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Smart decisions. Lasting value

UAE Run-Off FORUM 2019

Run-Off in Company Dissolutions

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Who we are

Region	History	Revenue	Ranking	Headcount	Number of offices	Number of countries
Global	Since 1915 (over 100 years)	4.3 billion	8th largest	35,000+ people worldwide	805 offices worldwide	130 countries
Local	Since 1981 (over 35 years)	30 million	6th largest	500+ professionals	16 offices in GCC	6 countries

"Our vision is to be an independent trusted service provider that enhance the confidence of our stakeholders and assist clients make smart decisions."

Our Insolvency practice

- ✓ **Advice to companies facing financial difficulties**
We assist entities in evaluating and implementing potential solutions to financial difficulties. This includes liaising with stakeholders.

- ✓ **Administration**
We can advise on Administration, which is a recovery procedure to enable the rescue of a business in whole or in part as a going concern and to enhance the outcome for stakeholders generally.

- ✓ **Company Voluntary Arrangements**
The CVA process enables us to assist with the restructuring of a company or where a company may be encountering cashflow difficulties. The CVA process enables the company's directors to retain their executive power, to continue the business under the supervision of a Supervisor, and continue to pay creditors from profits generated from the ongoing business.

- ✓ **Liquidation**
We deal with Creditors' Voluntary and Winding-up by the Court when your company becomes insolvent, and use Members' Voluntary, for those companies who are solvent, for taxation and restructuring purposes.

- ✓ **Individual Voluntary Arrangements**
Where individuals with financial difficulties can enter the IVA process, we can help put this into place to avoid bankruptcy.

UAE Bankruptcy Law

- Federal Law No. 9 of 2016 on Bankruptcy (the "**Bankruptcy Law**").
- Key features of the Law:

Wider application	Administration	New insolvency test	Creditors
Repeal of current regime		Bounced Cheques	New financing
Removal of offence of "bankruptcy by default"			

Processes and procedures

The New Law sets out three main procedures for a business in financial difficulty:

Protective composition

- This is a debtor-led, court-sponsored process, designed to facilitate the rescue of a business which is in financial difficulty but not yet insolvent.
- The scheme requires the approval of both a majority in number and two-thirds by value of the unsecured creditors.
- The scheme must be implemented within three years of court approval, which may be extended for a further three years with creditor approval.

Insolvency with restructuring

- Where a debtor is insolvent but the court determines that the business is capable of rescue, it may approve a restructuring scheme.
- Such a scheme is similar to the protective composition, requiring the same levels of creditor approval, but a longer period of five years (extendable by a further three years) is allowed for implementation.

Insolvency and liquidation

- Where a protective composition or restructuring scheme is not appropriate or approved or is terminated, or a debtor is acting in bad faith to evade its financial obligations, the court will order the insolvent winding-up of the business.

DIFC and ADGM Insolvency Laws

DIFC- Insolvency Law No. 3 of 2009

1. Receivers and Administrative Receivers
2. Voluntary winding-up
3. Compulsory Winding-up

ADGM- Insolvency Regulations 2015

1. Administration
2. Receivership
3. Winding-up

What is run-off?

- An insurance company will considered to be in run-off when it ceases to take onboard any new business but will continue to honour existing claims.
- Run-off insurance on the other hand, is a type of insurance policy that provides liability coverage against claims made against companies that have been acquired, merged, or have ceased operations.
- Run-off insurance is generally purchased by the company being acquired and protects it and its officers and directors, among other things, from claims and lawsuits filed relating to the company's activity subsequent to the date of acquisition.
- Run-off insurance is also important to any company or individual that carries insurance on a claims-made basis, particularly professions such as physicians and attorneys.

Why run-off?

Reasons behind run-off:

- Unanticipated events leading to erosion of assets
- Discontinuance of business

Managing Run-off

Active run-off management:

Internal solutions:

- Communication
- Portfolio transfer within group

External solutions:

- Transfer of the company
- Portfolio transfer
- Retrospective reinsurance

Passive run-off management:

The run-off is not paid any special portfolio attention

Insurance balance sheet under Run-off

ASSETS	LIABILITIES
Investments	Capital
	Inactive Business
	Technical Provisions

= Reserve risk

Thank You

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