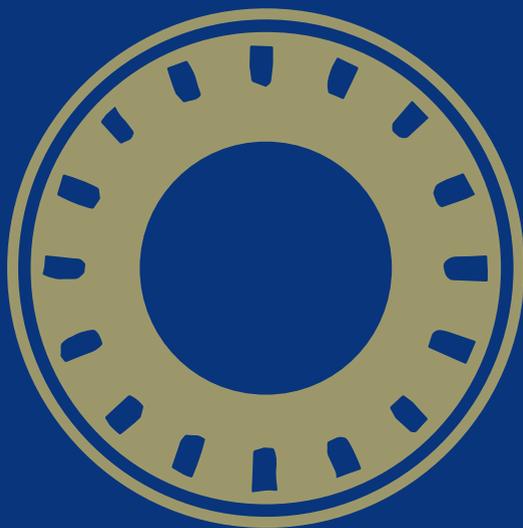


A pioneer in ILS solutions



SECQUAERO

Insurance Linked Securities from **Schroders**

We combine superior insurance and investment expertise

About us

Secquaero Advisors Ltd (Secquaero) is a specialist advisory firm in the areas of Insurance Linked Securities and Risk Management for (re)insurers.

We are an affiliate of and the exclusive ILS investment advisor to investment management entities within the Schroders PLC Group which act as investment managers for a range of ILS funds and mandates that cover a spectrum from pure cat bond mandates to all ILS solutions which can include life transactions or man-made risk. From 1 February 2016 Schroders holds a 50.1% stake in Secquaero with the remaining shares held by staff. Through our affiliation with Schroders, Secquaero is able to provide ceding insurers and investors with the regulatory, governance and compliance framework needed for an institutional product offering focused on alternative reinsurance business including collateralized reinsurance.

Our risk transfer counterparties and brokers benefit from our extensive track record and in-depth knowledge and understanding of analyzing, modelling and structuring (re)insurance risk. They value us for our ability to engage in a thorough underwriting discussion, perform comprehensive risk assessments and offer quotations.

Offering a wealth of knowledge and skills

The Secquaero team comprises leading industry professionals in actuarial science, catastrophe modelling, pricing, structuring, underwriting and executive management. Our expertise, strong analytical skills and modelling capabilities, combined with long-standing underwriting experience, offers our risk transfer counterparties and brokers a wealth of in-depth knowledge as well as a profound understanding of reinsurance risk and capital market solutions in today's challenging and rapidly changing market environment.

In addition, we bring decades of reinsurance industry experience to the table and have established relationships with many market participants. We look beyond catastrophe model outputs and are able to quote complex risks, structure and execute private or syndicated transactions developed entirely from a clean sheet to meet a sponsor's needs.

Our core competencies

Together with Schroders, we have a clear focus on offering solutions for investors seeking exposure to insurance risk. We cover the full spectrum of ILS and alternative reinsurance capital solutions, advising on all aspects in order to find the best answer for individual requirements.

In the area of ILS, our services range from investment advisory services to funds managed by Schroders to transaction specific support for potential sponsors which can include market research, advice on employing ILS as a strategic alternative, as well as structuring bespoke transactions. We also actively seek to develop new products. During 2017 we will be launching a series of closed end life-only strategy funds that will be able to entertain

longer duration life financing transactions and complement our existing All-ILS fund products which include life as part of their strategic allocation.

In addition to our ILS advisory practice, we offer consulting services for (re)insurance companies based on our deep insight of the respective risk and capital requirements. As such, we support our clients with actuarial modelling or enterprise risk management services relating to the most efficient use of their capital. A core competence is the development, enhancement and validation of internal risk models, capital structure optimization and non-life pricing and reserving.



Insurance Linked Securities

- Investment advisory
- Origination and structuring of bespoke ILS transactions.

Risk Management for insurance companies

- Evaluation
- Modelling
- Controlling.

Our solutions

As an underwriter and developer of ILS solutions, we also offer access to alternative reinsurance capital by way of a collateralized reinsurance relationship. This goes beyond catastrophe lines of business and can include almost any segment of insurance business where the quantum of loss can be reasonably established within a short time frame:

Types of business

- The provision of 100% collateral of the reinsurance limit assumed requires a focus on short tailed lines and/or a mechanism to cut-off claims development by way of commutation
- As collateralized reinsurance is designed to cover the reinsurance limit assumed by means of collateral the most common form of collateralized reinsurance is an excess of loss or stop loss treaty
- Capped Quota Share arrangements can be considered
- With respect to Life Value of In-Force financing transactions, we can consider longer terms of up to 10 years and possibly longer

Lines of business

Non-life:

- Property and allied perils
- Auto physical damage
- Marine & Energy
- Aviation
- Hail and Multi-Peril Crop Insurance

Personal insurance:

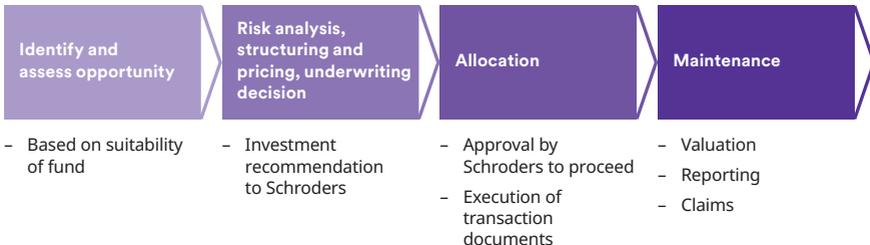
- Health
- Personal Accident
- Mortality, morbidity, pandemic shock
- Financing the future value of profits embedded within an existing block of life insurance policies

Limits

Our line size is a function of many variables and is mainly driven by the development of the assets under management. Currently, we tend to work with limits up to USD10 million. If structured as a private placement bond ('cat bond light') the capacity can be substantially greater.

Price levels (Rate on Line)

Given the costs associated with the establishment of the cell company and individual trust accounts for each contract, we tend to focus on business generating a rate on line of between 7.5% to 20% with the bulk of our current writings in the high single digit to low teens.





Delivering our services

- 1 Collateralized Reinsurance: In order to accommodate collateralized reinsurance, we have access to a dedicated Schroder owned Guernsey-regulated vehicle, Secquaero Re ICC Ltd, that establishes separate incorporated cells which are owned by investment funds advised by Secquaero and managed by Schroders. The obligations arising out of the reinsurance agreements are secured by dedicated trust.
- 2 We can also accommodate reinsurance agreements with reinstatements if required and have pre-agreed solutions in place.
- 3 If a cedent requests fronting through a rated reinsurer, we can accommodate this as well. We have arrangements with rated fronting partners to assume the risk from the ceding insurer who in turn retrocede the business to our Secquaero cell company secured through appropriate collateral funding mechanisms.

Regular updates on loss activity and portfolio changes are a requirement

In working with alternative reinsurance capital providers it is important for brokers and ceding (re)insurers to appreciate the regulatory requirements that we face in terms of reporting to investors. One critical area is the provision of regular updates to investors on the valuation of their investment. This is something that we perform at least monthly and where we seek to adhere to a “fair value” standard. As a consequence, it is crucial to receive updates on loss activity above a defined threshold on a regular basis.

The frequency of such loss reporting will depend largely on the nature of the reinsurance contract written and its attachment point, but could be monthly for frequency driven protections underwritten on an aggregate excess or proportional basis. In addition, updates on material changes in the portfolio composition and loss curves or modelling data after each major renewal date would be appreciated, particularly for contracts protecting assumed reinsurance portfolios.

Limitations to consider

One of the key value propositions behind an allocation to insurance-linked assets for our ILS investor clients is in the low correlation of ILS funds to traditional and alternative assets exposed to market risk. As a consequence, lines of business or insurance products whose loss experience may be correlated to movements in the economy and macro-economic trends do not lend themselves well to ILS investing. Included in this category could be such lines of business as mortgage insurance, credit and surety and potentially cyber and terror insurance on a stand-alone basis. In addition, as mentioned above, it is important that the existence and quantum of loss can be established within a reasonable time-frame. Therefore, such lines of business containing a long development tail such as third party liability including product liability, professional indemnity, directors’ and officers’ liability and CAR / EAR and construction defect warranties can prove to be challenging within a collateralized reinsurance context.

Our track record since 1994

Secquaero was founded in 2007, starting off with an investment advisory mandate for a newly launched Cayman Islands-based ILS fund in May of the following year. In 2011, Secquaero structured and syndicated a life value of in-force transaction, SQ ReVita I Ltd, which received Review magazine's "ILS transaction of the year" Worldwide Reinsurance Award and assumed a further investment advisory mandate for a newly launched UCITS ILS fund based in Luxembourg. Secquaero Re (Guernsey) ICC Ltd, an incorporated cell company with a license to enter into reinsurance contracts was also established in late 2011 as a dedicated platform for transforming collateralized reinsurance for funds advised by our firm. In June 2013 Schroders acquired an equity share in the firm which it increased in 2016.

Since then we have added four additional funds and several managed account advisory mandates.

Our award-winning team is proud of the recognition of its achievements:

- ILS Transaction of the Year 2011 by Review magazine (SQ ReVita I Ltd)
- Investor of the Year 2015 by Trading Risk magazine (joint award for Schroders and Secquaero)
- Life transaction of the Year 2016 by Trading Risk magazine (SQ ReVita II Ltd)

Our track record in ILS can draw upon on decades of executive management experience and substantial involvement by Secquaero staff in their current or previous capacities in the following transactions:

Sponsor	Year	Special Purpose Vehicle	Size
Hannover Re	1994	Kover Ltd	USD 85m
Hannover Re	1996	K2	USD 100m
Zurich Insurance Company	2001	Trinom	USD 162m
Nissay Dowa General Insurance Company	2002	Fujiyama Re	USD 70m
Converium	2004	Helix 04	USD 100m
AtlanticLux	2011	SQ ReVita I Ltd	EUR 60m
AtlanticLux	2015	SQ ReVita II Ltd	EUR 70m

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