off arena to engage with the consultation process for Solvency II, as an example of the kind of issue where ARC can play a useful role. That Solvency II is a European initiative highlights the lack of a Europe-wide run-off organisation to respond.

While the nature of the London market and the proximity of the players made it relatively easy to create an organisation such as ARC, in Continental Europe, the dispersed nature of the insurance business makes it harder for people to come together. 'Perhaps the Continental Europeans need to consider whether they want to have some sort of trade body,' says Corver. 'ARC is here and we are willing to talk to colleagues and counterparts in Europe and let them learn from our experience.'

One way in which ARC can pass on the skills of London run-off managers is via the ARC Acade-

would like to get more involvement from the broking community – that's the one area within London where there is not much joint activity or initiative, yet brokers are a key part of the industry,' says Corver. Historically, brokers have not been much in evidence at ARC but talks are under way with major broking houses to rectify this omission.




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my, whose events are also open to non-members. Its annual three day run-off skills course, plus assorted one day seminars on specific topics such as APH claims, actuarial analysis, schemes and Part VII transfers, have attracted considerable numbers of attendees from overseas. 'So one thought in our mind is whether we can transport the Academy and hold some seminars in Europe.'

Overseas membership of ARC has also been on the increase in recent years, a trend Corver hopes will continue. Another potential growth area of membership is from brokers. 'We

Looking to next year, Corver says changes to the format of the ARC Congress are under consideration. 'We are looking to see if we might change the format a bit, to keep it lively and to keep it fresh.' At present this is still under review, but any changes are likely to focus on the second day which has traditionally been a networking and commutations day. And other events, held during this year to celebrate ARC's tenth anniversary, have been such a success that they are likely to be repeated, making the ARC calendar of events busier than ever. ●