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Paulson Reinsurance Company in Bermuda to Wind Down

By LIZ MOYER JAN. 13, 2016



The hedge fund manager John Paulson set up PacRe in 2012. PacRe is shutting down as scrutiny of offshore tax strategies rises. Fred R. Conrad/The New York Times

The Bermuda-based reinsurance company set up by the hedge fund manager [John A. Paulson](#) has stopped writing policies and is winding down as scrutiny of offshore tax strategies rises.

The company, PacRe, which Mr. Paulson set up in 2012, has not been writing policies since Jan. 1, according to a statement Tuesday evening by Validus Holdings, a Bermuda reinsurance company that did the PacRe deal with Paulson & Company.

It is one of a few Bermuda reinsurers set up by hedge funds in recent years. The managers have been able to take advantage of a strategy that gave more favorable long-term capital gains tax treatment on trading profits if they moved their investments through an insurer based in a low-tax jurisdiction such as Bermuda.

The strategy has attracted withering criticism in Washington, and hedge fund lobbyists have been fighting proposals to tighten the rules.

Last year, the Internal Revenue Service said it would devise new regulations defining which companies can qualify for the favorable tax break; especially vulnerable were companies like PacRe that rely on others for staffing.

Senator Ron Wyden, Democrat of Oregon, has urged the I.R.S. to crack down on the practice, saying hedge funds were exploiting a loophole that allowed billionaires to benefit.

Mr. Paulson set up PacRe with \$500 million. PacRe does not have its own employees, instead using Validus's underwriting staff. Paulson & Company managed its investment portfolio.

Last year, the ratings firm A.M. Best withdrew its ratings on PacRe, citing a request from the company. "The company has not achieved its projected premium volume, due to the current competitive market environment in property catastrophe reinsurance," Best said at the time.

A spokesman for Mr. Paulson was not immediately available for comment.