

ALLEN & OVERY

Our Luxembourg insurance  
and reinsurance sector capabilities



# The Luxembourg insurance and reinsurance landscape

## Overview

The Grand Duchy of Luxembourg is widely recognised as one of the key centres for international cross-border insurance in Europe as well as for the establishment of reinsurance and captive reinsurance businesses. The life insurance business remains particularly lucrative, with EUR24 billion in premiums in 2018, and a total balance sheet reaching EUR183bn for Luxembourg life insurance companies. This result is mainly linked to the international nature of Luxembourg's life insurance business and to the success of Luxembourg life insurance products, with more than 90% of the business underwritten outside of Luxembourg. Separately, non-life insurance businesses have realised a growth of close to 14% in premiums in 2018 and a total balance sheet reaching EUR15bn.

The success of the Luxembourg insurance and reinsurance market is the result of a combination of factors. This includes the country's financial, political and fiscal stability as well as its versatility and availability, and the business-oriented approach of the regulatory authorities. Its highly qualified multilingual workforce as well as its legal and regulatory framework, ensuring both the protection of policyholders (through the "triangle of security") and the ability to create tailor-made products, can also be listed among Luxembourg's key success factors.

## Key trends

By regularly advising various insurance and reinsurance clients (as well as their parent companies), which are confronted with constant regulatory and compliance challenges, on navigating through market changes and assisting them in seizing opportunities as well as developing novel and tailored products, we are able to keep abreast of market trends affecting the industry. Below are a few key developments which we have recently seen emerge over the last few years:

**Brexit** – the UK's decision to leave the European Union has created a great level of uncertainty for insurance and reinsurance players with respect to EU market access. As part of their contingency plans, several of these insurance players have chosen Luxembourg as their jurisdiction of choice for the set-up of their new European subsidiaries via company migrations and reorganisations.

**Convergence between private banking and insurance solutions** – through, in particular, the development of strategic alliances and partnerships as well as new products combined with the use of modern technology to provide contemporary, holistic client services adapted to the needs of sophisticated and younger HNWI and UHNWI clients.

**Consolidation and increased M&A activity** – through the sale of non-core units by bank insurance groups, as well as the strategic repositioning by banking groups (ie, exiting the direct insurance business followed by going into partnership with insurers to serve private clients). This increase in activity is driven by regulatory changes (cost of Solvency II), market changes (geographic and product expansion needs, including 'reverse expansion'), a low-interest environment and growing interest from private equity players in the insurance/reinsurance business.

**Lending by insurers** – with bank financing becoming much more difficult to attain for the vast majority of borrowers, there is a gap in debt funding across sectors (as well as a rebalancing of negotiating power of loan terms) of which life insurers are taking advantage.

**Regulatory changes** – clearly insurers do face many challenges on the regulatory front with Solvency II, as well as the new MiFID II and IDD directive having an effect on the distribution of certain insurance products, and are looking for solutions and opportunities arising out of these challenges.

**Internet of things and big data** – new IT trends will impact the insurance sector, such as, for instance, the use of connected devices that generate data about their users which may be useful to insurance companies (eg, data regarding the driving style of a person collected by the car of such person and transmitted to the insurance company for car insurance premium calculations, or data from a device collecting information on the healthiness of a user for life or health insurance premium calculations). The use of connected devices and the large amounts of data produced by them must notably comply with applicable data protection and IT security requirements.

**IT outsourcing** – with the pressure on businesses to reduce costs, increase quality and stimulate innovation, the outsourcing of IT-related services (either by centralising them within the same group of companies or by using external specialised service providers) has become an important factor. Such outsourcing activities are heavily regulated in the banking and insurance sectors and must comply with stringent restrictions.

# What we bring to the table

## A top-tier Luxembourg insurance and reinsurance practice

We have a market-leading insurance and reinsurance practice in Luxembourg. Our specialist teams have significant experience advising financial institutions, insurers, reinsurers and brokers on a wide variety of insurance-related matters. This includes, for instance, setting up Luxembourg insurance and reinsurance companies, company/business migrations to Luxembourg, acting as legal advisers to sellers or to buyers on high profile, complex M&A transactions, and advising on regulatory and compliance issues.

By combining our regulatory expertise with our market-leading corporate and M&A practice, we have developed a niche at the forefront of the Luxembourg insurance and reinsurance market. Our Luxembourg insurance and reinsurance practice ranks Band 1 by the independent legal research publication Legal 500.

## A full-service offering

In addition to the involvement of our regulatory and corporate/M&A experts, our Luxembourg insurance and reinsurance practice is regularly supported by members of our other key practice areas, including employment, IP/IT, banking/finance, tax, investment funds and dispute resolution. We are one of the few international law firms in Luxembourg able to provide our clients with a full-service one-stop shop offering, allowing us to

deliver the strategic and tactical insights needed to identify optimal solutions quickly and cost-effectively.

The combination of our expertise in these various fields of law and our sound knowledge of the Luxembourg insurance and reinsurance market means we are well placed to handle the full range of insurance and reinsurance-related matters.

Corporate and M&A	Regulatory and Compliance	Employment	IT and Data Protection
Investment Funds	Taxation	Finance	Disputes

## A dedicated global insurance group

Thanks to our integrated network of offices (which extends to all of the major financial centres) and ‘best friend’ local law firms where we have no physical presence, our practice benefits from the close collaboration and assistance of our Global Insurance

Group, which itself comprises members of the firm’s key global practices. This permits our clients to benefit from Allen & Overy’s global reach, experience and expertise, and know-how when dealing with multijurisdictional insurance/reinsurance issues.

## Established relationships with local regulatory authorities

Our practice is in regular contact with key Luxembourg government bodies and supervisory authorities. For instance, we have excellent relations with the Luxembourg financial sector regulator, the *Commission de Surveillance du Secteur Financier (CSSF)* as well as with the Luxembourg insurance regulator,

the *Commissariat aux Assurances (CaA)*, and we are a member of the Luxembourg insurance and reinsurance association, the *Association des Compagnies d’Assurances et de Réassurances (ACA)*.

# Our sample experience

**A leading life insurance company** in relation to regulatory and IT advice with respect to a strategic IT outsourcing and BPO deal.

**A Luxembourg life-insurance company** in relation to insurance regulatory and data protection queries in the context of certain transfers of confidential data for the purpose of restructuring their extranet.

**A Luxembourg-based insurance player** on insurance regulatory matters relating to outsourcing and professional secrecy issues.

**ABN AMRO** on the sale of ABN AMRO Bank (Luxembourg) S.A. and its fully owned subsidiary ABN AMRO Life S.A to BGL BNP Paribas.

**Ageas Insurance International** on the merger between two Luxembourg-based insurance companies, Fortis Luxembourg Vie (owned by Ageas and BGL BNP Paribas) and Cardif Lux International (owned by BNP Paribas Cardif) to form Cardif Lux Vie, and the subsequent sale of Ageas' stake in Cardif Lux Vie to BNP Paribas Cardif.

**Allianz Group** on the acquisition of the legal protection insurance subsidiary DAS Switzerland and assets of DAS Luxembourg and Slovakia from German insurance group ERGO Group AG.

**Cowen Group** on its acquisition of Builders Reinsurance, a leading Luxembourg-based reinsurance captive (which was renamed Hollenfels Re upon closing of the transaction).

**EFG Bank** in the post acquisition integration of BSI and UBI Banca in Luxembourg (including their insurance business).

**Julius Baer Bank** in the post acquisition integration of Commerzbank Luxembourg (including their insurance business).

**KBC** and **Assurisk**, a Luxembourg reinsurance undertaking, on the implementation of a transformer structure whereby credit risks under credit default swaps were transferred from a transformer vehicle to the Luxembourg insurance undertaking (issuing a policy under so-called "Class 15 insurance policy", ie suretyship insurance).

**KBL European Private Bankers** on the sale of its life insurance business, Vitis Life, to Monceau Assurances, the French insurance group.

**La Baloise Assurance** on regulatory and tax issues in relation to the setting-up of a life and non-life insurance business in Luxembourg.

**Lombard International Assurances** on the provision of ongoing assistance with respect to insurance regulatory and litigation issues.

**Old Mutual** on the disposal of its affiliates Skandia Life and Skandia Invest to APICIL Group.

**Proximus** in the context of the merger of Telindus and Tango S.A including a change of control of the Luxembourg reinsurance company PXS RE S.A..

**Saham Group** on the sale of its insurance business to Sanlam.

**Skandinaviska Enskilda Banken** on the regulatory issues in relation to the setting-up of an insurance brokerage business under Luxembourg law.

**Three leading specialist insurance companies** on the establishment of their respective new European subsidiaries in Luxembourg following the UK's decision to leave the European Union, and on follow-up labour law and regulatory matters regarding their respective intra-group reorganisations, including i.a. advising on outsourcing and insurance secrecy considerations (at the level of the Luxembourg entities and their branches).

U.S.-based **Global Bankers Insurance Group** (GBIC), on its acquisition of NN Life Luxembourg, a Luxembourg-based life insurance solutions provider, from NN Group, and ongoing regulatory matters.

**Zurich Insurance Group** on the sale by way of an auction process of its four reinsurance companies in Luxembourg.

“Allen & Overy Luxembourg’s highly reputed insurance regulatory expertise together with the firm’s corporate practice means it is well placed to establish insurance and reinsurance companies, and to handle M&A in the sector.”

# Key contacts

## Regulatory & Compliance

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## **Global presence**

Allen & Overy is an international legal practice with approximately 5,600 people, including some 580 partners, working in more than 40 offices worldwide. A current list of Allen & Overy offices is available at [www.allenoverly.com/global\\_coverage](http://www.allenoverly.com/global_coverage).

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