

# Global Insurance Industry

Insurance-Linked Securities, Sidecars, Dedicated ILS Funds  
& Other Third Party Capital Management



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## Global Insurance Industry Group

Mayer Brown is a leading global law firm with 1,600 lawyers located in offices across the Americas, Asia and Europe.

Our Global Insurance Industry Group represents insurers and reinsurers, as well as brokers, banks and investors, in a range of transactional matters that include strategic mergers and acquisitions, capital raising, and sophisticated insurance structured finance at the convergence of insurance markets and the broader capital markets. Drawing upon Mayer Brown's diverse specialties, we take a team-oriented and interdisciplinary approach to better serve our insurance industry clients.

**Sources say:** "The attorneys have a lot of experience and are very responsive, pay attention to detail and think through issues."

"They are thorough, creative and when they come up against an issue they think of ways around it. They are a joy to work with."

~ **Chambers USA: Insurance**

Mayer Brown's ILS and convergence practice is a natural outgrowth of the firm's commitment to the insurance industry, its dominant global structured finance practice and its deep experience in private investment funds. Mayer Brown has one of the largest structured finance practices in the world—and with that size comes the knowledge, experience and staffing to tackle transactions of any scale and complexity in multiple jurisdictions. We have been at the cutting edge of securitization from its early days more than 30 years ago and have securitized the broadest range of asset and risk types.

**Known for:** "Advising on significant insurance transactions and possesses particular knowledge in the sidecar and catastrophe bond spaces....they have an in-depth understanding of insurance-linked securities and life industry reserve financing issues."

~ **Chambers USA: Insurance**

Our New York, London and Chicago based team has represented clients in a wide variety of transactions at the intersection of insurance and the capital markets, including catastrophe bonds, mortality bonds, sidecars, "transformers" and credit- and event-linked products.

## Insurance-Linked Securities

We have represented sponsors, arrangers, initial purchasers, and investors on numerous offerings of catastrophe bonds, extreme mortality bonds, and other insurance-linked securities over the past decade. In the past five years alone, we have completed more than 100 ILS offerings, more than any other law firm. Among these offerings, more than 30 were for first-time sponsors.

In 2019, we were recognized at the **Trading Risk Awards** as Financial Facilitator of the Year. We were again nominated for this award in 2020.

Many of our recent transactions have broken new ground in the convergence of capital and insurance markets, which are further detailed below.

- We acted as deal counsel in the establishment of, and the inaugural catastrophe bond offering by, the Phoenician Re program, which provides multi-year earthquake catastrophe coverage for **Alphabet** and its subsidiary **Google**.
- We represented the California electric and gas utility, **PG&E**, and Cal Phoenix Re, Ltd., the

issuer, in the \$200 million 144A insurance linked securities offering that transferred to the capital markets PG&E's risk of third party liability for property damage caused by wildfires in Northern California. The transaction represents the first transfer of wildfire risk to the capital markets by a corporate entity not an insurance company.

- The largest offering by a private insurer in the history of the ILS market: \$1.275 billion Galilei Re for the benefit of **XL Catlin** companies on an indexed loss basis.
- The first ILS offering to benefit a federal agency: FloodSmart Re Ltd., covering flood risk of the National Flood Insurance Program administered by **FEMA**.
- We were deal counsel on the first earthquake catastrophe bond for the benefit of the **California Earthquake Authority** and on a dozen follow-on offerings with the most recent being the \$775 million Ursa Re II completed in October.
- We acted as deal counsel in each of the Alamo Re named storm and severe thunderstorm catastrophe bond offerings for the benefit of the **Texas Windstorm Insurance Association** (TWIA), the state-sponsored residual market entity in Texas. The inaugural offering was in 2014 and follow-on offerings were completed in 2015, 2017, 2019 and 2020. The Alamo Re transactions were intermediated by Hannover Re, and we advised on the unique collateral and tax structure to meet TWIA's objectives.
- We acted as deal counsel in the catastrophe bond offering sponsored in 2018 by **Louisiana Citizens Property Insurance Corporation**, the state-sponsored residual market insurer in Louisiana, and as underwriters' counsel in its offerings in 2012, 2013, 2015, 2017, 2018 and 2020.
- We acted as deal counsel in the establishment of, and the inaugural catastrophe bond offering by, the Power Protective Re program, providing wildfire risk coverage to the **Los Angeles Department of Water and Power**.
- The establishment of, and the first two offerings by, SD Re Ltd., which provided its sponsor **Sempra Energy** with risk capital for the risk of third party liability for property damage caused by California wildfires.
- We represented the countries of Colombia and Peru in a record **World Bank** catastrophe bond offering that provides Colombia, Peru, Chile and Mexico with protection from catastrophic earthquakes.
- The establishment of the Kilimanjaro Re catastrophe bond program sponsored by **Everest Re**, now the largest sponsor of outstanding catastrophe bonds. We here acted as issuer's counsel in all six Kilimanjaro Re offerings.
- The first catastrophe bond offering providing coverage for earthquake risk in mainland China on an indemnity basis. The placement by Panda Re was the first insurance-linked securities offering by a Chinese sponsor, **China Re Group**, the largest reinsurance company in China.
- The first catastrophe bond making use of the recently enacted UK ILS regulatory and tax regime: Atlas Capital UK 2018 PLC for the benefit of **SCOR** on an indexed loss basis.
- Acted on the first motor liability ILS transaction in more than a decade: the €255 million bond offering by Irish domiciled Horse Capital for the benefit of **Generali**.
- The first catastrophe bond offering for the benefit of **The Covéa Group**, one of the

largest insurers in France, providing protection from losses associated with windstorms.

- We acted as deal counsel in the MetroCat Re Ltd catastrophe bond offering for the benefit of **New York's Metropolitan Transportation Authority (MTA)**, the largest transportation network in North America. This transaction was the first storm-surge catastrophe bond in history and the first time the MTA accessed the capital markets to obtain insurance protection from events like Super storm Sandy in 2012. *This transaction was named 2014 "Non-Life Transaction of the Year" by Trading Risk Magazine and Bond Buyer's 2013 Deal of the Year award for "Non-Traditional Financing."* Also, the *Financial Times* recognized Mayer Brown among the "most innovative" 2013 US law firms ranking this transaction as a "Standout," its highest ranking.

- We acted as deal counsel in each of the Cranberry Re catastrophe bond offerings for the benefit of **Massachusetts Property Insurance Underwriting Association** (MPIUA), the Massachusetts state-sponsored residual entity. The inaugural offering was in 2010 and follow-on offerings were completed in 2015 and 2017, providing in aggregate more than \$1 billion of risk capital. These transactions were also intermediated by Hannover Re.
- We acted as deal counsel in the March 2013 catastrophe bond offering by Tar Heel Re, which provided \$500 million of collateralized indemnity reinsurance to the **NCJUA** and **NCIUA**, the North Carolina state-sponsored residual entities.
- The ¥10.125 billion Aozora Re Japanese Typhoon catastrophe bond offering in May 2014 providing collateralized indemnity reinsurance to **Sompo Japan Insurance** and

**Nipponkoa Insurance Company.** The transaction was structured on an indemnity basis and was the first of its kind to be denominated in yen.

- Inaugural catastrophe bond programs for numerous companies and state-sponsored residual market entities, including Allstate, Argo Re, Everest Re, Generali, Great American, Heritage, Liberty Mutual, Nationwide, QBE, State Farm, UnipolSai (Italy), XL Catlin, Texas Windstorm Insurance Association, Massachusetts Property Insurance Indemnity Association, Louisiana Citizens, and Florida Citizens.

## Sidecars, Dedicated ILS Funds & Other Third Party Capital Management

Mayer Brown has been at the forefront of the development of third-party risk capital arrangements in the insurance and reinsurance markets. We are a leading firm in advising on sidecar and dedicated insurance risk fund transactions.

- We represented Everest Re Group in establishing Mt. Logan Re, the largest sidecar in the market.
- We represented Peak Re in establishing and launching the first Asian reinsurance sidecar, Lion Rock Re.
- We represent the investment manager in the formation this year of a dedicated ILS/Collateralized Re fund and its advisor, which currently has \$350 million of commitments from institutional investors.
- We represented ACE Tempest Re in the establishment and capitalization of its sidecar

quota share facility Altair Re and its follow-on sidecar Altair Re II.

- We represented PartnerRe in the establishment and capitalization of its first sidecar vehicle Lorenz Re.
- We represented Chaucer plc in establishing its sidecar facility Thopas Re.
- We represented Brit Ltd in launching Sussex Capital, a Bermuda-domiciled fund and collateralized reinsurance platform.
- Our partners acted as counsel on a variety of sidecars formed in the wake of Hurricane Katrina, including Flatiron, Bay Point, Starbound, Concord and Emerson facilities.

Our partners acted as lead structurer and counsel in connection with:

- Blue Water Re, a sidecar sponsored by Montpelier Re, as well as formation of its master dedicated investment fund Blue Water.
- Montpelier Re's establishment of special purpose insurer Deep Blue Ltd. to provide collateralized reinsurance cover.
- Alterra's New Point IV and V facilities.
- MaRI, a sidecar that raised capacity for ACE.

We have acted for sponsors and/or investors in the creation of market-facing and dedicated sidecar vehicles, including:

- Renaissance Re's Upsilon II facility;
- Timicuan, which delivered additional reinsurance capacity to the Florida market;
- *Validus' AlphaCat Re* facility;
- Swiss Re's Sector facility;
- Transatlantic Re's Pangaea sidecar; and
- Munich Re's Eden Re Ltd. facility.

Mayer Brown's **Private Investment Funds** practice focuses on the issues that are relevant to value creation and risk allocation for both fund sponsors and investors. We have advised on a wide range of fund structures, including onshore and offshore feeders, parallel funds and segregated account vehicles, and a variety of strategies, including ILS, insurance-wrapped funds, long/short funds, long only funds, managed futures, risk arbitrage, absolute return, collateralized loans and bonds, and funds focused on distressed debt, emerging markets, and relative value, as well as real estate, technology and other sectors. Our representation includes negotiation of the key economic and governance terms that would govern each investment, and includes an analysis of the tax implications as well as negotiation of investor-specific issues. The firm regularly represents registered and unregistered sponsors of a wide variety of private equity funds, hedge funds, ILS funds, real estate funds, distressed debt funds, venture capital funds, funds-of-funds and other types of funds pursuing "alternative investment" strategies. We are leaders in developing customs and practices in the private investment fund and investment management marketplace, and we provide multidisciplinary advice in the corporate, partnership, securities, ERISA and public pension law, real estate, environmental and tax areas.

With regard to **dedicated ILS funds**, Mayer Brown brings to bear deep fund formation, ILS and insurance taxation expertise to assist sponsors in designing collateralized reinsurance products that offer institutional investors more direct exposure to the reinsurance markets than is otherwise available through catastrophe bonds or other capital markets instruments.

## Other P&C Alternative Risk Transfers & Structured Finance

We also advise on structuring collateralized retrocession arrangements, transformers, ILS's and other forms of alternative risk transfer.

- Representation of Tokio Millennium Re in establishing their Bermuda-based property/cat transformer platform and act as regular deal counsel for their transformer risk transfer transactions, including all reinsurance, ISDA-based swap and collateral documentation. We also regularly advise other leading transformer market participants on structuring, deal documentation, regulatory and tax issues, including Nephila Capital among others.
- Representation of underwriters in 144A offerings of mortgage insurance-linked notes for the benefit of Arch Capital and NMI.

### Contingent capital facilities, including:

- Cat-triggered put arrangements to fully funded trusts of non-dilutive equity securities.
- Bilateral cat-triggered put agreements for non-voting preferred shares.

### Representation of banks in providing credit facilities including letters of credit to secure reinsurance obligations, including:

- JPMorgan in facilities for Navigators.
- ING Bank in facilities for Max Re and Navigators.
- Bank of Montreal in facilities for Partner Re and Tower.



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Mayer Brown is a distinctively global law firm, uniquely positioned to advise the world's leading companies and financial institutions on their most complex deals and disputes. With extensive reach across four continents, we are the only integrated law firm in the world with approximately 200 lawyers in each of the world's three largest financial centers—New York, London and Hong Kong—the backbone of the global economy. We have deep experience in high-stakes litigation and complex transactions across industry sectors, including our signature strength, the global financial services industry. Our diverse teams of lawyers are recognized by our clients as strategic partners with deep commercial instincts and a commitment to creatively anticipating their needs and delivering excellence in everything we do. Our "one-firm" culture—seamless and integrated across all practices and regions—ensures that our clients receive the best of our knowledge and experience..

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