

Debt purchase – Up front payment with profit share

Client description

- Reinsurance assets of a subsidiary of a UK company
- Client owns the right to receive reinsurance debts through “equitable assignment”
- Pro already engaged by client to service Inwards book but Outwards portfolio still managed by client
- Pro were approached by client to provide a solution for the collection of the subsidiary’s reinsurance assets.

The Client’s requirements

- 14 reinsurers in total within the portfolio
- Value of uncollected paid balances £1.5m
- Value 6yrs + £1m
- Value 5 - 6yrs £100,000
- OSLR £100,000
- Pollution within OSLR £50,000
- Portfolio not a high a priority for the client and therefore had received only minimal resource
- Available supporting documentation was very limited.
- Client unsure as what Documentation was limited with only

Our solution

- Our review suggested that due to time bar and missing documents the debts would be very difficult to collect
- However Pro recognised that there were large balances due and there was potential for collection
- Pro provided a Debt Purchase offer in line with its Profit Share model
- Pro made a single upfront payment of £30,000
- Also agreed Profit Share of 70% to client should collections exceed £60,000
- A separate side letter was agreed with UK company to ensure that Pro could commute the contracts

Services/Value delivered

- Accelerated cash flow for client from Immediate cash payment
- Sharing of the fortunes arrangement through Profit Share
- Pro assumed all collection costs
- Client able to focus resource on more cost effective portfolios
- Since execution Pro completed several commutations and returned an additional £326,000 to the client
- More payments to client anticipated through further commutations due for completion