



Exit strategies for captive owners

Captive insurers are used throughout the corporate landscape; however, the captive may no longer deliver the original intended benefits, negatively impacting its owners' financial resources. The options available to deal with this problem had been limited, but new solutions are gaining popularity, including **whole or partial liability transfer to a third-party specialist**. This **eliminates future expenditures** and frees-up working capital and/or collateral for more productive uses.

REASONS TO EXIT

A captive owner may wish to exit for many reasons:

- **Duplication of captive services** following M&A activity
- **Geographical or line-of-business changes** following corporate restructuring
- Long-term changes in **group captive participants**
- Return to the **commercial insurance market**
- **Reduced benefits of captive ownership** due to regulatory change

Maintaining an unwanted captive is a common but costly approach. The exit alternative enables specific liability portfolios or entire captives to be divested, providing finality to their former owners. Such transfers reduce operational expenses and may release capital lodged to support non-core, discontinued liabilities or collateral deposited with fronting companies.

Several specialized companies, including RiverStone, are willing and eager to buy captives, or to reinsure selected liabilities held by an active captive.

HOW THE PROCESS WORKS – WEEK BY WEEK

01

An initial meeting reveals the goals of the captive owner

02 | 03

The potential acquirer reviews the most recent:

- actuarial reports
- financial statements
- loss runs
- primary and reinsurance contracts

04 | 05 | 06

The potential acquirer explores the captive's claims philosophy and approach through conversations with staff and outside counsel

07 | 08

The potential acquirer presents possible structures and pricing options

This initial process typically takes six to eight weeks. If the solution is acceptable then legal documents are agreed, and regulatory approval is sought. Once this is achieved the transaction closes and capital/collateral is released to the captive owner and ongoing expenses are eliminated.



RiverStone sees incredible potential to share our expertise and solutions with captive owners



RiverStone has a proven track record of working with regulators, and a culture of compliance that rejects regulatory compromise



*as of March 2019

WHO IS RIVERSTONE?

RiverStone is a group of insurance, reinsurance, and service companies specialised for 20 years in the acquisition and management of non-core insurance liabilities. Such acquisitions are relatively new for captives, and RiverStone sees incredible potential to share our expertise and solutions with captive owners.

>500

US and UK professionals possessing a deep knowledge of claim and litigation management, reinsurance, and actuarial and finance skills.

\$6.9 billion

of assets*
\$5.0 billion in liabilities.
\$1.9 billion of shareholders' equity.

Ownership

by Fairfax Financial Holdings Limited allows RiverStone to offer creative and varied deal structures which deliver sustainable outcomes that captive owners can count on.

RiverStone has a proven track record of working with regulators, and a culture of compliance that rejects regulatory compromise. That makes RiverStone a safe pair of hands for captive owners, policyholders, and regulators.

RIVERSTONE'S EXPERTISE

- 20 years of run-off and litigation management
- Successful evolution from the manager of Fairfax legacy business into a global runoff enterprise
- Industry leader in claims resolution, reinsurance recovery, and dispute resolution
- Seven global offices and affiliates across the US and UK
- Dedicated professionals who form a continuously improving runoff team
- Forward-leaning problem solvers who treat clients' books of business with the highest levels of professionalism, integrity and accountability
- Track-record of influencing case law and industry standards in multiple jurisdictions

BENEFITS OF PARTNERING WITH RIVERSTONE

- Highly specialized knowledge
- An established market player with a proven record of delivering effective exits
- Creative solutions in collaboration with our seller-clients
- Expertise in claims administration to remove a burden from captives
- Regulated entities to assume risk while maintaining the reputation of captives and their insureds
- Legal and/or financial finality
- Liabilities assumed either partially or completely, based on partners' needs
- Legacy liabilities removed, leaving captives with the ability to continue underwriting if desired

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