

"Beware solvent scheme procedures," Business Insurance

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U.S. policy holders and ceding insurers have become increasingly aware that they are at risk of losing insurance and reinsurance placed with solvent insurers and reinsurers, especially placements in the London Market. The mechanism by which solvent entities are able to shed liabilities is the solvent scheme of arrangement, a proceeding authorized by Section 425 of the U.K. Companies Act 1985. This statute, which originally had nothing specifically to do with insurance, has engendered controversy as creditors cry foul and demand fairness and transparency in scheme proceedings.