



Structured Risk Solutions



Liberty
Specialty Markets

We Insure. You Prosper.

We provide insurance solutions to financial and transactional risks that are typically more specialist or structured in nature than those covered by more traditional insurance products.

Clients usually work with the Structured Risk Solutions team when they are looking to achieve an important strategic objective, other than simple risk transfer, such as balance sheet and capital management, access to more diverse capital sources or deal facilitation.

The team has over 30 years of experience across corporate and structured finance, structured tax and private equity. We work closely with clients to provide practical solutions which often form the basis of a long-term partnership.

We are able to write business on either company (Liberty Mutual Insurance Europe Limited) or Lloyd's paper (Syndicate 4472) giving us greater flexibility to meet our clients' needs.

Risk appetite

We take a principles-based (rather than product-driven) approach to risk selection and underwriting. This allows a considerable degree of flexibility in working with clients, enabling us to be much more solutions focused within a broadly defined framework. Opportunities fitting this framework typically have the following features:

- ▶ A compelling strategic motivation for the cover (such as access to capital or balance sheet management)
- ▶ Risk that can typically be characterised as "tail-risk" in nature (i.e. relatively low frequency but potentially high loss events)
- ▶ An alignment of interests with our clients which helps lay the foundation for a long-term partnership in which we can support their business
- ▶ A clear absence of reputational risk and consistency with regulatory best practices

While the features outlined above are common to many risks we have covered, we are always keen to consider new financial and transactional risk opportunities with existing and potential clients on a case by case basis.



Classes of business

To date, we have worked on providing solutions for clients in the following areas:

Structured finance

- ▶ Regulatory capital solutions for non-core legacy banking assets
- ▶ Securities financing (i.e. lending and repo) indemnification solutions
- ▶ Tranching credit portfolio risk sharing
- ▶ Secured lending solutions for a diverse range of asset classes
- ▶ Facilitating access to capital and leverage for private equity and investment fund managers
- ▶ Lease financing and residual value insurance
- ▶ Credit and regulatory capital solutions for derivative portfolios

Transactional risks

- ▶ Traditional warranty and indemnity cover
- ▶ Tax risk cover
- ▶ Specific M&A risk cover

Target markets

Our client base is diverse and includes a broad range of major financial and non-financial institutions and intermediaries including investment banks, securities lending agents, private equity funds and multinational corporates.

Line size

We can deploy up to

USD \$100 million

(or the local currency equivalent)
on any one transaction.

Territories

Worldwide

Why choose Liberty?

Liberty's private ownership gives us a unique perspective on your risk. Not being driven by short term thinking means we can invest time and energy to develop tailor made services and solutions that support you, and evolve with you, over the long term.

We offer continuity and stability, delivered to you through the technical expertise of our staff, who are always willing to guide, assist and advise. Through the cycles of certainty and more vitally, uncertainty, we are committed to putting you at the heart of everything to help you prosper.



About Liberty

Liberty Mutual Insurance Group (LMIG), founded in 1912, is a Boston based diversified insurer with operations in 30 countries and economies around the world.

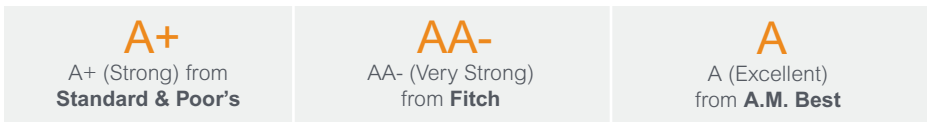
Liberty Specialty Markets, part of LMIG, offers specialty and commercial insurance and reinsurance products across key UK, European, Middle East, US and other international locations. For a full range of products, please visit: **libertyspecialtymarkets.com**

Liberty Mutual Insurance Group

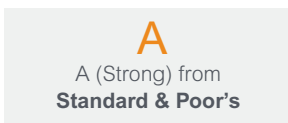


Ratings

Ratings of Lloyd's Market Business – Liberty Managing Agency Limited (LMAL)



Company Market Business – Liberty Mutual Insurance Europe Plc (LMIE)



Case Studies

The case studies below are illustrative of some of the transactions we have worked on to date.

Tranched Credit Portfolio Insurance

- ▶ Tranched Credit Portfolio Insurance is an alternative risk-transfer method to true-sale securitisations, and when efficiently structured is an effective method of capital and balance sheet management.

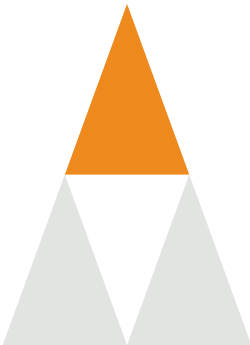
Rather than passing assets from a loan portfolio to another financial entity, an insurance policy can be used as a way of guaranteeing the credit risk associated with a tranche of the loan portfolio, transferring it away from the bank. By taking the riskiest proportion of loans off the bank's loan book, the policy enables the bank to release capital to be invested elsewhere. In most cases, an insurance policy will be cheaper, from a legal and operational perspective, with less administration compared to more traditional funded solutions.

We are always open to discussing new opportunities that fall within our risk appetite.

Securities Lending

- ▶ Historically, securities lending agents have provided indemnities to their lender clients against the default risk of the borrower. The borrower will usually be required to post collateral equal to the market value of the loaned securities, plus a 2–10% haircut depending on the type of collateral.

The implementation of Basel III has increased the amount of collateral the securities lending agent must hold against the indemnity, despite the borrower's collateral. Insurance can offer a structured solution to relieve the capital held by covering the agent in respect of the default risk of the borrower thereby allowing the agent to release capital associated with the indemnity.



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