



Fergus Re



www.fergus.bm

Overview

Our mission is to build Fergus Re into a major player in the middle market segment of the Reinsurance industry; positioning it for long-term, sustainable growth, with a focus on disciplined underwriting across a well-diversified book of programs.

Fergus Reinsurance Limited is a Bermuda Class 3A Segregated Account company licensed & regulated by the Bermuda Monetary Authority (the “BMA”). Our focus is on both traditional reinsurance: quota share and excess of loss treaties across diversified books of business, as well as loss portfolio transfer opportunities. The desired risk profile tends towards the high frequency/low severity lines of business.

Fergus Re’s capacity is provided by private investors with a long-term, conservative approach to insurance linked investment opportunities. Their investment strategy is disciplined and designed for long-term growth – an excellent alignment with Fergus Re’s management and underwriting team who believe that that discipline, patience and conservatism will ultimately accrue the greatest value to shareholders.

Fergus Re has a B+ (Good) Financial Strength Rating and a bbb- Long Term Issuer Credit Rating from AM Best with a stable outlook.







History

Origin

From 2008-2017, Fergus was family-owned and operated. Fergus had a concentrated book of reinsurance programmes resulting in volatile operating performance. New investment in a separate segregated account in 2018 started a process of quality underwriting to produce consistent and profitable growth.

Recapitalization

In the 2nd quarter of 2018, Fergus was recapitalized with an initial \$10.8 million in equity investments led by Checchi Capital to provide working capital to the Fergus core and capital to support underwriting growth. The recapitalized company further diversified its investor base through additional equity subscriptions, raising a total of \$30 million in equity from 26 different investors.

The new capital enabled the appointment of a Chief Underwriting Officer to develop underwriting guidelines and build a network of brokers, MGAs and other direct relationships to source and assess quality underwriting opportunities.

Subsequently Fergus has diversified its reinsurance portfolio through multiple new programmes producing \$50 million of new premium and has many more opportunities in the pipeline.

Fergus has moved its investment portfolio to Checchi Capital Advisers, LLC (“CCA”), a \$1 billion SEC Registered Investment Adviser that employs sophisticated quantitative strategies. CCA is run by Adam Checchi, who is directly involved in the investment of all Fergus assets. CCA instituted a strict and detailed investment policy for Fergus and manages a conservative fixed income strategy for the company consisting of short-term U.S. Government and other investment grade bonds. The average duration of the portfolio is under one year with the maturity of the bonds matched to the expected paid losses of each reinsurance program. This limits interest rate risk and ensures sufficient liquidity to meet loss obligations. CCA monitors the Fergus portfolio on a daily basis.

Underwriting

Strategy

Fergus focuses on underwriting quality risks across a diversified portfolio in a disciplined manner. In 2021 we expect continued growth at a disciplined rate. In 2020 we saw higher than normal growth following the low premium base written in 2019. During 2019, the company's focus was on raising additional capital and establishing disciplined processes for sourcing and underwriting reinsurance.

In 2020, we saw the benefit of work completed in 2019. AM Best has awarded Fergus Re a B+ rating, which has bolstered our ability to source quality risks as well as reduce our costs by eliminating fronting fees and cumbersome and costly collateral arrangements. The growth of the portfolio will be cautious and conservative and will depend upon the volume of quality risks that we are able to source and evaluate. There is no outside pressure to grow purely for volume. Rather, our investors are united in their desire for long term sustainability and measured growth.

Sourcing

Fergus has worked hard to develop diversified distribution channels. These include relationships with brokers, MGAs and various direct industry contacts. The portfolio as currently written includes cedants domiciled in the US, UK and Europe and covers risks in the construction, commercial auto, and miscellaneous liability segments. In the future, Fergus is looking to expand into other classes of business such as workers compensation, property, commercial multiperil, personal auto liability, and professional indemnity, amongst others. We are also looking to expand our geographical footprint in stable regions throughout the globe.

Risk & Claims Management/ERM

Product risk is a major focus for the Company. Strict underwriting guidelines have been put in place to limit the amount of specific insurable risk, contractual risk, concentration risk, and leverage risk that Fergus underwrites.

Broker info

Our Chief Underwriting Officer updates the management team on a weekly basis with regards to all the programmes under review. Each review incorporates an assessment by the Chief Underwriting Officer, with a recommendation to the Underwriting Committee. If a risk is approved by the Underwriting Committee, it is then passed to the Board of Directors who must give final approval and sign off.

Our process of reviewing and underwriting risks in a very patient, disciplined manner is supported by our investor base. Our investors have a long-term interest in generating returns from quality underwriting. They are not pushing for specific premium income targets. Given our relationships with our capital base, we have the ability to increase or decrease the pace of new equity subscriptions based on the availability of good risk opportunities to ensure an optimum capital utilization.

- B+ rating, but with access to A-rated fronting
- Maximum commitment: variable depending on the class and type of business
- Gross Premium per program: \$7-12m. Limit per occurrence and in the aggregate: \$1-2m
- Lines of business: Auto Liability, General Liability, Employers Liability/Workmen's Compensation, Professional Indemnity and ATE legal expenses
- Risk Profile: Primary high frequency, low severity liability classes on a quota share basis
- Loss Portfolio Transfer business: any class





Balance Sheet Strength

Fergus has raised \$30 million of equity and so is well capitalized given the current portfolio.

Please refer to our website for current financial data.

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Management

The Board of Directors and managers of Fergus Re include seasoned operators who have successfully built companies and have led them to significant growth.

Adam Checchi started CCA 11 years ago and has grown the company to assets under management of \$1BN+. Navin Dadlani started two hedge funds in 2005 and grew them to more than \$1BN in assets before starting Fergus. Eric Fleiss joined the Fergus Board in 2019; he is the CEO of a \$1 billion real estate investment company: Regent Properties. Chip Harris, who also joined the Fergus Board in 2019, has served in various management and director roles in both public and private companies. He founded Entertainment Properties (NYSE:EPR) where he was President and Director. Mr. Harris was Executive Chairman of the Board of Acacia Research Corp (NASDAQ: ACTG), and was President of Carlton Browne and Company. He has held various board seats where he has helped companies with their strategic direction. Fergus board member Stuart Grayston has 50 years of experience in the reinsurance industry. Alicia Dadlani is a former McKinsey & Company consultant who also held a senior management positions at Coca Cola in Toyko and Atlanta.

Operational contacts

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