Vesttoo commits to deploy $1bn in reinsurance capacity to Clear Blue portfolio

Risk transfer platform Vesttoo has partnered with Clear Blue to deploy $1bn in collateralised capacity to the fronting carrier’s P&C portfolio over the next year in a deal that provides capital markets investors access to diversified risks and MGAs additional reinsurance capacity, Program Manager can reveal.

The partnership – initially agreed for 12 months – formalises a long-standing relationship between Tel Aviv-based Vesttoo and US carrier Clear Blue, which was an early adopter of the platform.

Constellation gets $115mn of MultiStrat ILS capacity for long-tail construction program

CRC’s Constellation Affiliated Partners (CAP) has teamed up with MultiStrat to bring $115mn of additional premium capacity to its State National-fronted Venture program for contractors’ general liability, some of the longest-tail business supported by ILS capital to date, Program Manager can reveal.

Napa-based Venture Underwriters was bought by CAP in 2020, before the Bill Goldstein-led firm was itself acquired by CRC Group last summer.

Venture Underwriters writes primary and excess national contractors’ general liability programs in all states except New York. CAP and MultiStrat worked closely with BMS Re to bring the new ILS capacity to the primary general liability program.
What’s your **Signature**?

Your clients have signature risk that defines who they are. Shouldn’t they have Signature Programs?

RPS Signature Programs is your go-to underwriting resource for agents and brokers looking for specialized coverage.

Your client’s risk is unique, different, a little out there—give us a try. Explore more than 40 niche programs.

[RPSIns.com/signatureprograms](http://RPSIns.com/signatureprograms)
For almost as long as the ILS market has been around the question has been when and whether an asset class hitherto dominated by cat risk could be broadened to encompass longer-tail exposures and provide a more diversified uncorrelated portfolio to investors.

This publication recalls in the immediate lead-up to the 2008 financial crisis a number of investment banks looking to structure ADC-type covers for the insurance industry.

Carriers were also active, with Axa pioneering a series of auto securitisations that were heralded as structures enabling the transfer of property and casualty risks.

The credit crisis put paid to some of those early efforts. And until recently it was the property cat market that continued to be the focus of ILS investors, products and innovation, at least publicly.

But the tide finally appears to be turning. At a time when investors have retrenched from areas of the ILS property market outside of cat bonds, there is a wave of interest and now activity in the longer-tail casualty arena.

In the last year we have written about Ledger Investing gaining traction as it targets US programs business for its ILS transactions, typically working with fronting carriers to provide quota share capacity.

And in this issue of Program Manager we lead on two developments that highlight the appetite from capital markets investors to access the business, and the demand from cedants to utilise the capacity.
Our lead story reports on a major commitment from Vesttoo to deploy $1bn in reinsurance capacity to the portfolio of programs fronted by Clear Blue. The arrangement is not an index play as a portfolio-wide quota share. The capacity will instead be deployed on a deal-by-deal basis.

But the nature of Clear Blue’s portfolio is instructive as to the kind of risk that will be transferred to capital markets investors through Vesttoo’s platform.

The fronting carrier’s book of programs is heavily weighted towards commercial auto and construction, including general liability, matching the lower volatility, higher frequency-type exposures that a growing number of capital markets are looking for as an alternative to cat risk.

The arrangement is slated for 12 months, but the two parties have already done a significant amount of business together and this feels like a relationship where a significantly greater amount of capacity than the $1bn publicly committed could be deployed over time.

Our second front page story follows a similar theme, with MultiStrat acting as a transformer and deal structurer to bring $115mn of ILS capacity from an unnamed investor to support Venture Underwriters’ primary contractors’ general liability program.

MultiStrat’s Bermudian vehicle acts as a quota share reinsurer through a segregated cell to State National’s United Specialty subsidiary, which provides the rated paper for the deal. And this transaction relates to underlying exposures that are longer-tail than the majority of the casualty business that has been involved in ILS deals to date.

There had been question marks over the appetite of investors for longer-tail exposures where duration can run beyond a decade. On this deal, at least, it appears that the quality of data and track record of the program was sufficient to satisfy any concerns.

Venture Underwriters is owned by CRC, one of the big three wholesalers. It has for some time been suggested that wholesale (and retail) aggregators may ultimately be able to make greater use of capital markets capacity to support the broad and well-diversified portfolios across underwriting platforms that have been consolidated at scale.

That raises the intriguing prospect of index plays or even more selective ETF-type structures that could create and structure pools of risk that are packaged to the specific appetites of a range of different types of capital markets investors.

The US programs and MGA space is at the forefront of this innovation. The next frontier is already here...

David Bull
North American editor, The Insurer
YOUR PROGRAM MANAGER OF CHOICE

- A- (excellent) AM Best financial strength
- Unique offering for US, UK and European Business
- Fully licenced across all 50 US states and 27 EU States
- Admitted and E&S capability in the US
- 75 Programs in place at Q4 2021
- $2 Billion + contracted GWP at Q4 2021

GET IN TOUCH

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The Jerome Breslin-led fronting carrier has already deployed capital markets capacity through Vesttoo on a quota share basis, as well as aggregate stop loss, supporting a number of its programs.

Clear Blue’s current portfolio of programs is heavily weighted towards commercial auto and construction, including general liability.

That matches the lower volatility, higher frequency-type exposures that a growing number of capital markets investors are seeking as an alternative to the cat risk that has been the main focus of the ILS market over the last 15 years.

Vesttoo, which is led by co-founder and CEO Yaniv Bertele, aims to bridge the gap between the insurance and capital markets, scaling insurance-linked investments to provide reinsurance capacity.

The firm uses data-driven AI technology to model, price and structure flexible solutions for a diversified range of business lines.

In a statement confirming the partnership, it said that in addition to its AI-powered tech and expertise in fintech, insurance and asset management, Vesttoo will utilise Clear Blue’s underwriting, program management, data and analytical capabilities to enable faster reinsurance transactions.

FACT FILE

TYPE: Partnership will see Vesttoo deploy $1bn in collateralized capacity to Clear Blue’s P&C portfolio

PARTIES: Risk transfer platform Vesttoo and expansive fronting carrier Clear Blue

TERM: Long-term partnership with initial deployment over 12 month period

FOCUS: Capacity will be deployed on select Clear Blue programs on portfolio of business that is heavily weighted towards commercial auto and construction, including GL. Aims to match lower volatility, higher frequency exposures that capital markets investors are seeking as an alternative to cat risk. Combines Vesttoo’s AI-powered tech and fintech, insurance and asset management expertise with Clear Blue’s underwriting, program management, data and analytical capabilities

BENEFITS: Vesttoo will be able to provide more investors to access diversified portfolio of P&C risk on an efficiently collateralized basis, opening up the ILS asset class to a broader range of risks and attracting new types of investors. Clear Blue will be able to diversify its sources of reinsurance and bring dedicated capacity to reinsurance brokers and MGA partners
It will also allow more investors to gain access to a diversified portfolio of P&C risk written by the AM Best A-rated fronting carrier, on an “efficiently collateralised basis”.

The companies said the capacity provided by Vesttoo to Clear Blue will be sourced from the capital markets through a variety of insurance-linked assets.

Vesttoo is understood to have various sources of capital which fund the segregated cell insurance vehicle used to support fronted MGA programs and other ceded needs of carriers as a reinsurer.

**Low volatility, higher frequency risk appetite**

Speaking exclusively to *Program Manager*, Vesttoo’s Bertele said the focus on commercial auto and construction in Clear Blue’s portfolio matches the appetite of investors working with the platform to access P&C risk.

“These lines are the ones that are mostly predictable, that fall within the standard deviation and are uncorrelated to the capital markets. They are the lines that the capital markets feel most comfortable with and these are the focus areas for us,” he explained.

“MGAs and reinsurance brokers will now know we have dedicated capacity. They can come to Clear Blue with a program and if it passes our process of underwriting and if it passes Vesttoo’s process of underwriting through their algorithms then the capacity is there, and that’s a game changer”

Clear Blue founding CEO Jerome Breslin on the $1bn capacity partnership with Vesttoo

The executive highlighted the opportunity to open up the ILS asset class to a much broader range of risks than cat, which has delivered diminishing returns to investors over the past few years as a result of the aggregation of losses.

**Vesttoo says its marketplace democratizes insurance-linked investments**

Source: Vesttoo
“We can educate the capital markets that there is an alternative that satisfies both non-correlation and low severity, high frequency. If that is sustained while being validated by external entities like ratings agencies or consultancy firms, you can get broader capital market adoption,” he suggested.

That would bring in interest from a much wider range of capital providers than the more “insurance-savvy” investors that have traditionally supported cat-focused ILS funds.

“**We can educate the capital markets that there is an alternative that satisfies both non-correlation and low severity, high frequency. If that is sustained while being validated by external entities like ratings agencies or consultancy firms, you can get broader capital market adoption**”

Vesttoo founding CEO Yaniv Bertele on the opportunity to open up the ILS asset class to a much broader range of risks than cat

“We want to go beyond the current players and increase access to the asset class to include significantly more sustainable capacity that allows banks, hedge funds and asset managers to participate, where they pledge their investment grade assets and enhance their yields with uncorrelated returns ... and also diversify their portfolios,” said Bertele.

In turn that would significantly expand the flow of capacity into the insurance space, way beyond the capacity available today, he suggested.

**Dedicated and diversified capacity**

Clear Blue's Breslin said the partnership with Vesttoo benefits from two types of diversification.

The fronting carrier can provide a diversified portfolio from its MGA partners to be transferred through Vesttoo to capital market investors because of the range of business lines, exposures, durations, returns and tail across the programs it has on its books. That portfolio diversification is a key tenet of many fronting carriers as they seek to avoid exposure concentrations while building out their books of business.

“And then for us it's the diversification of the capital sources. We already have traditional reinsurance across our book but with Vesttoo we've got three different buckets: contingent LOCs; balance sheet money they've raised; and the securitisations they engage in.

“For us it's perfect because it gives us diverse capital backing at the same time as we have diverse production on lines of business, exposures and risk,” said the executive.
Clear Blue and its MGA partners will also benefit from the dedicated capacity that Vesttoo provides with the partnership.

“Finding MGA programs to look at in our pipeline is not hard but finding the capacity to fill out the slips and to get proper reinsurance behind them is.

“MGAs and reinsurance brokers will now know we have dedicated capacity. They can come to Clear Blue with a program and if it passes our process of underwriting and if it passes Vesttoo’s process of underwriting through their algorithms then the capacity is there, and that’s a game changer,” he said.

Vesttoo capacity will not be deployed as a quota share or aggregate stop loss across Clear Blue’s portfolio and will instead selectively support programs where they fit investor appetite and the AI-driven underwriting approach of the platform.

Statement of intent

The partnership between the parties is also not exclusive – Vesttoo continues to work with other fronting companies, while Clear Blue has a diverse range of reinsurance relationships with traditional and non-traditional partners.

However, both parties see the arrangement as a strategic, long-term play and a statement of intent that reflects the close relationship forged since Clear Blue fronted for Vesttoo’s first transaction in the space in a deal placed by Guy Carpenter with collateral from a major bank, as well as their ambitions to open up the market to new forms of capacity.

Bertele said there is also scope to grow the commitment beyond $1bn if the parties are able to demonstrate the performance of the transactions. “The better that specific capacity performs, the more we could allocate, the more investors we could attract and the more diversification we can bring on the capital markets side,” he explained.

Meanwhile, Breslin highlighted the scale of the opportunity in the programs space. “We know we have enough business today [to fill the $1bn capacity], and our pipeline is enormous. The MGA space is growing and all the fronting carriers are having a great year,” he observed.

The partnership is not confined to MGA business, however. Vesttoo and Clear Blue have already worked with Lloyd’s syndicates to provide reinsurance capacity and have delivered innovative parametric solutions. They are also eyeing opportunities to work with aggregators in the US.

Vesttoo also plans to expand its coverage to more perils in the life and P&C sectors and is working on digitalising the transactional process to enable it to work at greater scale.
Solutions and relationships that flourish

Trisura Specialty Insurance Company
Sources have said the long-tail nature of the underlying policies makes the transfer of the risk to the ILS market the first transaction of its kind, with the majority of capital markets participation to date aimed at shorter-tail casualty business with a typical duration of three to four years.

It is also the latest example of the growing investor interest in accessing P&C lines of business outside the property cat space, which has been the focus of the ILS market for much of the last 15 years.

That has led a number of players – including MultiStrat as well as Vesttoo, Ledger Investing and Longtail Re – to become increasingly visible and active in bringing capital markets capacity to casualty risk, particularly in the programs and MGA space.

The structure of the Venture Underwriters deal sees Markel-owned State National’s United Specialty carrier subsidiary issue paper to front the $115mn of MultiStrat quota share premium capacity.

MultiStrat Re Ltd in Bermuda acts as a quota share reinsurer of United Specialty through a segregated cell, with the capital markets investor supporting the capacity owning the preference shares in the segregated cell.

Sources said the unnamed capital markets investor is an active participant in the P&C sector.

Speaking to this publication, Bill Goldstein, CEO of CRC Group’s Specialty Programs division, said the deal was the first of what is expected to be a pipeline of transactions with ILS players including MultiStrat, which is led by Bob Forness as CEO.

**Transaction fact file**

**TYPE:** ILS-backed premium capacity to support Venture program  
**MGA:** Venture Underwriters, part of CRC’s Constellation Affiliated Partners  
**PROGRAM:** Primary contractors general liability operating in all states but New York. Represents long-tail exposure  
**CAPACITY:** $115mn of additional premium capacity from unnamed ILS investor transformed through Bermudian MultiStrat  
**STRUCTURE:** State National’s United Specialty carrier subsidiary issues paper to front the $115mn of MultiStrat quota share premium capacity. MultiStrat Re Ltd in Bermuda acts as a quota share reinsurer of United Specialty through a segregated cell, with the unnamed capital markets investor that supports the capacity owning the preference shares in the segregated cell. BMS Re advised on the transaction, providing actuarial modelling and support
“It was the outstanding work Bob and his team did that was able to transform the underlying traditional quota share participation into a separate vehicle that would be attractive to the investor community. It’s a great partnership and working relationship we have with MultiStrat,” he said.

Bermudian MultiStrat is majority-owned by Canopius Group and underwrites both prospective and retrospective casualty reinsurance sourced through intermediaries and places casualty ILS transactions with alternative investors.

Forness said the transaction had presented the challenges of structuring reinsurance that was competitive with traditional markets to meet the needs of Venture, while working with his firm’s capital markets team led by Jim Robinson to find a good investor fit and to be able to “translate the transaction into their language”.

“**It was the outstanding work Bob and his team did that was able to transform the underlying traditional quota share participation into a separate vehicle that would be attractive to the investor community. It’s a great partnership and working relationship we have with MultiStrat**”

Bill Goldstein, CEO of CRC Group’s Specialty Programs division

MultiStrat’s operations team then assembled and executed the transaction and will operate and oversee the business over time, given its long-tail nature. The executive highlighted the expertise of Venture Underwriters and its National Claim Services affiliate. “We had extensive due diligence to perform on behalf of the investor and that all went very well. Innovation, hard work and great partners working together in a creative way has produced a fantastic outcome,” he said.

**Data is key**

Capital markets investors looking to get comfortable with long-tail risk need high quality data, and Forness said the MGU was able to meet those needs, while BMS delivered actuarial modelling and support to the process.

Goldstein highlighted the in-house claims capabilities at Venture Underwriters, and the extensive investments made across CAP and CRC’s Specialty Programs platform in data and technology.

“So we have best-in-class data and we also were able to leverage the in-house actuarial capabilities of BMS, which were fantastic, as well as their placement skills. Between MultiStrat and BMS there was a lot of hard work getting the diligence done.”

BMS Re CEO Pete Chandler highlighted the groundbreaking nature of the transaction.
“Long-tail risk has been increasingly viewed as the next frontier for ILS capital. At BMS we are continuously looking to bring new sources, and forms, of capital and capacity to all of our clients and prospects; the MGA/program space is certainly no exception.

This transaction combined a high level of creativity, expertise and innovation in a fantastic partnership for BMS Re with Constellation, State National and MultiStrat.

This collaborative expertise was clearly made evident within the separate underwriting, claims and contract reviews by Multistrat and the underlying investor, ” he said.

Meanwhile, Goldstein said the role of State National had been critical to the transaction as he pointed to the fronting carrier’s flexibility.

**“Innovation, hard work and great partners working together in a creative way has produced a fantastic outcome”**

Bob Forness,
CEO of MultiStrat

“There was also a lot of creativity on the part of State National. They were a key component of this transaction and a real value-add in getting this done,” said the executive.

State National CEO Matt Freeman commented: “We believe casualty ILS has enormous potential and are delighted to have the opportunity to help craft a responsible and repeatable path to market that’s attractive to investors and accessible to the most sophisticated program administrators.”

Both CRC and MultiStrat made it clear that the addition of ILS capacity to the program was not viewed as a replacement for traditional reinsurance, but rather a complementary capital source to support the MGU.

“This for us means access to new capital, and new growth capacity, in addition to our fantastic reinsurance partners. We look at the scale and breadth of our programs as a means of attracting potentially non-traditional reinsurance support through the ILS market,” Goldstein commented.

Forness added that capital markets investors also appreciate participating on reinsurance deals alongside traditional markets.

“It gives investors comfort that experienced markets are on the risk alongside them. We like to be able to bring meaningful scale to a program, but it’s best for us to do that alongside great traditional markets,” he said.
The latest development in the shareholder activism-fuelled leadership saga surrounding Accredited owner R&Q has seen the company’s third-largest investor Slater Investments give its backing to executive chairman William Spiegel to continue in the role.

Spiegel had previously received the backing of Vida Capital, which holds a ~9 percent stake, as well as Aberdeen Standard Investments (Abrdn) (6.2 percent) and J O Hambro (~5 percent).

The move could be a decisive moment, with the support of Slater – which holds an 11.7 percent stake in R&Q – meaning Spiegel’s backers now represent more than 30 percent of the legacy and program management specialist’s shareholder base.

R&Q’s second-largest shareholder, Phoenix Asset Management, had launched the activist campaign on 12 August issuing a request for a special general meeting (SGM) and calling for Spiegel to be replaced with company founder Ken Randall on an interim basis.

The campaign to remove Spiegel subsequently drew the support of R&Q’s largest shareholder Brickell – the insurance arm of Miami investor 777 Partners – which holds a 12.7 percent stake in the company. In a statement, Slater said it does not intend to support Phoenix’s resolutions and would vote against them at the SGM.

Slater also voiced its support for the appointment of Robert Legget, unveiled earlier today as a senior non-executive director at R&Q. “We have the highest regard for Robert having worked with him previously. We also note the intention to appoint a new non-executive chair. We believe that their appointments are the best way to address the governance of the business,” Slater said in a statement. Another top-10 shareholder in the firm, who did not want to be named, is understood to also be backing Spiegel.
“If a group of shareholders wants to take control of the company, they should bid for it at a fair valuation,” the shareholder said. The campaign to oust Spiegel began just 16 months after he succeeded Randall as executive chairman, a period which has seen an aborted £482mn ($605mn) buyout bid by Brickell as well as accounting and reserving challenges.

However, his tenure has also seen continued success in the group’s program business, as well as an acceleration of the company’s strategy to be less capital intensive and an overhaul of senior management.

Earlier today, research house Equity Development warned R&Q could post ~$100mn of unrealised losses in its investment portfolio in the first half of 2022 only months after a substantial equity raise to plug a hole in its accounts. The London-listed company is set to report its H1 results in September, the same month that shareholders are being asked whether to continue backing Spiegel.

The red ink on companies’ earnings caused by mark-to-market investment losses was a defining feature of the recent H1 reporting season. R&Q’s larger rival Enstar, for example, posted eye-watering realised and unrealised losses of $1.3bn in H1 2022.

Ordinarily, it is not a concern because insurers hold assets to maturity before reloading at a higher yield. However, it can become an issue if a company is capital constrained and/or needs to realise investments swiftly. Earlier this year, R&Q reacted swiftly to raise $129.5mn in equity after a ~$90mn legacy reinsurance asset was not performing and some adverse reserve development was identified.

The scale of the expected investment losses means H1 will inevitably be another loss. Equity Development pointed out, however, that mark-to-market unrealised losses in R&Q’s investment portfolio are not reflected in operating earnings.

Earlier this month, R&Q offered a reassuring outlook on the strong performance of its program management arm, which provides fee income for the group. It did not comment, however, on its legacy business which appears to have slowed down the number of transactions this year although traditionally they do tend to close later in the year.

R&Q share price since William Spiegel became executive chairman in April 2021
Ryan Specialty reported second quarter earnings that included “strong” performance in its underwriting management arm as group president Tim Turner also reported that recently launched MGUs AXSAL Re and Emerald are gaining traction and actively quoting and binding business.

The wholesale broking and underwriting giant unveiled Emerald Underwriting Managers earlier this year, describing it as a company-owned start-up MGU focusing on primary and excess casualty risk with exclusive access to Nationwide paper through its Harleysville subsidiary.

The disclosure came after Ryan Specialty and Nationwide announced that they had reached an agreement on a deal that would give the wholesaler exclusive access to the mutual giant’s subsidiary Harleysville of New York to write alternative risk deals. In May, the company further confirmed the launch of member-owned captive MGU AXSAL Re as what it described as an innovative solution to the challenging buffer layer auto liability excess market.

Designed for transportation companies or other insureds with large fleets, the MGU is managed by Ryan Specialty’s Keystone Risk Partners, with its product distributed through insurance agents and brokers. On the Q2 earnings call earlier this month, Turner said: “Underwriting management posted another strong quarter, while continuing to deliver solid underwriting results for our carrier trading partners.

“Our Harleysville New York arrangement with Nationwide is beginning to bear fruit. AXSAL, our alternative risk de novo MGU, and Emerald, or excess general liability MGU, are both gaining traction and actively quoting and binding accounts,” he said.

Earlier on the call, founding chairman and CEO Pat Ryan said the company and its “exceptional talent” had been “hard at work” developing new programs and introducing...
new products in its MGAs and MGUs, “bringing new and existing capital to support our clients”.

Ryan Specialty’s underwriting management business is led by Miles Wuller.

**E&S flow still “historically high”**

Ryan also commented on the continued strong flow of business into the non-admitted channel, which he said remains at “historically high levels”, with the industry in the “prolonged stages of a historically hard market.

Ryan Specialty lifted its full-year organic revenue guidance after reporting that underlying growth had accelerated from 20.1 percent in the first quarter to 22.3 percent in Q2.

The chief executive noted his firm had just surpassed its first year as a publicly listed company, while in its results, Ryan Specialty said it now expects organic revenue growth for the year to increase by 16.5 percent to 18 percent, up from the 13.5-15.5 percent range it had previously provided.

“The E&S marketplace has remained robust,” Ryan declared. “In fact, the overall flow of business into our E&S lines is still at historically high levels. “Through Q2, we remain in the prolonged stages of a historically hard market, [and] broadly speaking, rates remain firm in nearly all of our lines of business,” he added.

Turner reiterated commentary from previous quarters in which the company’s management noted admitted market underwriters have continued to de-risk their portfolios, pushing more business into the non-admitted channel. “During the quarter, we saw an acceleration of this trend driven by one of the most challenging reinsurance renewal cycles in a number of years,” Turner said on the call.

In the analyst question and answer session, Turner said that in some instances in shared and layered towers in excess casualty there had been some migration back to the standard lines market.

“But all of it is overshadowed by this increased flow of other E&S business into the channel, led by cat property, cyber, health care, habitational, construction, [and] transportation. That flow continues to grow, and we’re perfectly aligned in our practice groups to capture that.”
MSI-Transverse deal sparks valuation frenzy in fronting space

Five years after Markel’s $919mn acquisition of State National at 16x 2018 earnings fuelled a surge in start-up activity in the fronting sector, those new entrants are now trying to grasp what Mitsui Sumitomo Insurance Co (MSI)’s surprise $400mn move to buy Transverse means for their own potential valuations.

Only a year after Clear Blue pulled its Evercore-run sales process in August 2021 because private equity bids failed to match expectations on price for the fast-growing firm, the market is scrambling for intel on the Transverse transaction as a read-across for other players in the booming sector.

That includes privately held fronting companies with an eye on a near- to mid-term liquidity event and publicly traded companies assessing whether the equity markets are properly valuing their businesses.

Terms of the transaction have not been disclosed. This publication has verified with sources the initial consideration of $400mn but understands that while there is a meaningful additional earnout in place, the $150mn figure reported is wide of the mark.

The up front price has raised eyebrows in the sector among peers and competitors trying to extrapolate to a multiple of Ebitda – one of the methods used to value fronting carriers (see below).

Growth trajectory
This publication reported in January 2022 that Transverse had grown its book to more than $400mn in annualised premium.
At that level, rudimentary calculations based on a pure fronting model with a 5 percent fee would indicate $20mn of revenue and perhaps $10mn to $12mn of Ebitda based on a margin of 50-60 percent for a carrier in the earlier stages of building out its book.

On the face of it that would indicate an eye-watering multiple of 20x revenue and 33-40x Ebitda – or more than twice what State National was bought for and what Clear Blue was seeking when it came to market last year. Transverse is not a pure front and claims to be the first of the new breed of players in the space to operate as a hybrid fronting carrier, retaining a percentage of risk on the programs it provides its AM Best A-rated paper to.

Fronting carriers are typically seeking a valuation based on a forward-looking projection of revenue and earnings, although the more they move into the hybrid spectrum, the more a traditional price-to-book valuation might come into play. Sources have said that Transverse’s rapid growth trajectory means it is on course to go past $800mn in annualised premiums this year as it onboards new programs and

**Deal anatomy:**

**NAME:** Transverse Insurance Group  
**ACQUIRER:** Mitsui Sumitomo Insurance Company (MSI)  
**SELLER:** Virgo Investment Group  
**KEY PERSONNEL:** Erik Matson (chairman and CEO); Dave Paulsson (president)  
**PRICE PAID:** An initial $400mn with a meaningful additional earnout component  
**VALUATION:** Complicated! Sources have said Transverse is projected to pass $800mn in annualised premiums this year, but in a fast-growth sector with the ability to leverage a two-notch upgrade to MSI’s A+ forward-looking projections to get to a deal valuation could be much higher for 2023. Based on a pure 5 percent fronting commission revenue stream and a margin of 60 percent that would point to an Ebitda multiple in the mid- to high teens. But as a hybrid carrier book value multiples also come into play depending on how far on the spectrum Transverse moves towards being a fully fledged program carrier  
**STRATEGIC RATIONALE:** MSI not likely to have looked at Transverse as a PE firm might on Ebitda/revenue multiples, or even as a more traditional multiple of book valuation. Approach was based on the strategic benefit of adding a platform that allows it to gain access to a broader range of business in a white-hot MGA market. Transverse to be pivoted from a fronting carrier to an insurance platform with fronting capabilities that will also write open market business, retain more risk over time and potentially invest in MGA partners. Added benefits of higher rating to attract more business and potential strategic reinsurance access from stablemate MS Amlin.
grows existing ones. At that level the metric changes meaningfully. As scale builds at a fronting carrier, margin typically expands, with an Ebitda margin of as high as 80 percent seen as achievable for an operator of significant scale.

Again using what is likely an artificial measure for a hybrid front of 5 percent fees and a conservative margin of 60 percent, revenues of $40mn would translate to Ebitda of $24mn, which in this hypothetical case would extrapolate to a 17x earnings multiple based on the initial consideration, rising higher depending on the level of earnout.

Some sources have questioned that the margin might be significantly lower for a relatively nascent platform that only began onboarding programs in late 2019 and is still in its buildout phase, with 2022 earnings well below our rough calculation based on $800mn of premium.

Another factor is that the 5 percent fronting fee portion of revenue only applies to the business ceded to reinsurers. With Transverse currently retaining up to 10 percent of the programs it fronts, there is also an underwriting income component that could rise on a prospective basis as it retains more risk under MSI ownership.

The valuation challenge
How to value pure fronting and hybrid fronting carriers in a fast-growing market has been the subject of much debate and created challenges for potential buyers and sellers of the businesses.

There are many model variants among the companies operating in the space, most notably around the level of participation they are prepared to take through a retention on programs they front and then cede to reinsurers.

There is also a myriad of structures deployed, including the use of sidecars, captives and off-balance sheet entities, as well as an array of appetites for different classes of business, and variants of the model including hybrid carrier-MGA platforms and partnerships.

At the core of the debate is whether a fronting carrier should be valued purely as a fee-based business – typically as a multiple of revenue or Ebitda – or whether a more traditional price-to-book value approach should play into the process for those that retain more risk as balance sheet entities.

In a dynamic market where year-on-year growth in the high double digits is being seen at many of the newer players, there is also the question of how far forward earnings or revenue should be projected as the basis for a pricing multiple.

There is also the question of how much credit buyers will ascribe to forward-looking projections of premiums based on pipeline programs and growth programs that are already live.
**Bumper year**

And arguably in this fast-growing market, a more ambitious forward-looking revenue number for 2023 might be used for the purposes of a valuation exercise, which would bring the multiple down further.

Buoyant conditions in the program sector mean that for most hybrid fronting carriers launched in the last few years 2022 is set to be a bumper year of growth, with no sign of slowing into 2023 and beyond. The attractive environment is demonstrated by the trajectory of publicly traded companies including R&Q Insurance Holdings and Trisura Group.

R&Q reported earlier this week that its Accredited fronting platform grew gross written premiums (GWP) by 82 percent to $807mn in the first half of 2022, with fee income more than doubling to $39mn.

Meanwhile, Trisura’s US hybrid fronting carrier business saw its GWP jump 77 percent to C$789mn ($617mn), with fee income up by 38 percent to C$29mn in the period. With most of the 20+ companies now operating some form of pure or hybrid fronting model in the US privately held, up-to-date financials and 2022 growth data are hard to come by.

However, Clear Blue was at the start of the year projecting it would grow written premium from $1.1bn in 2021 to $1.4bn in 2022, a target that may have been raised in the current attractive market environment.

**Valuation comparisons**

So how would an Ebitda multiple in the mid-teens for Transverse stack up against others in the sector?

Ready comparisons are not easy to make, but Trisura last month raised C$150mn with an equity issue at C$33.25 a share – just under 19x the C$1.77 full-year 2022 earnings consensus forecast of analysts.

US fronting business accounts for more than half of the premium written across Trisura’s carrier platform in North America. The company is currently trading at 22.3x projected earnings per share and 4.78x book value according to S&P Capital IQ data. However, if Transverse was valued at a multiple of premium instead – or 0.5x based on estimated 2022 projections of $800mn – it could be argued that R&Q is undervalued in comparison.

Only including R&Q’s fronting business Accredited, GWP is on course to go past the $1.7bn mark this year. At a multiple of 0.5x premium that would suggest a valuation in the region of $850mn on the business, but R&Q – which also includes an established legacy platform – currently has a market cap of less than half that at just below $400mn.

The price paid for Transverse may also give pause for thought at Hippo over how its acquired in-house fronting business Spinnaker is being valued as part of the
insurtech’s overall public market valuation.

**Strategic play**

Although peers and rivals in the fronting space are likely to be looking at the MSI-Transverse deal from a pricing multiple perspective, sources have said the Japanese buyer is unlikely to have viewed the transaction through that lens.

Instead MSI approached the platform as a strategic acquisition which will allow it to build out its presence in the US and access the fast-growing MGA and programs sector as well as open market business. It provides it with optionality, with the ability to simply take fronting fees on US programs business or retain a material amount of the risk on its balance sheet.

“As a buyer MSI is likely to have looked beyond Ebitda multiples and pricing expectations that might have dominated M&A discussions involving a private equity firm, with a longer-term strategic view on the value the platform will bring to the group by providing access to one of the fastest growing areas of the global P&C industry”

For Transverse the expected upgrade to A+ in line with its prospective parent would put it out on its own in the fronting segment. That alone could be a catalyst for more meaningful growth and bigger program relationships, supported by a much larger balance sheet at the group level that could allow it to scale up even more rapidly to respond to opportunities.

The combination also points to an intriguing dynamic for MSI and Transverse, with MS Amlin one of the more active reinsurers in the programs space, potentially playing its part as a strategic supporter of its new fronting carrier stablemate in a market where access to guaranteed reinsurance could be a significant advantage and selling point to MGA partners. And, as reported yesterday, MSI has indicated it will have an appetite for forging strategic relationships with MGAs Transverse fronts for, potentially taking minority investment positions in the future.

All of that means that as a buyer MSI is likely to have looked beyond Ebitda multiples and pricing expectations that might have dominated M&A discussions involving a private equity firm, with a longer-term strategic view on the value the platform will bring to the group by providing access to one of the fastest growing areas of the global P&C industry.

It seems unlikely PE firms would be prepared to come in for other fast-growing privately held fronting carriers at the kind of multiple the Japanese insurer was prepared to pay. The question is whether other strategic buyers including carriers and distribution platforms eyeing the record growth trajectory in the MGA and programs fronting space will fuel an M&A frenzy among the wave of entrants that followed the Markel-State National deal.
A Market on the Move

The managing general agent model of distribution is resurgent. Incumbent MGAs are expanding their share of business across the property & casualty market, while start-ups keep growing in number.

However, insurers, reinsurers, private equity players and MGAs themselves need to tread carefully before partnering. That’s where Aon comes in: helping our clients to make better business decisions. We are the professional services firm and capital advisor that connects stakeholders across the value chain to create a profitable match for all parties.

To learn more about this dynamic market, read Aon’s latest report series on MGAs: A Market on the Move
Knight Insurance Company on the front foot after A- return

Fresh from an AM Best upgrade to A-, Knight Insurance Company is addressing a pipeline of program opportunities as it looks to diversify into areas such as property using a data-centric differentiated fronting model with a higher retention rate than many others in the space, according to president Amit Shah.

Amid the surge of entrants into the fronting space over the last few years, Knight has operated somewhat under the radar, despite having a larger capital base than most of its peers at around $830mn and being part of the Hankey Group of companies, which has combined assets totalling $19.5bn.

This April, AM Best upgraded the financial strength ratings of the parent and its carrier subsidiaries to A- as it pointed to “operating and process enhancements” by management over the past five years that have steadily improved operating performance while reducing adverse reserve development.

Leveraging the Hankey Group’s Nowcom technology company, Knight has also strengthened the monitoring and control of its MGA partners and third-party adjusters in claims settling, as well as tightened its underwriting guidelines.

And earlier this year it addressed the prior-year problem with the execution of a loss portfolio transfer (LPT) for around 30 run-off programs and an adverse development cover (ADC) to protect against further deterioration.

Last year underwriting results included $70mn of unfavourable development – even as Knight generated record net income of $163.3mn and ended the year with
policyholders’ surplus at an all-time high.

**Transitioning portfolio**

In an interview with *Program Manager*, Shah said that with the key AM Best rating restored to A-, Knight is now in a position to shift existing MGA programs that had previously been fronted by third parties back to its own paper.

It is also addressing a strong pipeline of new opportunities as it looks to diversify beyond its core commercial auto and general liability-focused portfolio into other lines, most notably property.

“We’re getting a lot of unsolicited submissions in from a lot of brokers. We’ve been busy moving existing programs to our paper first, but we did a couple of deals in the last month that are newer, and that’s on our paper.

“But our pipeline is filled up right now and our team is reviewing submissions and going through the due diligence process. We’re open for new business and we’re seeing that as our name has gotten out there, everybody has been looking at us now with the capital base we have,” Shah commented.

Last year gross written premium (GWP) was just under $700mn and Knight is on course to write about $800mn on an annualised basis this year—although the reported numbers will be lower, skewed by one-time adjustments for the LPT and ADC transactions.

The insurer has around 34 live programs with unaffiliated MGAs in its portfolio and a further 14 products written with affiliates, including sister company Westlake Financial Services.
Although Shah wouldn’t confirm specific MGA partners, a recent report from rating agency Kroll revealed that last year Knight’s biggest relationship by far was with Venture Underwriters, part of Allstar, itself part of CRC’s Constellation Affiliated Partners, which accounted for $111mn of GWP.

Other significant programs included Tradesman, Transportation Specialty Underwriters, QuadScore and Brazos Trucking, as well as insurtech Cover Whale, said Kroll, which also recently affirmed the carrier.

Knight’s portfolio spans a range of business lines including commercial auto liability, construction general liability, credit products, guaranteed asset protection and product liability.

In its report, Kroll noted the reliance on fronting arrangements to write those programs, with almost 70 percent of GWP written through State National, Clear Blue, Trisura Specialty and Accredited – services for which Knight would have typically paid a 5 percent fronting fee.

### Knight Group – Top 10 programs

<table>
<thead>
<tr>
<th>Rank</th>
<th>MGA</th>
<th>Program</th>
<th>WP 2021 ($ 000’s)</th>
<th>% of total WP</th>
<th>WP in 2020</th>
<th>% of total WP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Venture Underwriters, Inc</td>
<td>Venture</td>
<td>111,393</td>
<td>16%</td>
<td>120,626</td>
<td>25%</td>
</tr>
<tr>
<td>2</td>
<td>TigerRisk Partners</td>
<td>Tradesman</td>
<td>65,211</td>
<td>9%</td>
<td>25,292</td>
<td>5%</td>
</tr>
<tr>
<td>3</td>
<td>Transportation Specialty Underwriters</td>
<td>TSU</td>
<td>50,940</td>
<td>7%</td>
<td>7,379</td>
<td>2%</td>
</tr>
<tr>
<td>4</td>
<td>Quadscore LLC</td>
<td>Quadscore</td>
<td>40,331</td>
<td>6%</td>
<td>21,093</td>
<td>4%</td>
</tr>
<tr>
<td>5</td>
<td>Brazos Specialty Risk, Inc</td>
<td>Brazos Trucking</td>
<td>34,094</td>
<td>5%</td>
<td>40,611</td>
<td>9%</td>
</tr>
<tr>
<td>6</td>
<td>Brazos Specialty Risk, Inc</td>
<td>Omni Residential Contractors</td>
<td>33,425</td>
<td>5%</td>
<td>24,842</td>
<td>5%</td>
</tr>
<tr>
<td>7</td>
<td>TigerRisk Partners</td>
<td>Coverwhale</td>
<td>33,061</td>
<td>5%</td>
<td>88</td>
<td>0%</td>
</tr>
<tr>
<td>8</td>
<td>Allstar Transportation Specialists, LLC</td>
<td>Allstar Trucking</td>
<td>29,929</td>
<td>4%</td>
<td>29,200</td>
<td>6%</td>
</tr>
<tr>
<td>9</td>
<td>Westlake Financial Services, LLC</td>
<td>Guaranteed Auto Protection</td>
<td>29,062</td>
<td>4%</td>
<td>19,263</td>
<td>4%</td>
</tr>
<tr>
<td>10</td>
<td>Trucking Insurance Experts</td>
<td>TIE</td>
<td>28,924</td>
<td>4%</td>
<td>2,670</td>
<td>1%</td>
</tr>
</tbody>
</table>

Others 235,163 34% 185,682 39%

|  |  |  |  |  | 691,535 | 100.00% | 476,748 | 100.00% |

Source: KBRA
Although not all programs will transition now that the insurer has its own A- rating back, a significant amount will, including those where Knight wrote on a 100 percent net basis and only used fronting carriers for the rated paper.

“That process is already in place, so the fronting income will show up on our side now, and then we’ll pick up some collateral that should start getting released on those arrangements too. That’s our low-hanging fruit,” Shah explained.

Where Knight quota shares with other carriers on a reinsurance basis behind other fronts it will seek to increase their return on equity in light of the rating upgrade.

More skin in the game
Shah believes that with its A- rating restored, Knight is at an advantage to some of the recently arrived fronting carriers because of its balance sheet scale and its appetite to retain more risk. Historically Knight has retained almost 100 percent net.

Going forward, the carrier will typically look to retain at the group level 30-40 percent of the risk on programs it fronts on its paper, then cede the balance to reinsurers. That is in contrast to most of the hybrid fronts, which typically will not retain more than 10-20 percent of the risk at a maximum, and in practical terms will look to retain less than 10 percent.

“That makes us a little different than all the other fronting carriers out there. We’re seeing more and more reinsurers that are coming out and asking fronts to take a significant position before they come in,” he commented.

Knight has a Cayman-based vehicle that can provide “rent-a-captive” services to MGA partners, allowing them to retain risk and further align with their fronting partner and panel of reinsurers.

The insurer is debt free and is also not leveraged on the underwriting side with a net written premium to surplus ratio of under 0.74:1, giving it potential headroom for growth.

Property appetite
One growth opportunity being eyed by Knight is in property, as it looks to diversify its casualty-focused portfolio of programs.

“Given where the property market is and how tight capacity is, it might be the right time to get into that. So we’re looking to diversify a little bit and getting into the property market where it makes sense and where the rates are high,” said Shah.

He said the carrier has been working with reinsurers including Swiss Re to better understand property exposures and ensure it has the right data and modelling processes. “We’re not going to come with a lot of capacity, we’ll start slow and see how things go,” said the executive.
A NEW DIRECTION IN SPECIALTY INSURANCE

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Convex launches US E&S-focused MGU led by ex-Catlin team

London-Bermuda specialty carrier Convex unveiled a new US platform – Convex North America Insurance Services LLC (Convex US) – as it looks to target E&S business that is not accessible via the London market.

The Dan Kumpf-led MGU will focus on writing primary insurance in the US E&S market on behalf of Convex Insurance UK Limited, with the US platform working alongside the team in London.

Its first product to market will be miscellaneous professional liability (MPL), with the carrier expected to launch more products over the coming months. Convex said its MPL product offers coverage for a financial loss arising from negligence during an insured’s professional duties.

The product is non-admitted and offered on a claims-made basis. Convex said it will work with appointed and licensed E&S brokers to offer the product. Kumpf was previously global chief underwriting officer, professional lines at Axa XL. Also on the leadership team is former AIG executive Bob Eells as COO.

Fidelis unveils $3bn MGU with Blackstone and Further Global joining investor base

Richard Brindle’s London-Bermuda carrier Fidelis announced plans for an MGU to underwrite $3bn+ of gross premiums and which will operate and be owned separately from its balance sheet business.

The MGU will be backed by two new significant investors – Blackstone and Further Global Capital Management – alongside the existing roster of Capital Z Partners, Travelers and Alfa Insurance, with Blackstone also leading the debt financing.

Fidelis MGU will be created as a separate entity from the Bermudian balance sheet insurance companies but will provide a range of services to the company’s established operations. Fidelis said its balance sheet companies will provide long-term capacity for the MGU.

Brindle, chairman, group CEO and chief underwriting officer of Fidelis, will serve as chairman and CEO of the MGU. Fidelis’ head of Bermuda Dan Burrows will lead the balance sheet businesses. Brindle said the new set-up will ensure the balance sheet companies will have access to the group’s market-leading underwriting talent and risk origination, with appropriate structures in place to ensure alignment.
Applied UW debuts entertainment and sports division

Our sister title The Insurer revealed Applied Underwriters has hired former Reel Media Insurance Services and Alive Risk executives Jerid Schmickle and Tim Troester to lead a new entertainment and sports division as the carrier and MGA platform continues to attract senior underwriting talent.

The move will consolidate Applied Underwriters’ existing business in the space, adding a new unit headquartered in Los Angeles with a New York satellite office, writing on both an E&S and admitted basis in the US. It will provide general liability, excess/umbrella, professional, workers’ compensation, contingency – including cancellation, non-appearance, prize indemnity and weather – inland marine and excess coverage for film and TV events.

Schmickle, who joins as CEO of Applied Entertainment & Sports (AES), was most recently president at Reel Media, and had been with the Los Angeles-based firm since 2018. Troester takes the position of COO at AES and was most recently an executive vice president at Alive Risk, which he co-founded with Schmickle.

Beat launches environmental MGU

Beat Capital Partners established its first franchise in North America, bringing on board the former head of Dual’s environmental business Justin Crawford to launch Magnolia Grove Insurance Services.

Magnolia Grove will focus on the environmental insurance marketplace, offering E&S coverage to SMEs in the US for contractors pollution, site pollution, products pollution, commercial general liability, professional liability and follow-form excess liability. The MGA will work closely with select brokers, offering AM Best A rated paper through Benchmark Specialty Insurance Company, a recently launched subsidiary of Trean Insurance Group.

Beat and Trean confirmed last month that Benchmark Specialty would be offering E&S products through an exclusive relationship with Beat Capital Partners Americas, which is led by April Galda Joyce as CEO and Jon Beckham as president. Magnolia Grove is the first franchise to emerge through the partnership and Beat’s first in the US, joining the eight underwriting cells it has established across the UK and Bermuda. Beat’s existing London-based MGA incubator has quickly grown to more than $500mn in gross premium volume after being launched by former Willis Re CEO John Cavanagh and ex-Ariel Re executive Tom Milligan in 2017.
At-Bay launches Markel-backed MPL product

At-Bay expanded into miscellaneous professional liability (MPL) with a new product backed by Markel, which adds to the San Francisco-based insurtech’s flagship cyber liability and technology errors and omissions coverage.

The insurtech said the new MPL product makes it the first to offer an automatically underwritten policy that customises coverage and pricing across more than 50 diverse classes of business. It described MPL as a “highly underserved part of the insurance market”.

“Employment in the professional services sector has grown three times faster than overall US employment in the last decade. These businesses come in all shapes and sizes, and many face increased exposure related to the services they provide,” said Austin Martin, At-Bay’s head of professional liability. The MPL product will be exclusively available on the insurtech’s broker platform, which can generate a quote in under two minutes.

At-Bay underwrites MPL insurance policies as an MGA through a Markel subsidiary, rated A by AM Best. The new product line provides capacity up to $5mn in limits for businesses up to $25mn in revenue.

Insurtech Cover shuts down

San Francisco-based personal lines insurtech Cover ceased operations about two months after the home, auto, life and renters MGA laid off most of its staff, becoming the latest casualty of the challenging tech fundraising environment.

The company was launched in 2016 with an aim of making property insurance fair and accessible to insureds across the US, describing its platform as “flexible enough to reach underserved communities”.

It had been backed by a roster of prominent venture capital firms including Tribe Capital, Defy, Exor, D20, Y Combinator, Tencent, Samsung and SV Angel, among others.

Employees let go in June were given the impression that the company was likely to shut down completely, but some senior staff were retained in an effort to sell the business, which ultimately proved unsuccessful. Its last public fundraise was a $16mn Series B round in the fall of 2018. After struggling to complete a Series C round, the company raised an additional undisclosed sum at the beginning of 2021, also reducing headcount at the time. Cover is believed to have had upwards of 90 employees at its peak.
Tangram buys New Empire

Tangram Insurance Services extended its specialist offerings and announced its first acquisition of the year with a deal to buy Los Angeles-based MGA New Empire Entertainment Insurance.

The transaction, which completed at the beginning of August, sees Heffernan Group-owned independent MGU and program platform Tangram make a move into the entertainment insurance market. Tangram president and CEO Rekha Skantharaja noted the entertainment industry has emerged from the challenges of the past two years and continues to show resilience and opportunity.

As this publication has previously reported, interest in the entertainment insurance market has increased after pricing in the sector jumped in the wake of the pandemic. Losses emanating from the contingency, film, television and theatre, as well as the broader entertainment market, hit incumbent carriers hard, with overall claims in the billions of dollars.

That has caused some carriers that had been active in the space to retrench, and pricing has increased in response to the contraction in capacity, as well as the losses.

Mitsui Sumitomo inks $400mn+ deal to acquire Transverse

In a surprise move it was announced that US-based hybrid fronting carrier Transverse has been acquired from Virgo Investment Group by Mitsui Sumitomo Insurance Co (MSI) in a deal reported to value the firm at ~$400mn.

MSI – part of the MS&AD Insurance Group – said the acquisition underlines its “long-term growth ambitions and is a significant step towards further building out its US presence”. It added that the addition of Transverse would also generate revenue diversification by accessing the fast-growing specialist MGA, wholesale and other broker-led distribution channels for property, casualty, marine and specialty business.

“The acquisition builds on MSI’s previous regional investments and supports its international growth strategy to deliver synergistic benefits to its different entities,” the firm added. Transverse was launched in 2018 as a hybrid fronting carrier and is led by chairman and CEO Erik Matson and president Dave Paulsson.

As revealed in a recent interview with Program Manager, the company is in the advanced stages of launching a UK platform, with a European platform also planned for early next year.
AM Re and GIC Re settle $115mn+ lawsuit

The $115mn legal dispute between US specialty program reinsurance-focused MGU AM Re Syndicate and India’s GIC Re has settled with the case now dismissed by US District Judge Valerie Caproni.

Judge Caproni dismissed the case with prejudice, without costs, including attorneys’ fees, to either party.

As our sister publication The Insurer reported back in February, AM Re sued GIC Re for at least $115mn after the reinsurer allegedly broke the terms of two binding authority contracts.

AM Re, which is led by Shevawn Barder, accused the Indian reinsurer of breaching its obligations to pay it compensation for the “hundreds of millions of dollars” of business it sourced. It also claimed GIC Re sought to work directly with the program managers and fronting insurers with which it had established relationships and to cut the MGU out of the transactions.

Among the programs AM Re says it introduced to GIC Re are National Transportation Associates, QEO Group, Redstone Underwriters, YachtInsure Underwriters and IRU Cargo.

Security First makes E&S FL homeowners move with Clear Blue

Security First launched an HO-3 E&S program in Florida with fronting carrier Clear Blue’s Highlander Specialty subsidiary as the homeowners specialist looks to broaden its offerings and benefit from the freedom of rate and form outside of the state’s challenging admitted market, our sister publication The Insurer revealed.

The program is being written by the company’s Security First Managers MGA, which has been appointed on an exclusive basis for Florida HO-3 business with Highlander Specialty. Security First began underwriting the new E&S coverage at 1 July and is already understood to have seen more than 1,000 submissions from its agency partners amid retrenchment in the market elsewhere.

Although Security First was among the carriers that had their Demotech A financial stability rating affirmed earlier this month, the new E&S program means the company is able to offer the AM Best A-rated paper of Highlander Specialty to its retail agents. The limit on the policy provides protection for total insurable value in the $100,000 to $1mn range and is not aimed at the high-net-worth segment of the Florida market.
Clear Blue sues Palladino following Obsidian move

Clear Blue Insurance is seeking a temporary restraining order (TRO) against former employee Scott Palladino after he allegedly “misappropriated trade secrets” and downloaded over 10,000 confidential documents containing key business strategy and terms ahead of his move to rival Obsidian.

Sister publication The Insurer reported earlier this month that Palladino had joined Obsidian as chief development officer role after leaving his role as senior vice president of business development at Clear Blue.

The Clear Blue action, which was filed on Thursday in North Carolina Western District Court, seeks a TRO and preliminary injunction after Palladino allegedly in the weeks prior to resigning downloaded more than 10,000 non-public, proprietary and confidential documents from the fronting specialist’s network and purchased a personal iCloud account with 2TB of cloud data storage capacity.

In a statement to this publication, Obsidian CEO Bill Jewett said: “Obsidian has received no confidential or proprietary information relating to Clear Blue. Obsidian, consistent with best business practices, would not seek to obtain any confidential or proprietary information regarding any of its competitors, including Clear Blue.”

According to Charlotte, North Carolina-based Clear Blue’s complaint, at the time those documents were downloaded, Palladino was in discussions to join rival fronting specialist Obsidian.

In its suit, Clear Blue says the documents Palladino took “contain highly sensitive, proprietary, and confidential business information that would give any direct competitor, particularly Obsidian, a distinct, improper, and unfair advantage and would cause irreparable harm to CBI”.

Those notes include information on current and prospective Clear Blue clients. At that point, the lawsuit claims Palladino had been in discussions about leaving Clear Blue and joining Obsidian “for a few months”.

During July 2022, while he was still employed with Clear Blue, the lawsuit claims Palladino communicated with Obsidian CEO Jewett and chief operating officer Craig Rappaport, as well as general counsel Emily Canelo and others, about the new role at Obsidian.

Clear Blue’s suit says preliminary injunctive relief is necessary “to protect CBI from irreparable harm from forever los[ing] its competitive business advantage or, at the least, a significant portion of its market share”.

News Recap: A month in the MGA sector
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 Doesn’t Have To Be

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22 MGUs

Numerous National Specialty Programs

550+ Industry Professionals

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Carriers toughen up on workers’ comp as post-Covid inflation concerns mount

The soft market conditions that have prevailed in the workers’ compensation sector are beginning to moderate with excess carriers increasingly looking to push harder on reinsurance terms, partly in response to what RPS Signature Programs’ Joseph Clifford said is projected inflationary pressure in the long-tail line of coverage.

Talking to Program Manager, Michigan-based Clifford, who serves RPS as area president, explained that the significant price decreases seen in recent years have slowed.

“The workers’ comp market is still soft, but it’s not been dropping year over year by the same percentages that it has been,” Clifford said.

“That’s not to say it isn’t still an aggressive line of insurance – it is – and companies are still seeing profits on the underwriting side,” he added.

But despite carriers still making profits, excess carriers have been requesting premium increases from their clients as concerns mount over loss cost inflation.
Worries over the potential impact of pandemic-related claims, as well as wage and medical cost inflation, are pushing insurers to look for rate rises.

Various jurisdictions around the US introduced presumptive legislation for certain industries, including healthcare and other emergency services, whereby if an individual caught Covid-19, it was given they contracted the illness while at work.

Segments such as healthcare, where nurses and doctors were on the frontline combatting Covid-19 cases, were hit particularly hard.

However, data collected from 45 jurisdictions by the National Council on Compensation Insurance (NCCI) showed that $630mn in Covid-related losses from some 80,000 claims was paid out by carriers in 2020.

According to the NCCI’s figures, the average Covid-19 workers’ compensation claim cost was $7,800.

**Covid-19 claims concern**

Clifford said he was only aware of a small number of major workers’ comp claims to have emerged from the pandemic, but accepted it was too early to truly know what impact Covid-19 may have had on the market.

The impact of the pandemic on claims varied greatly by industry, with most of RPS Signature Programs’ operations being in lower-exposure sectors, Clifford noted.

“Workers’ comp is a long-tail line. These claims that have happened in 2020 and 2021, and are happening now, we won’t know their true costs [for some time still].

“A small handful of claims are going to drive our costs because they’re impacted by

**Workers impacted by Covid-19–accident years 2020 & 2021**

Private carriers and state funds

Source: NCCI’s Statistical Plan data
medical inflation. Prescription inflation is huge in this industry. They’ve become one of the leading drivers of medical costs in the workers’ comp arena.

“The key question is how many of those big claims do we have on the books? And we won’t know for several years yet because our claim counts look good, but they won’t tell us what the costs are going to be due to the long-tail nature of this coverage,” explained Clifford.

And that is one of the reasons why excess carriers are pushing for rate increases, even with workers’ comp carriers having largely performed well in recent years.

“We’ve got all these new factors like massive wage inflation and massive medical inflation. The problem is the extent of the medical inflation won’t be known clearly for maybe half a decade,” said Clifford.

“With the large claims, we don’t really know what the ultimate costs are until they settle. And that oftentimes takes years because they’re litigated. There’s a lot of guesswork going into that equation,” said Clifford.

He explained that most carriers are taking a conservative approach and presuming that costs will continue to go up.

“When we talk to our excess carriers and purchase insurance and they’re taking increases of at least 2 to 4 percent, that says to us that we need to be getting increases too,” Clifford stated.

**BIOGRAPHY**

Joseph Clifford serves as area president for RPS Signature Programs’ Michigan office, a platform that manages seven self-insured workers’ compensation-focused group funds.

Clifford has spent his entire insurance career at RPS Signature Programs, having first joined the business in 1993.

In his role, he leads the group funds management, including board correspondence, state regulatory oversight, underwriting protocols, excess insurance negotiations, claims management practices and risk management services.

Alongside his duties at RPS, Clifford serves on the workers’ compensation committee of the Self-Insurance Institute of America.

RPS Signature Programs group funds serve various trade associations in Michigan, including those for the restaurant and lodging, horticulture and cleaning industries.
Workers’ comp premiums are dictated by payroll, and as Clifford noted, in the post-Covid-19 environment “payrolls are now going up quite a bit in all industries”, largely due to inflation-related pay increases.

Pre-Covid, someone in a Michigan-based fast-food establishment may have earned $12 an hour, but that’s now closer to $16.

“That’s a 33 percent increase, as an example, of wage inflation, so we got premiums going up because of wage inflation,” said Clifford.

And while wage inflation is increasing workers’ comp carriers’ premium volume, that does not mean it will cover the increased costs from claims.

**Reduced investment income supports rate drive**

Given the long-tail nature of workers’ comp, Clifford said investment income plays an important role in managing carriers’ books. But with investment income currently taking a hit, there is further need to push for rate.

“Investment income is a major factor in the pricing of workers’ comp, more so than in other lines on average, because there’s such a long tail,” said Clifford.

“When you start getting a squeeze on your investment, and the returns are different to what was projected when rate setting three years ago, that has a major effect on underwriting. That will also have an impact on the market softening slowing because the market is getting squeezed [on investments].”

**Market studies report mixed pricing**

According to the latest data from the Council of Insurance Agents & Brokers, workers’ compensation pricing has been trending slightly above and below flat since the second quarter of 2021.

In Q2 2021, workers’ comp pricing increased by 0.3 percent on average, while in the third quarter of last year, it was down 0.3 percent.

For the fourth quarter of 2021, workers’ comp pricing went up 0.3 percent, but in the first three months of this year, it dropped down 0.5 percent. That was followed by workers’ comp pricing in Q2 2022 falling by 1.2 percent.

Figures from US-focused distribution and MGA platform MarketScout showed workers’ comp pricing increased 1 percent in 2022’s second quarter, repeating the trend seen during the first three months of this year.

Workers’ comp pricing in Q4 2021 was flat, according to MarketScout, the same as in the third quarter of last year. In the three months to 30 June 2021, workers’ comp pricing went up by 1 percent, the Dallas, Texas-based business reported.
Fidelis CEO Richard Brindle late last month unveiled a visionary new business model for his Bermudian company with the creation of a $3bn projected GWP MGU and the separation of the group’s balance sheet carriers in a transaction seen as the first of its kind.

Our sister publication The Insurer revealed that the new MGU is being valued at around $2bn, or 10.5x 2023 projected earnings, and will have access to capacity under a long-term rolling contract with the London-Bermuda group’s balance sheet companies.

According to US banking sources, 40-50 percent of that valuation comes from the equity investment from backers including Blackstone and Further Global Capital Management.

Those new investors join the existing roster of Capital Z Partners, Travelers and Alfa Insurance.

The balance of the deal is funded by debt, with the financing also led by Blackstone.

Sources said the materials sent to investors ahead of the deal included projections of managed net written premiums of $1.96bn this year and $2.29bn next year. Fidelis has publicly said the MGU plans to underwrite $3bn+ of premium on a gross basis.

Revenues generated by the MGU are estimated to come in at $342mn this year and $365mn in 2023, which at a projected margin of 52 percent would result in Ebitda of $177mn and $191mn respectively.
That is likely to have been seen as an attractive entry point to the business when set against valuations in the mid- to high teens that MGUs and MGAs have been changing hands for recently. Fidelis is likely to have also marketed the MGU on its own established underwriting record.

**Long-term capacity**

The final terms of the long-term rolling contract for capacity have not been confirmed.

But sources suggested it would likely include a lock-in of several years and then a rolling renewal that could take the partnership beyond a decade.

Sources said that subject to regulatory approval this could be up to 13 years, including an initial four-year lock-in period.

This would have given investors in the balance sheet company confidence of exclusive access to Fidelis’ superior underwriting, and investors in the MGU the reassurance of long-term capacity support.

Capacity is king in the MGU and MGA world and the ability to lock in access to long-term paper is likely to be seen as a major differentiator for the new vehicle.

As previously reported, Fidelis MGU will be created as a separate entity from the Bermudian firm’s balance sheet insurance companies but will provide a range of services to the group’s established operations. Fidelis confirmed its balance sheet companies will provide long-term capacity for the MGU.

Brindle, who is chairman, group CEO and chief underwriting officer of Fidelis, will serve as chairman and CEO of the MGU. Fidelis’ head of Bermuda Dan Burrows will lead the balance sheet businesses.
Fidelis CEO Richard Brindle has earned a reputation as an underwriting innovator during his near four decades in the (re)insurance space, from his tenure with Lloyd’s insurer Tarquin Underwriting in the 1990s, through the formation of Lancashire in the 2000s and the subsequent launch of Fidelis in 2015.

And the bifurcation of the Bermudian’s underwriting and balance sheet businesses looks like a visionary move – and one that is also a complicated deal that juggles multiple stakeholders and investor interests.

The Insurer TV sat down with the executive to examine the deal and what it means, as Brindle suggests it is a transaction that has never been done before, and leaves “everybody happy”. “The private equity exiting shareholders are getting a multiple they could only dream of through any other means,” Brindle explained.

“The incoming investors are investing in what should be an incredibly exciting journey for the world’s largest and most diversified MGU. Everybody is happy which makes for a nice transaction – nobody feels like they’re getting screwed.”

Click here to view
Ledgebrook targets Q4 GL launch after seed funding

Recently formed insurtech MGA Ledgebrook has raised $4.2mn in seed funding to build out its platform with the aim of beginning underwriting its first policies in the fourth quarter of this year.

Sister publication The Insurer revealed last month that the start-up was initially looking to prove its worth as an E&S MGA with a general liability (GL) launch slated for the fall and further product roll-outs in H1 2023. The seed funding has been led by Brand Foundry Ventures alongside American Family Ventures, with the raise supporting the build-out of the team, technology and operational infrastructure required for the GL launch.

In a statement, the Boston, Massachusetts-based firm led by former Liberty executive Gage Caligaris confirmed that it will start by offering a broad-appetite E&S GL product with supported excess to “establish its value prop” to wholesale broker partners before expanding via multiple product launches in 2023.

As previously reported, the MGA’s start-up management team includes Steve Mills, the former president of The Hanover’s E&S division, as head of the underwriting team, while COO Paul Velekei will leverage decades of experience building and scaling finance companies.
Rcapital and Montague acquire stakes in UK General and Precision Partnership

Private equity investor Rcapital Partners is acquiring a majority stake in UK personal lines MGA UK General Insurance (UKG) and MGA incubator Precision Partnership Limited (PPL).

Under the terms of the deal, Montague Investment Group will also take a minority stake in the firms, in a transaction led by the joint UKG and PPL management team of CEO Tim Smyth and CFO Ryan Gill. Following completion, UKG and PPL will come together under the leadership of Smyth. Lord Jonathan Marland, one of the founding directors of Jardine Lloyd Thompson and founder of Lloyd’s insurer Jubilee, is to become chairman of the acquired business. The deal marks London-based Rcapital’s first investment in an upstream insurance asset.

Leeds-based UKG underwrites a wide range of personal lines schemes including property, leisure and lifestyle. PPL acts as the support function for a number of MGAs including One Commercial, Binnacle, Provego, as well as One Commercial Specialty and One Commercial Private Clients.

Cyber insurtech At-Bay closing in on deal to buy Relay Platform

Cyber-focused MGA At-Bay is closing in on a deal to acquire placement and quoting specialist Relay Platform, in a deal that could mark the start of a pick-up in insurtech M&A activity as businesses that previously gained traction look to navigate an increasingly murky economic picture, our sister publication The Insurer revealed.

Relay was launched in 2018 by veteran entrepreneur Greg Boutin and bills itself as the only single-entry multi-carrier insurance and reinsurance quoting solution that can handle all P&C lines, across all mediums including both instant and email quoting, at any level of complexity.

The company’s platform was built to serve both insurtech and traditional brokers and agents, equipping them with an interface to easily add specialty lines to their client proposals. Brokers and agents who use the service fill out a unified application form, use the application to collect quotes instantly or through an enhanced email process and create proposals automatically. The cyber-focused platform also supports other lines including management liability, terrorism, representations and warranties and others, as well as facultative reinsurance placements.
Hagerty buys outstanding 60% stake in Broad Arrow for $65mn

Automotive enthusiast-focused MGA Hagerty has entered into a definitive agreement to acquire all outstanding shares of Broad Arrow Group, which specialises in the transactional segments of the collector car market, for $64.8mn.

Hagerty earlier this year acquired 40 percent equity ownership in Broad Arrow, which the MGA said was “a centrepiece of its automotive marketplace strategy”. In January Hagerty formed a new unit – Marketplace – which it said would expand and centralise its portfolio of automotive-focused offerings, including Hagerty Valuation Tools and DriveShare.

“We expect our additional investment in Broad Arrow to enhance our growth and profitability over time, as we intend to rapidly scale this part of our overall business,” said McKeel Hagerty, CEO of Hagerty.

The MGA went public in December last year in a go-public transaction valuing the firm at a pro forma enterprise value of approximately $3.1bn. At the time, Hagerty said the $265mn of net proceeds from the transaction would be used for strategic growth opportunities, including digital innovation initiatives.

Gallagher’s RPS buys Oregon-based MGA Evergreen

Arthur J Gallagher subsidiary Risk Placement Services (RPS) has acquired Oregon-based wholesale broker and MGA Evergreen Insurance Managers, which offers programs for the cannabis industry, auto dealers and restaurants, bars and taverns.

Founded in 2006, Hillsboro, Oregon-based Evergreen offers commercial insurance solutions for a variety of industries. Its products include casualty, garage lines, professional lines, property lines and specialty lines. The Evergreen team serves clients throughout the Pacific Northwest. Dyan Bates, Nancy Schultz and their associates will remain in their current location under the direction of Kevin Doyle, vice president, Western region and Chicago for RPS, which is Gallagher’s US wholesale brokerage, binding authority and programs division.

RPS has announced several other deals in 2022. These include the acquisitions of Florida-based program administrator Risk Transfer Insurance Agency in January, Missouri-based surplus lines agency Commercial Insurance Underwriters in March and Illinois-based standard and specialty lines wholesale broker GA Mavon & Co in April.
PCF strengthens MGA offering with PWSC acquisition

Fast-growing US broker PCF Insurance Services has added to its MGA capabilities with the acquisition of Professional Warranty Service Corporation (PWSC). PWSC, which was founded in 1995 and is based in Chantilly, Virginia, provides risk management solutions in the new home construction and property management industries.

Its MGA arm provides expertise, products and services to builders, insurance carriers, brokers, agents, property management firms, homeowners as well as renters. The business also offers a complete range of structural and appliance warranty products and solutions for property managers and residential builders. The deal, the terms of which were not disclosed, enhances PCF’s existing portfolio of offerings and deepens its presence in the real estate and construction industry.

Through the acquisition of PWSC, PCF also adds to its ability to deliver specialty risk management solutions, the broker consolidator said. In a statement, chairman, founder and CEO Peter Foy said PWSC “has an impressive record of building unique and meaningful warranty-based risk management solutions for home builders, institutional investors and property managers”.

Former Talbot underwriter Evans launches product recall MGA with NuVenture

MGA platform NuVenture International has launched its third MGA, product recall insurance specialist BluNiche. NuVenture incubates and supports a portfolio of MGAs in the UK insurance market, with mid- and back-office functions provided by Xceedance under a strategic partnership.

BluNiche was founded by Neil Evans, who most recently held the position of senior class underwriter for crisis management at Talbot Underwriting, where he was global head of product recall for clients in the food, drink and automotive parts industries.

Before this, he was head of the crisis management team at Catlin, where he underwrote product recall, extortion, kidnap and ransom, and crisis response.

BluNiche, which will provide clients with balance sheet protection and crisis management services in the event of a recall, is backed by Lloyd’s capacity provided by Chaucer Syndicate 1084. Andy Colbran, CEO of NuVenture, said the company was “delighted to bring an alternative to incumbent markets in the product recall space”.
IGI to acquire Norwegian MGA Energy Insurance Oslo

International General Insurance Holdings (IGI) has signed a non-binding letter of intent to acquire Norwegian MGA Energy Insurance Oslo (EIO).

Pending completion of due diligence and subject to regulatory approval, IGI and EIO intend to enter into a binding definitive agreement. Following completion of the transaction, EIO will be renamed International General Insurance Company (Norway) and become a wholly owned subsidiary of Bermuda-based International General Insurance Co Ltd.

IGI has had an exclusive underwriting agency partnership with EIO since 2009, focused on writing a portfolio of energy and construction business.

“This partnership has been a successful one and we look forward to continuing to work together under the IGI brand name,” said Wasef Jabsheh, chairman and CEO of IGI. “This transaction allows us to grow our existing book of business and represents a good strategic opportunity for IGI to expand our footprint in the Scandinavian markets.”

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Beat Capital in exclusive Trean E&S paper deal

The expansive US MGA platform of Beat Capital Partners has partnered with Trean Insurance Group’s non-admitted subsidiary in an exclusive paper deal that will allow it to roll out E&S products.

Late last year this publication revealed that Beat was working on establishing onshore US paper with access to its own dedicated capital as it looked to expand in the world’s biggest insurance market. In a statement, the companies said that Trean’s Benchmark Specialty Insurance Company will offer E&S products through the exclusive relationship with Beat Capital Partners Americas, the carrier’s first partnership in the large non-admitted insurance underwriting market. In turn, newly launched Beat-backed agencies will have access to Benchmark Specialty’s AM Best A rated paper, as well as Trean’s claims, underwriting and operational expertise.

As previously reported, Beat, which is backed by Bain Capital Credit, Elliott Management and Amwins, provides a platform for underwriting executives and teams to secure funding, infrastructure, risk capital and highly rated paper alongside guidance and support to launch programs.

It is set to collectively write gross premiums of around $650mn in 2022 across its platform and operates Lloyd’s Syndicate 4242.

SiriusPoint partnerships up to 30 with “robust pipeline” of deals in place

SiriusPoint’s interim CEO Dan Malloy has confirmed the Bermudian continues to have a “robust” pipeline of MGA partnerships after gross written premium in its insurance and services division more than doubled in Q2 off the back of the strategy.

The increase, SiriusPoint said, was primarily driven by growth in its property and casualty strategic partnerships with Pie Insurance, Arcadian and Corvus Insurance, as well as growth in accident and health. On a call to discuss the second quarter results, Malloy said SiriusPoint now has 30 strategic partnerships in place across a range of business lines and geographies.

Recent additions to its roster of tie-ups include European financial and professional lines insurance MGA Alta Signa, European digital home rental insurance MGA Garentii, Canadian surgical accidental death insurer Samos and semi-autonomous and autonomous motor underwriting platform Avinew. On the call, SiriusPoint chief financial officer David Junius said the partnerships recently agreed with Alta Signa and Mosaic “are gaining traction contributing meaningfully to year-over-year top-line growth”.

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Demex launches Markel-backed snow insurance products

The Demex Group – a technology firm that offers a platform for analysing, pricing and transferring climate-linked risks – has launched two snowfall insurance products backed by non-admitted paper from Markel subsidiary Evanston Insurance Company.

The snow insurance coverage delivers climate resilience by addressing volatility. Demex said the products stabilise operational budgets that are linked to snowfall. The Washington, DC-based company said that revenue and operating costs in snow-sensitive businesses are experiencing unexpected volatility driven by the changing nature of winter storms. The snow insurance coverage has two functions. The first, Demex Revenue Protection Insurance, has been created for snow removal contractors and snow-dependent businesses. Claims are triggered when snowfall is extremely low.

The second, Demex Cost Control Insurance, serves property owners, facility managers and municipalities, with claims triggered when snowfall is extremely high. Both policies are backed by paper from Evanston, which carries an A XV rating from AM Best.

CargoCorp hires Lions Gate’s Ramos to lead new financial lines offering

Expansive Latin America-focused MGA CargoCorp Underwriters has hired Pilar Peralta Ramos from Lions Gate Underwriting to lead a new financial lines offering. Lloyd’s coverholder CargoCorp has been on a recruitment drive in recent months as it builds out its offerings, and the recruitment of Ramos will spearhead the platform’s entry into the financial lines space.

Ramos has joined CargoCorp from BMS-owned Lloyd’s coverholder and MGA Lions Gate, where she most recently headed up the Miami-based firm’s financial lines operation. Prior to joining Lions Gate in 2015, Ramos was at Beazley for a year. She has also worked for other MGAs including Dual and VK Underwriters, writing Latin American business on behalf of capacity providers including Everest Re, Navigators and ANV, among others.

CargoCorp opened in 2015 and is led by CEO Juan Carlos Martinez. The MGA, which has offices in Miami and Mexico City, has historically written a book of marine cargo business in the Latin America market, while it also offers hull, protection and indemnity, and terrorism cover, but has recently sought to expand into new markets.
Beazley provides capacity for Spring Insure cyber launch

Howden-backed MGA Spring Insure has launched a commercial cyber offering aimed at the SME market with Beazley providing capacity.

Howden-backed MGA Spring Insure has launched a commercial cyber offering aimed at the SME market with Beazley providing capacity. Designed for SMEs, the commercial cyber cover is in addition to Spring Insure’s existing financial institutions and D&O offering, also in partnership with Beazley. The new cover provides protection against losses arising from a cyber incident, as well as access to Beazley’s cyber services, including pre-breach and risk management services.

In the event of a cyber incident, policyholders will communicate directly with Beazley’s in-house breach response team, cyber services and claims team to work towards a resolution.

Commenting on the new offering, Nathan Sewell, CEO of Spring Insure, said: “We understand that the needs of these smaller companies are different to their larger counterparts and our tailored approach to underwriting every risk makes this an important addition to the suite of products we offer to the SME market.” Spring Insure recently received regulatory approval from the Central Bank of Ireland for a new Dublin unit, led by former Hiscox and Chubb executive Patrick Mettler.

Rhino writing capacity hits $200mn with AmTrust partnership

Rhino has announced a partnership with AmTrust Financial to provide an additional $60mn in premium-writing capacity for its core product offering, bringing the renters security deposit insurer’s total capacity to over $200mn.

AmTrust joins Rhino’s existing panel of insurance carriers and reinsurers. Rhino said the AmTrust partnership will further enhance its capacity “to support the rapid growth and adoption of its innovative security deposit insurance solution and modernise the rental experience, making it easier and more efficient for both property owners and renters”.

Rhino in May announced that its solution is now offered to more than two million US homes nationwide. Housing providers including Highmark Residential, UDR, Invesco, Peak Living, Towne Properties, Monarch and Brookfield have partnered exclusively with the insurtech. New York-based Rhino was established in 2017 by co-founders Ankur Jain, who also serves as chairman, and Paraag Sarva, who is CEO.
Trean records Q2 adjusted net income surge in earnings beat

Trean’s adjusted net income increased 28 percent to $5.5mn in 2022’s second quarter while the carrier’s combined ratio nudged up 90 basis points to 94.7 percent during the period. Wayzata, Minnesota-based Trean posted adjusted net income per diluted share of $0.11, up from the $0.08 it generated in the prior-year period. Analysts’ consensus estimate as per S&P Capital IQ had been for adjusted net income per diluted share of $0.07 in Q2 2022.

The hybrid MGA and program insurer’s gross written premium dipped by 1.5 percent year on year to $154.2mn, with the decrease due to Trean’s “continued focus on maintaining underwriting discipline in an unusually competitive environment”, the business said. The reduction also reflected a more gradual increase of current year premium from new program partners that have been added in 2021 and 2022 than it had originally estimated. Trean posted underwriting income of $3.4mn for the three months to 30 June 2022, up 16.7 percent year on year.

HIGHLIGHT: GWP down 1.5% with growth from new program partners less than expected

Palomar raises 2022 PLMR-FRONT GWP expectation to $130mn-$160mn

Palomar has raised its 2022 guidance for managed fronting gross written premium (GWP) in its PLMR-FRONT unit, while the insurer’s CEO has also commented that residential earthquake demand will remain strong as a result of a dislocated homeowners market and the California Earthquake Authority reducing exposure.

La Jolla, California-based Palomar reported adjusted net income for the second quarter of $18.7mn, up from $13.2mn in Q2 2021. On an earnings call, Palomar chairman and CEO Mac Armstrong noted that the new fronting business, PLMR-FRONT, recorded $42.2mn of GWP in the second quarter, which followed $30mn in Q1.

The platform expanded its program partnership with Cowbell, which doubled the reinsurance capacity available to the cyber insurtech’s Prime 250 offering. It also announced a partnership with workers’ compensation insurer Omaha National. “We’re trending well ahead of our previously announced plan to generate between $80mn to $100mn of managed premium, and we now believe that we can generate $130mn to $160mn of managed premiums this year, inclusive of the Texas homeowners business,” said Armstrong.

HIGHLIGHT: PLMR-FRONT full-year GWP guidance raised on expansion of existing partnerships and new programs
Trisura’s top line continues to benefit from hard market conditions and the flow of business from the admitted to the E&S market, while the fast-growing fronting specialist’s president and CEO David Clare said the firm’s pipeline of partnerships following the recent tie-up with At-Bay is “very healthy”.

Toronto, Canada-based Trisura’s US hybrid fronting carrier business saw its gross premiums written more than double year on year to C$447.6mn ($347.9mn) in Q2 2022. On a call with analysts to discuss the Q2 results, Clare said “rate increases are still positive, although not at the magnitude that we’ve seen in years past”. And the executive added that the business continues to see “faster growth in the E&S market than the admitted market overall”. “Regardless of rate adequacy or state approach, more people in the market today are interested in supporting and constructing programs in the E&S space,” said Clare on the call.

In May our sister publication The Insurer revealed that cyber insurtech At-Bay had moved its existing cyber and tech E&O program from HSB paper to a Trisura-fronted program. Looking ahead, Clare said Trisura has had “a fairly strong pipeline and a fairly healthy submission flow in 2022 that included At-Bay and that certainly continues through this year”.

HIGHLIGHT: US hybrid fronting carrier GWP more than doubled driven by strong growth in E&S

R&Q’s program arm Accredited sees GWP climb 82% in H1

R&Q Insurance Holdings saw gross written premium (GWP) climb 82 percent to $807mn in the first half of 2022 at its Accredited program management business, with the unit’s fee income more than doubling year on year.

In an investor update on the performance of its program management business for the first six months of the year, R&Q reported program fee income of $39mn, compared with $19mn in H1 2021. The firm also highlighted that it had added six programs since the end of 2021, when the total stood at 69. This includes the six-year £2bn GWP partnership announced in May between R&Q’s Accredited Europe and UK MGA Policy Expert.

London-listed R&Q said two new programs had been approved post period-end, and the firm agreed to add $100mn to its existing partnership with Corvus Insurance.

HIGHLIGHT: Accredited GWP surged 82% in H1 with six new programs including six-year $2bn Policy Expert partnership
Obsidian takes Palladino from Clear Blue

Fronting specialist Obsidian Insurance Holdings has hired Scott Palladino from rival Clear Blue as its new chief development officer, in a move that accelerates the build-out of its management team following its 2020 launch. The executive spent the last seven years at fronting carrier Clear Blue as a member of its founding management team, most recently serving as a senior vice president.

New presidents for Ryan Specialty national specialty programs

Ryan Specialty has appointed Bill Evans and Chris Kelleher as co-presidents of its national specialty programs (NSP) practice. NSP became part of Ryan Specialty Underwriting Managers with the 2020 All Risks acquisition. Evans had been at NSP for a decade and was most recently vice president, a role also held by Kelleher who joined more than 14 years ago.

RSUM promotes Lillis, Quinn and Taggart to new roles

Ryan Specialty Underwriting Managers (RSUM) has made a trio of appointments with Brian Lillis named chief operating officer, while Eric Quinn and Chris Taggart have both been appointed senior vice president. Lillis has been at RSUM for the past nine years in various operational, technology, M&A and finance leadership roles and was most recently SVP; Quinn joined with the acquisition of All Risks; and Taggart moved to Ryan Specialty in 2015 as HR director.
VIPR Solutions adds veteran Massey as advisor
Former Zurich North America commercial markets CUO Greg Massey has been named as the North American advisor for VIPR Solutions, a UK-based provider of software solutions to the insurance industry. Massey held a number of senior roles at Zurich after joining from Selective and takes the advisory role at VIPR as the company looks to grow in North America.

Victor hires Tarpey to lead US reinsurance operations
Marsh-owned MGU platform Victor has renamed recently acquired Regional Treaty Services Corporation as Victor Reinsurance Managers (VRM) and hired John Tarpey from Everest Re to lead the operation. VRM currently writes three reinsurance facilities for small to mid-sized US-based insurers primarily writing personal lines, small agriculture and main street commercial business. Tarpey was most recently vice president for treaty casualty and multiple lines at Everest Re.

Maher leaves Canopius USA for MGU CannGen
Canopius USA vice president of underwriting Kevin Maher has left the carrier to join cannabis MGU CannGen Insurance Services as senior vice president of underwriting. CannGen is a tech-enabled MGU offering a number of programs to the cannabis, CBD and hemp industry nationwide in the US.

Vesttoo recruits Iinuma to lead new Japan office
Vesttoo has made another senior hire as it builds out its global capabilities with the insurtech naming industry veteran Kunihiko Iinuma as general manager of its new Japanese operation. Iinuma has over 30 years of industry experience, most recently serving as vice chairman and chief strategy officer at RGA Japan. He has also held senior roles at UBS, RBS and Japanese carrier SBI during his career.

Fusion Americas hires Axa XL’s Liu to bolster M&A unit
M&A-focused MGA Fusion has hired Richard Liu as partner to help grow its business in North America. In the new role, Liu will report to managing partner Brian Hayes and be responsible for the growth of Fusion’s global capabilities. MGA Fusion Specialty announced plans to launch its online M&A insurance offering for SMEs in the US in May.

US insurtech Pattern hires AccuRisk’s Segall as UW head
Embedded insurance company Pattern has appointed Joyce Segall as head of underwriting, with the new hire most recently serving as president at AccuRisk Ancillary Solutions. Segall has joined Pattern’s US-based MGA that enables online travel, recreation and events companies to seamlessly design, build and distribute insurance offerings.
MGA Aqueous adds senior development underwriter

Aqueous Underwriting has appointed William Hall as senior development underwriter as part of the MGA’s plans to build new business opportunities in the regional market. Hall joins from professional indemnity (PI) and liability broker Brunel Professions, where he worked as an associate director. Earlier this year, Aqueous announced it had secured an increase in its PI capacity with cover available for limits up to £15mn and has also added Great American to its panel.

ProFinity eyes SME expansion after recruiting Beazley’s Orye

ProFinity has added the former head of US underwriting at Beazley Digital Jamie Orye to its ranks as the professional liability-focused MGA looks to build out its SME book. Orye has been appointed executive vice president and has moved to ProFinity after more than 14 years at Beazley. During his time at the US-based arm of the Lloyd’s insurer, Orye has also served as an underwriter and as US focus group leader for the private enterprise segment.

Chidwick is Policy Expert CFO

UK home and motor insurtech Policy Expert has appointed Kevin Chidwick as chief financial officer following the retirement of Paul Gildersleeves after more than a decade with the firm. Chidwick most recently served as CFO of Aspen Insurance Group. During his 35-year career in financial services he has also served as CFO of Admiral Group and CEO of Confused.com.

MGA Alta Signa hires Kisters

European MGA Alta Signa has appointed Jeroen Kisters as professional indemnity manager for the Netherlands. Based in Rotterdam, Kisters will be responsible for developing the MGA’s professional indemnity product offering in the Dutch market.

Resilience adds quintet for UK and Europe push

Cyber insurtech Resilience continued its global expansion with five senior executive appointments in the UK and Europe, including hires from Orient Insurance, Chubb and Allianz. The new hires are (from L-R): Jack Jenner as international head of distribution and strategy; Rehan Hussain as head of underwriting, Europe, UK and Lloyd’s; Tom Ryan as lead underwriter, UK; Tom Egglestone as international claims leader, UK and Europe; and Simon West as cyber advisory lead.
## Select program partners and launches

<table>
<thead>
<tr>
<th>Program Manager</th>
<th>Type</th>
<th>Offering</th>
<th>Paper</th>
<th>Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORVUS</td>
<td>MGA</td>
<td>Cyber insurance</td>
<td>🌐ACCREDITED</td>
<td>28 July 2022</td>
<td>Corvus has struck a deal with MGIC's Accredited and SiriusPoint that gives the MGA an additional $200mn in premium capacity for its middle market cyber program.</td>
</tr>
<tr>
<td>F&amp;G</td>
<td>MGA</td>
<td>Transportation and logistics liability</td>
<td>ACCELERANT</td>
<td>21 July 2022</td>
<td>Falvey Insurance Group's new Fatih Ozdemir-led transportation and logistics liability offering has secured capacity support from AM Best A-rated specialty MGUs and carrier Accelerant.</td>
</tr>
<tr>
<td>Omaha National</td>
<td>MGA</td>
<td>California workers' compensation</td>
<td>Palomar</td>
<td>26 July 2022</td>
<td>Technology-enabled workers' compensation specialist Omaha National has launched a new admitted program in California which will be written on Palomar Specialty Insurance Company paper.</td>
</tr>
<tr>
<td>Beat</td>
<td>MGA</td>
<td>Various E&amp;S products</td>
<td>Benchmark</td>
<td>26 July 2022</td>
<td>Beat Capital Partners’ expansive US MGA platform has partnered with Trean Insurance Group’s non-admitted platform Benchmark Specialty in an exclusive paper deal allowing it to roll out E&amp;S products.</td>
</tr>
<tr>
<td>SPRING</td>
<td>MGA</td>
<td>SME cyber</td>
<td>beazley</td>
<td>28 July 2022</td>
<td>Howden-backed MGA Spring Insurance has launched an SME-focused commercial cyber offering, with capacity provided by existing partner Beazley.</td>
</tr>
<tr>
<td>Rhino</td>
<td>MGA</td>
<td>Renters’ security deposit insurance</td>
<td>AmTrust</td>
<td>29 July 2022</td>
<td>Rhino has inked a $60mn premium-writing capacity deal with AmTrust Financial for its core renters’ security deposit product taking its total capacity to over $200mn.</td>
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<tr>
<td>at bay</td>
<td>Insurtech/ MGA</td>
<td>Professional liability</td>
<td>MARKEL</td>
<td>4 August 2022</td>
<td>At-Bay has broadened its offerings with the launch of a miscellaneous professional liability product which the platform will underwrite on Markel capacity.</td>
</tr>
<tr>
<td>COWBELL CYBER</td>
<td>Insurtech/ MGA</td>
<td>Cyber insurance</td>
<td>Swiss Re</td>
<td>11 August 2022</td>
<td>Cowbell’s new product offers cyber insurance coverage to businesses with up to $500mn in revenue that are building their digital footprint on Amazon Web Services.</td>
</tr>
<tr>
<td>DEMEX</td>
<td>Insurtech/ MGA</td>
<td>Excess snowfall</td>
<td></td>
<td>11 August 2022</td>
<td>Demex Revenue Protection Insurance provides cover written on Evanston’s non-admitted paper to snow removal contractors and other snow-dependent firms when snowfall is extremely low.</td>
</tr>
<tr>
<td>DEMEX</td>
<td>Insurtech/ MGA</td>
<td>Insufficient snowfall</td>
<td></td>
<td>11 August 2022</td>
<td>Demex Cost Control Insurance provides Evanston-underwritten coverage to property owners, facility managers and municipalities when snowfall is extremely high.</td>
</tr>
<tr>
<td>Security First</td>
<td>MGA</td>
<td>HO-3 on an E&amp;S basis</td>
<td>Highlander Specialty</td>
<td>16 August 2022</td>
<td>Security First has unveiled a new HO-3 E&amp;S program targeting clients in the challenged Florida market with coverage written on the paper of fronting carrier Clear Blue’s Highlander Specialty subsidiary.</td>
</tr>
</tbody>
</table>
# Program Fronting Carrier Tracker

There are now 20+ fronting carriers in the US

<table>
<thead>
<tr>
<th>Name</th>
<th>US launch</th>
<th>Key personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCELERANT</td>
<td>2020</td>
<td>Joe Zuk, Hugh Burgess, John Willemsen, Rich Koehler, Mike McAuliffe</td>
</tr>
<tr>
<td>ACCREDITED AMERICA</td>
<td>2018</td>
<td>Pat Rastiello</td>
</tr>
<tr>
<td>AF Specialty</td>
<td>2017</td>
<td>Eric Halter</td>
</tr>
<tr>
<td>Benchmark</td>
<td>NA</td>
<td>Andrew O’Brien</td>
</tr>
<tr>
<td>CLEAR BLUE INSURANCE GROUP</td>
<td>2015</td>
<td>Jerome Breslin</td>
</tr>
<tr>
<td>CONCERT</td>
<td>2021</td>
<td>Brady Young and Jonathan Reiss</td>
</tr>
<tr>
<td>CORE SPECIALTY</td>
<td>2021</td>
<td>Scott Snyder, Will Thuston</td>
</tr>
<tr>
<td>Everspan</td>
<td>2021</td>
<td>Wyatt Blackburn, Steve Dresner</td>
</tr>
<tr>
<td>FALLS LAKE INSURANCE</td>
<td>NA</td>
<td>Terry McCafferty</td>
</tr>
<tr>
<td>FORTegra</td>
<td>2020</td>
<td>Richard Kahlbaugh</td>
</tr>
<tr>
<td>INCLINE</td>
<td>2020</td>
<td>Chris McClellan, Mike Toole, Tony Urban</td>
</tr>
<tr>
<td>KNIGHT INSURANCE GROUP</td>
<td>NA</td>
<td>Amit Shah</td>
</tr>
<tr>
<td>OBSIDIAN</td>
<td>2020</td>
<td>Bill Jewett, Craig Rappaport</td>
</tr>
<tr>
<td>Palomar</td>
<td>2020</td>
<td>Jason Sears</td>
</tr>
<tr>
<td>Southlake Specialty</td>
<td>2021</td>
<td>Yogesh Kumar Chhabra</td>
</tr>
<tr>
<td>State National</td>
<td>1973</td>
<td>Matthew Freeman</td>
</tr>
<tr>
<td>Sutto National</td>
<td>2020</td>
<td>Shane Haverstick, Lloyd Yavener, Russ Renvyle</td>
</tr>
<tr>
<td>Topa</td>
<td>NA</td>
<td>Michael Day</td>
</tr>
<tr>
<td>Transverse</td>
<td>2019</td>
<td>Erik Matson, Dave Paulsson, Ethan Allen</td>
</tr>
<tr>
<td>Trisura</td>
<td>2017</td>
<td>Michael Beasley</td>
</tr>
</tbody>
</table>

Source: The Insurer