



20/12/2005 **Quest in buy-out talks with (re)insurers**
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Story

UK-domiciled property and casualty run-off specialist Quest is in talks with "two or three" (re)insurers to acquire books of business, founding director Steve Gowland said.

The company, which was set up earlier this year to buy and manage (re)insurance legacy business, is considering larger deals with liabilities of larger than GBP 250m, but it would also look at smaller, niche deals of up to GBP 25mn, he added.

Run-off books are books of often-problematic insurance business that have been closed to new entrants. However, even after they are closed, insurance companies are still obliged to set aside reserves based on estimates of the potential liabilities insured within the book, while at the same time settling ongoing claims from policyholders. Increasingly, companies such as Quest are offering to buy out these closed books, with a view to profiting from early commutations of claims or the creation of schemes of arrangement.

According to market sources, Royal and Sun Alliance, Zurich Financial Services, St Paul Travelers and Groupama have all attempted to sell large books of run-off business in the past and are likely to do so in the future.

Gowland refused to comment on whether Quest was in talks with any of the companies named above, but observed: "There are an estimated 200 run-off entities in the UK alone as well as run-off portfolios within live companies. We're pursuing two or three opportunities in the UK at the moment, but we also believe Europe is a market where acquisition opportunities exist."

He said Quest was not pursuing run-off opportunities in the US as the market was less developed than in Europe.

Another sector the company was interested in, Gowland said, was the offshore captive insurance market (typically, where large non-insurance companies set up their own operations to insure their own and third-party risks). But he said that although the captive sector, in Guernsey in particular, presented "unexplored territory" for run-off specialists, it also presented its own challenges, including limited public information.

He added: "Five years ago the market was less sophisticated about run-off. But now most of the low hanging fruit has been taken and there's a need for more considered, innovative solutions – something we're looking to provide."

by Geoff Spiteri

Source mergermarket

Value GBP 1,000m (Claims under management at Quest)