

PROPERTY & CASUALTY

What Can Be Done About Your Historical Insurance Liabilities?

An Introduction to the Legacy Market



The primary objective of the legacy market is to put an end to the historical commitments underwritten by insurers/reinsurers or assumed by corporations with a view to:

- Minimize future exposure/volatility
- Provide collateral relief
- Reducing operational burden

While the insurance/reinsurance markets have primarily used the legacy space to offload liabilities not aligned with current strategy, the corporate space has begun to actively use the legacy market to cut the tail off its longer-duration liabilities, get trapped collateral back on its balance sheet to deploy into normal operations and open operational capacity for its internal risk managers, finance departments and management.

Common Corporate Challenges That Can Be Positively Impacted Through the Legacy Market:



Cash & Capital Management

Collateralized insurance programs trap a significant amount of cash, with carriers requiring, at times, 130%–150% of reserves to be held in a Letter of Credit (LOC)/trust for an

unknown period into the future. A legacy transaction can release cash back today to deploy back into a customer's core operations.



Strategic Portfolio Management

Volatility within a company's insurance program can conceal profitable operations. Ceding off portfolios to the legacy market can provide certainty around their insurance liabilities and allow earnings to speak accurately to the overall performance of the business units.



Risk Appetite Changes

Companies decide to change the nature of their risk retention, such as switching from a large deductible to a captive program. A legacy solution provides a clean break to focus on newly established risk appetite objectives and recently placed programs.



M&A Activity

In an M&A deal, the ultimate value of insurance liabilities is generally a point of contention, with the buyer and seller's view of total outstanding falling on opposite sides of the actuarial estimate. The legacy market can provide certainty to insurance liabilities and allow the buyer and seller to focus on key valuation metrics to close the deal.



How Brown & Brown Can Help

Connect with our Brown & Brown team to learn about our knowledge in your industry, how we build our risk mitigation strategies and how we can aid your business in building a cost-saving program.



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