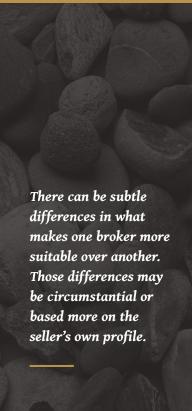




How Sellers and Brokers Can Create a Winning Run-Off Strategy

WHY BROKERS?



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Before we get to how sellers can benefit from brokers in run-off, it's key to understand why brokers matter in the first place and why they can play such a key role in the run-off acquisition process, especially in the U.S. market where run-off is less mature than in other regions, such as the United Kingdom. In many cases, brokers are vital intermediaries in conducting RiskSmart Run-Off® deals that not only close in a timely manner but that also endure, often for decades in the case of long-tail, legacy books.

- Brokers can bring parties together who are not already connected. Despite the fact that the run-off market is relatively small and tight-knit, the historical nature of the industry means that insurers and re-insurers do not always actively advertise their intent to put a book into run-off.
- Brokers can help coordinate negotiations and provide guidance to their clients on the best deal structure. Thus, as part of their principle value to sellers, it is paramount for any broker to understand what the prospective run-off provider brings to the table.
- Brokers can help assess and filter prospective buyers for a particular type of deal. Just as there are different types of sellers, there are different types of buyers, and the focus and experience of prospective buyers are not all the same. Brokers can evaluate buyers for their expertise and technical prowess on financial, legal, and operational issues e.g., for claims management.
- Brokers can screen buyers and sellers for their reciprocal compatibility. This is
 match-making on some level, based not only on capabilities but on chemistry
 too. Integrity, professionalism, flexibility, and transparency are all critical to
 the consummation and long-term success of a deal.

WHAT TO LOOK FOR IN A BROKER

As illustrated in the need for brokers in the first place, there are several key attributes that can distinguish one broker from another, including their care and feeding of the seller's long-term market standing, their ability to be flexible and responsive in reacting to (and shaping) buyer-seller needs and interests, and their sense of discretion around the buyer-client interests in sourcing the right seller(s) to the transaction.

¹See our <u>Point of View on Best-in-Class Due Diligence</u> for our views on different types of run-off providers.

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Again, while some factors might seem obvious (maintaining confidentiality), there can be subtle differences in what makes one broker more suitable over another. Those differences may be circumstantial or based more on the seller's own profile, such as the need for depth and understanding in one or more areas of insurance. The things we think all stakeholders should care about in evaluating relationships and working with brokers include:

• Care for the Seller's Reputation

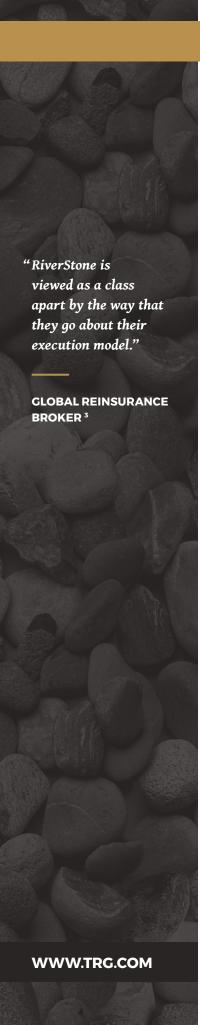
We believe that brokers should follow the time-tested and proven axiom that maintaining the reputation of sellers in the marketplace is one of the biggest competitive advantages legacy run-off providers can provide in today's market. For example, proper claims handling is essential for policyholder protection as well as for regulators, both of which affect an insurer's reputation. RiverStone's own ethos of taking the long-term view of relationships and engaging in responsible RiskSmart Run-Off® practices is bending the curve for the entire industry – e.g., insurance and reinsurance providers are now more open and transparent about run-off than ever before. We prefer to handle all claims for this same reason.

Agility and Balance

The scale of the buyers' capital brings with it the ability to price competitively. At the same time, while flexibility and speed matter to getting the deal done – both are key to many time-sensitive seller needs – it is vital that buyers and sellers be deliberate in their due diligence². While it may be counterintuitive at first, taking more time up front is precisely what enables things to move faster later on in the transaction. For example, RiverStone has moved from initial introductions, through negotiations and due diligence, to operationalizing a deal to include the transfer of claims and personnel... all in less than 90 days.

· Confidentiality and Confidence

Despite the fact that run-off has migrated to become a legitimate exit tool, there are understandably multiple issues around maintaining the security and privacy of the seller and potential buying partners. While all parties want the "right price" for the best terms and proper assumption of risk, competition among prospective bidders can also cause contracting parties to lose sight of what are the most essential criteria for a good run-off deal. By following proper protocols, brokers will earn the confidence of sellers, measured by the fact that they have the proper authority and sign off from the seller's senior management to get the deal done.



RIVERSTONE'S APPROACH TO BROKERS

Regardless of market dynamics, RiverStone's goal remains the same: to do the right deal at the right price. Although we are seeing new and increased competition, our values, culture and experience continue to drive our approach and adherence to RiskSmart Run-Off® decisions. We believe this approach pays dividends for all stakeholders and sets us apart from other run-off providers. Our approach to brokers is unique in a number of ways:

• It's All About Relationships

We have cultivated long-term relationships with brokers across the market. We want them to feel comfortable picking up the phone and reaching out to anyone on our team, from our CEO on down. We are not strictly transactional which means brokers can and do call to bounce ideas off us, unrelated to any current deal we are working on with them. This is part of how we build enduring relationships.

It's All About Innovation

At RiverStone, we are not tied to any one way of doing things. Accordingly, we offer creative deal structures when traditional structures won't get the deal done. For example, in the UK we have lobbied for and successfully changed regulations and policy that adversely affected the ability of sellers and RiverStone to conduct transactions.

It's All About Doing Things the Right Way

We believe in open and direct communication. For example, as soon as any member of our team sees an issue, our leaders get on the phone and talk it through. We do not want to waste anyone's time. We hear time and again not only from sellers but from brokers as well that RiverStone's professionalism is what drives durable run-off deals.

ABOUT RIVERSTONE

RiverStone is a group of insurance, reinsurance, and service companies specializing in the management of legacy and run-off insurance businesses and portfolios. With nearly 500 professionals with deep industry expertise in claims, customer service, litigation, and financial restructuring, we offer creative and varied deal structures to deliver sustainable outcomes you can count on. We lean forward to develop and deliver innovative exit solutions to help shore up capital and meet board-level mandates to help focus an insurer's business. We know that reliability, security, and finality all come from an ability to not only assess the risk up front but to execute the deal at the scale and speed required by the business.

For more information, please visit our website at www.trg.com.

³Based on external, independent research performed by Sustena Group, October 2017.

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