

Are non-life Part VII transfers on the rise?

Recent developments and 2025 outlook

Christopher Clarke, FIA



In our previous Briefing Note from December 2023,¹ we discussed the significant decline in the number of non-life Part VII transfers sanctioned in recent years and considered whether this trend was likely to continue. This update highlights the key developments from 2024 and anticipates future trends for 2025.

Developments in 2024

As discussed previously, 2023 saw just two non-life Part VII transfers sanctioned, the fewest since the early 2000s. Similarly, 2024 also saw two transfers sanctioned. However, recent months have shown a marked increase in inquiries concerning Part VIIs, with several potential transfers currently in preparation. We anticipate that 2025 will see a significant uptick in non-life Part VII transfers.

The two transfers that were sanctioned in 2024 were:

- **FM Global UK company transfer:** This transferred the business of FM Global's UK company into a new UK branch of its Luxembourg-based entity. The primary motivation was to achieve operating efficiencies across Europe, enabling FM Global to operate as a single European entity, similar to its pre-Brexit structure.
- **Pinnacle Insurance non-pet transfer:** Pinnacle Insurance transferred its non-pet business to EIfLow, an insurance company managed by the Quest Group. This strategic move allowed Pinnacle to refocus its business entirely on pet insurance.

In our previous Briefing Note, we discussed the significant spike in Part VII transfers seen between 2017 and 2022 as a result of Brexit, whereby numerous UK insurers sought to transfer business written in other parts of the European Union (EU) into EU-domiciled entities. FM Global's transfer was motivated by the need to rationalise its European insurance operation into a single operating entity, with a UK branch being opened to facilitate underwriting in the UK. Prior to Brexit, FM Global conducted all its business from its UK entity by passporting into other EU countries. Whilst this is quite different to the Brexit transfers seen historically, and involved the

transfer of UK business (its non-UK business having already runoff), it does highlight how the impact of Brexit could continue to motivate further transfers as firms seek to rationalise their European businesses in a post-Brexit environment.

Following Brexit, it is no longer possible to transfer business from a UK company to an EU- or European Economic Area (EEA)-based company. As such, there is no direct route for UK firms that continue to have policies with EU-based policyholders to transfer that business into the EU. However, a Part VII transfer into a UK branch of an EU-based insurer may be a route for transferring such liabilities into the EU, as transferring business from a UK company to a foreign domiciled company with a UK branch is possible. If a UK insurer were to transfer a portfolio containing EU business to a UK branch of an EU-based insurer, it may then be possible for the EU-based insurer to administer and account for the EU business directly from the main entity rather than the UK branch.

We also highlighted in our previous Briefing Note the possibility that, as Part VII transfers can continue to be undertaken in Gibraltar, Gibraltar could emerge as a hub for run-off companies. It is notable therefore that EIfLow, the company that received the transfer of Pinnacle's non-pet business, is domiciled in Gibraltar.

An interesting consequence of legislative changes around Part VIIs following Brexit is that transfers between Gibraltar entities that involve the transfer of UK policyholders will now require a Part VII transfer, in addition to the regulator-approved transfer process in Gibraltar. While we do not anticipate this leading to large numbers of additional Part VII transfers, we do expect some transfers resulting from this change in the near future.

Anticipated trends for 2025

In recent months, Milliman has seen a noticeable uptick in inquiries regarding potential Part VII transfers. Based on this increased interest, we expect significantly more non-life Part VIIs to be sanctioned in 2025 than in the past couple of years, potentially around five, with some proposed transfers extending into 2026. Such numbers would be more typical of levels seen before the Brexit spike.

The transfers that we anticipate in the next year or so are being motivated by a range of reasons, with consolidation following acquisitions emerging as a theme we are seeing in a number of examples. The acquisitions in these cases have occurred up to

1. Clarke, C. (6 December 2023). Non-life part VII transfers: A dwindling trend? Milliman. Retrieved 2 May 2025 from <https://uk.milliman.com/en-GB/insight/non-life-part-vii-transfers-a-dwindling-trend>.

around five years ago. Whilst consolidating can achieve operational efficiencies, in some cases it takes time for businesses to integrate following an acquisition; in other cases it may even make sense to continue operating as separate entities. Where consolidation is deemed appropriate, one of the entities will be chosen to be the carrier going forward, with the other placed into runoff and its business renewed into the live carrier. Running off the business for a period of time such that the policies have all expired, with the claims reserves diminished, can make a transfer more straightforward. It is also desirable to complete any changes in claims handling and administration, including IT changes, prior to undertaking a transfer. If such changes coincide with the transfer, their progress will be a key focus for the independent expert, as well as the regulators. This all means that, whilst merger and acquisition (M&A) activity is a key driver of Part VIIs, there can be a significant lag between the transaction and any transfer taking place, depending on the nature of the business involved, as well as the motivations of the acquiring insurer.

Disposals of run-off business to the legacy market have historically been a major driver of Part VII transfers, with 'traditional' run-off portfolios including latent liabilities relating to asbestos, pollution and health hazard (APH) accounting for many of these. While the number of transfers involving these traditional portfolios have been diminishing, we do expect to see at least one significant transfer involving such risks to take place in 2025.

Our previous Briefing Note discussed recent challenges in the run-off market, including issues at R&Q that have since led to its liquidation, and exits of other market participants. We expect that this itself will lead to Part VII transfers as remaining run-off players acquire parts of these businesses and seek to consolidate them into their existing portfolios. Achieving operational efficiencies is key for run-off consolidators, and combining portfolios into a small number of entities via Part VII transfers is a vital tool for achieving this. Notably, a high expense base across a number of operating entities was one of the factors contributing to the demise of R&Q.

Concluding thoughts

In our previous Briefing Note from December 2023, we raised the question of whether the recent fall in numbers of non-life Part VII transfers was a trend that was likely to continue. We concluded that, while there were likely to be relatively fewer transfers in the short term, Part VII transfers will continue to be used and, over the longer term, we did not envisage a significant fall in numbers as compared to pre-Brexit levels. Recent experience lends support to our view that there will continue to be a steady flow of Part VII transfers going forward.

Part VII transfers remain a powerful tool for insurers. They can be used in a variety of contexts, and we believe there will continue to be demand for transfers, albeit that demand will naturally ebb and flow in response to developments in the market, in particular levels of M&A activity, regulatory and legislative developments, and claims issues.

How Milliman can help

Milliman is the leading provider of independent experts for Part VII transfers, having acted on more transfers (both non-life and life) over the past 10 years than any other firm. Our extensive experience covers a wide range of transfers of varying size and complexity. They have included transfers of traditional UK and US APH portfolios, as well as transfers of much more recent business across a wide range of lines. We have worked on disposals to the major run-off insurers, as well as internal consolidations for major UK insurance groups. Aside from our work on Part VIIs, we also have extensive experience with run-off business, including buyer and seller due diligence support in legacy transactions, reserve reviews and commutation valuations.

As the landscape of Part VII transfers evolves, Milliman remains committed to providing expert guidance and support to help navigate these complex processes.

CONTACT

Christopher Clarke
christopher.clarke@milliman.com



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