



Horseshoe Group

Overview of Reinsurance Transformers

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What is a Reinsurance Transformer?

A Reinsurance Transformer is a flexible and efficient platform operating as a link between the reinsurance market and investors



Typical Set-Up of Reinsurance Transformer in Bermuda

- Licensed Bermuda Class 3 Segregated Accounts reinsurer
- Common shares owned 100% by parent
- Each Segregated Account's maximum liability is fully-collateralized with LOC or Trust
- Investors participate in underwriting and investment income from the purchase of non-voting preferred shares of a specific Segregated Account
- Funds are returned to investors via dividends and capital distributions



Types of Investors in Reinsurance Transformer

- Hedge funds
- Private equity funds
- Pension funds
- Private investors
- Banks



What is a Segregated Account?

- Sometimes referred as “cell” or “separate account”
- It is an account containing assets and liabilities that are legally separated from the assets and liabilities of the company’s general account and other Segregated Accounts
- Statutory division between accounts
- Only the assets of a particular Segregated Account may be applied to the liabilities of that account



Advantages of Segregated Accounts

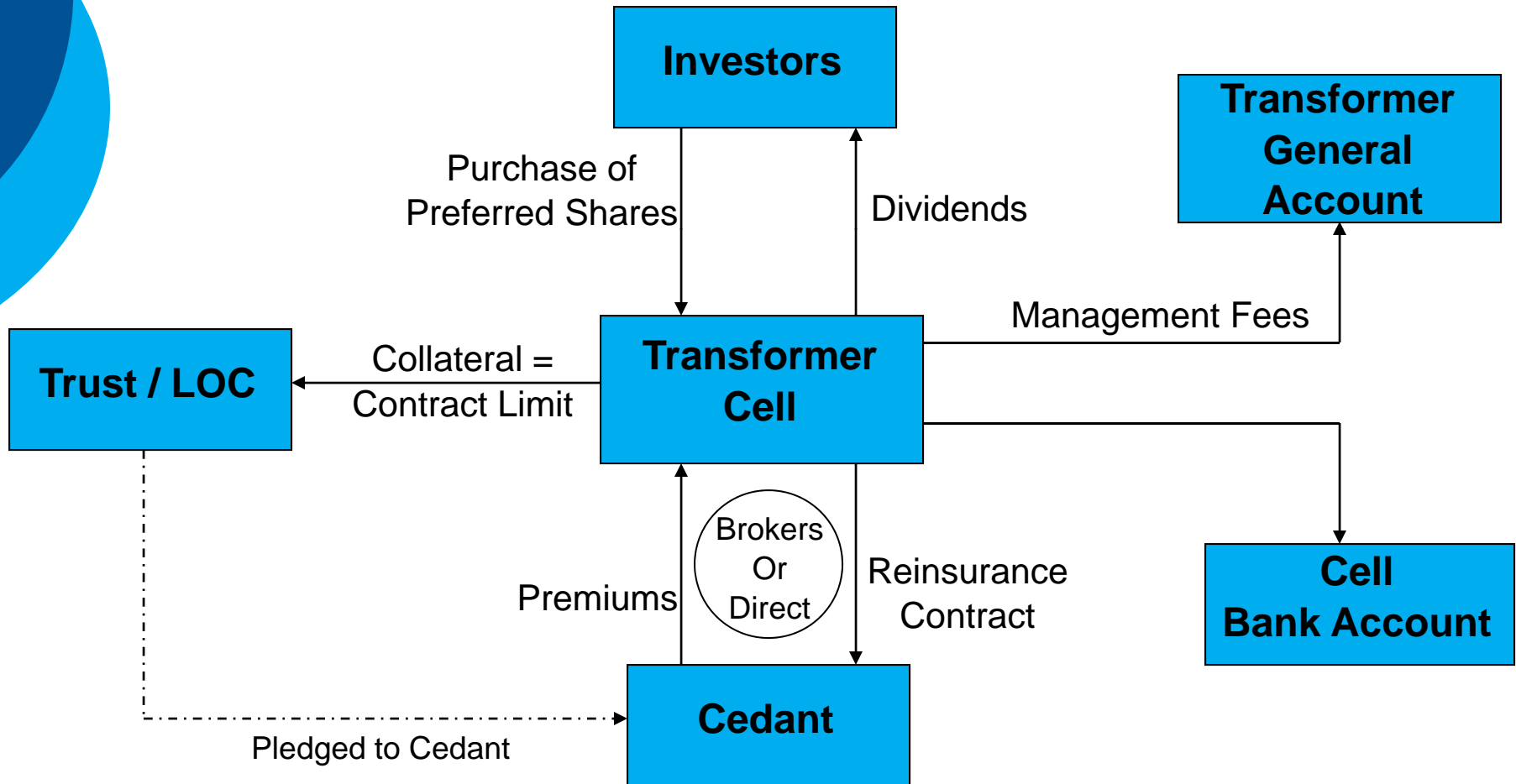
- Less expensive and quicker than forming a separate reinsurance company
- Does not create a legal person distinct from the Reinsurance Transformer
- Investors are non-voting preferred shareholders and therefore do not need to consolidate their investment in the Segregated Account
- Easier to unwind than a stand-alone company
- Does not need to be separately licensed



Examples of Covers in Reinsurance Transformer

- Industry Loss Warranty
- Quota Share Reinsurance
- Excess of Loss Reinsurance (incl. Catastrophe covers)
- Aggregate Stop Loss Reinsurance
- Per Risk Reinsurance
- Backup and Reinstatement Protection cover

Overview of Transformation Process





Key Documents

- **Shareholder Agreement:** Between the Investor(s) and the Transformer Cell
- **Trust / LOC Agreement:** Between the Transformer Cell, the Trustee / LOC provider and the Cedant
- **Reinsurance Agreement:** Between the Transformer Cell and Cedant



Sample Transaction Flow

- **Step 1:** Transformer receives reinsurance submission from cedant/broker
- **Step 2:** Broker approaches potential investors and assists in analyzing transaction
- **Step 3:** Transformer reviews transaction to determine fit within underwriting guidelines
- **Step 4:** Negotiation with cedant and investors to finalize all transaction documents for execution
- **Step 5:** Purchase of preferred shares by investors and funding of collateral in favor of the cedant



About the Horseshoe Group

- We are a leading insurance management and advisory firm
- Founded in 2005 by seasoned reinsurance professionals
- Independent ownership
- Licensed Bermuda and Cayman Islands insurance manager
- Licensed segregated account company, Horseshoe Re Limited
- Provide insurance management, underwriting, consulting, accounting, actuarial and fully collateralized reinsurance services
- As of December 31, 2009:
 - 35 clients
 - Total clients' assets under management approximately \$3b
- Type of clients:
 - Insurers/Reinsurers
 - Sidecars
 - Dedicated reinsurance funds
 - Hedge funds, pension funds and private equity firms
 - Lloyd's affiliates



Why the Horseshoe Group

- ***Experienced*** – seasoned professionals with wealth of experience in international insurance, reinsurance and capital markets
- ***Independent*** – no affiliations with other service providers or brokers
- ***Full service*** – providing management, underwriting, consulting, accounting, actuarial and fully collateralized reinsurance services within one company
- ***Flexible*** – working arrangement and reporting tailored to client needs
- ***Excellent relationships*** – with regulators and third party service providers



The Horseshoe Administrator / Manager Difference

- **Independent**
 - No affiliations with other service providers or brokers
- **Knowledgeable insurance experts ‘from the industry’**
 - Seasoned professionals with significant reinsurance and ILS underwriting, structuring and workout experience
- **Responsive**
- **Competitive Pricing**
- **Solvency II ‘fit and proper’ and ‘knowledge’ compliant**
 - A true insurance manager versus only accounting or captive manager
- **Emphasis on insurance underwriting**
- **Separated trustee functions**

Horseshoe meets new industry/Solvency II manager guidelines



Services Provided

➤ **Operational**

- Day to day administration
- Accounting & shareholder reporting
- Servicing of reinsurance contracts
- Treasury
- Tax reporting
- Shareholder relations
- Payroll

➤ **Regulatory**

- Act as Principal Representative
- Provide director and/or alternate resident in Bermuda
- Maintain principal place of business
- Act as Loss Reserve Specialist

➤ **Reinsurance**

- Underwriting, pricing, due diligence, reinsurance structuring, reserve valuations



Key Personnel

➤ **Andre Perez FCAS FCIA**

- Founder of the Horseshoe Group
- 20+ years insurance industry experience
- Several insurance executive positions

➤ **Nigel Godfrey ACA ACII**

- 25+ years Bermuda insurance industry experience
- Oversees all insurance management functions
- Formerly CFO Scandinavian Re and head of management services at Sedgwick

➤ **Steve Britton**

- 18+ years reinsurance and ILS / capital markets experience
- Oversees Cayman office
- Held MD and head of ILS positions in broking, underwriting & banking firms

➤ **Yulanda Francis**

- 18+ years insurance, reinsurance and captive management experience
- Responsible for client servicing within Group insurance management division
- Worked previously for a captive management and brokerage company



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