

EVOLUTION MANAGEMENT LTD.

**Bermuda management and consulting services
for evolving reinsurance and convergence markets**

RISK TRANSFORMER MANAGEMENT | SEGREGATE ACCOUNT PLATFORM | REINSURANCE COMPANY MANAGEMENT



EVOLUTION



The evolving linkage...

...between capital markets and reinsurance markets has led to unheralded innovation of capital market solutions and insurance/reinsurance structures. The momentum driving this convergence has reached a critical mass. Evolution Management Ltd is a new Bermuda management company that is dedicated to this specialised industry and understands the issues relating to these offshore structures.

Evolution Management – a natural selection

A new distinct brand launched by the Jardine Lloyd Thomson Group in 2007, Evolution Management brings together a Bermuda based team with expertise in providing consulting and management services to risk transformation/securitisation structures and reinsurance company management. Prior to forming Evolution, our team has managed investment bank sponsored risk transformation reinsurance companies since 2000. Working with our clients we have helped to structure and facilitate transformations of credit risks, property-catastrophe reinsurance, and life/longevity securitisations.

As in any cutting-edge industry, new and innovative convergence products are viewed as the intellectual property of the originator. Evolution Management recognises this sensitivity and takes client confidentiality very seriously. Our team works seamlessly and discreetly with diverse groups of counterparties from capital and (re)insurance markets as well as their legal counsel, brokers and intermediaries.

Our primary capabilities include:

- Management and consulting services for risk transformation reinsurance companies.
- Access to 'rent' a cell in our Bermuda Separate Account Company to facilitate bespoke convergence structures.
- Total management and underwriting/claims administration services to commercial reinsurance companies and sidecars.



Management & Consulting Services to Risk

The Evolution Management team has an unparalleled record working alongside leading investment banks providing management services to their risk transformation vehicles. We currently manage several segregated account (“protected cell”) reinsurance transformer companies either owned or sponsored by investment banks. Combined these companies operate 46 protected cells containing over US\$ 5 Billion in notional transformation trades and securitisations.

Risk transformation reinsurance companies present distinctive challenges. The Evolution team has significant experience in structuring new transformer vehicles. This includes assisting with business planning, financial projections and working with your legal counsel to navigate the incorporation and regulatory approval processes.

Once the transformer vehicle is operational, Evolution Management can assist in structuring transactions and establishing new segregated cells as well as managing cash flows and financial reporting obligations. We can also provide insight into issues that may arise from a Bermuda regulatory point of view and accounting/audit considerations.



Transformation Reinsurance Companies

What is risk Transformation?

Risk transformation reinsurance companies facilitate a bridge between capital markets and reinsurance markets. These vehicles have tremendous flexibility to sell or buy protection in a wide range of different forms. With this flexibility the transformer can transact using (re)insurance contracts and in turn fully hedge the risk assumed through International Swaps and Derivatives Association (“ISDA”) derivative contracts in capital markets (or vice versa). Transformers can also play an integral part in securitisation structures, converting illiquid risks into Insurance Linked Securities (“ILS”).

A risk transformation insurance company is not a provider of capacity, rather a facilitator for transactional business. As no net risk is retained, careful structuring lies at the heart of all successful risk transformations and securitisations to ensure that no underwriting, basis or credit risk remains in the structure. Added protection also comes from using segregated accounts or protected cells which legally segregate the assets of one cell from the creditors of any and all other cells. Combined with careful structuring, the cell concept effectively ring-fences transactions from each other, and from the core capital of the company.

As demonstrated in the diagram overleaf, a cell in a transformer company can be used to facilitate a wide variety of capital market and (re)insurance structures. This can include:

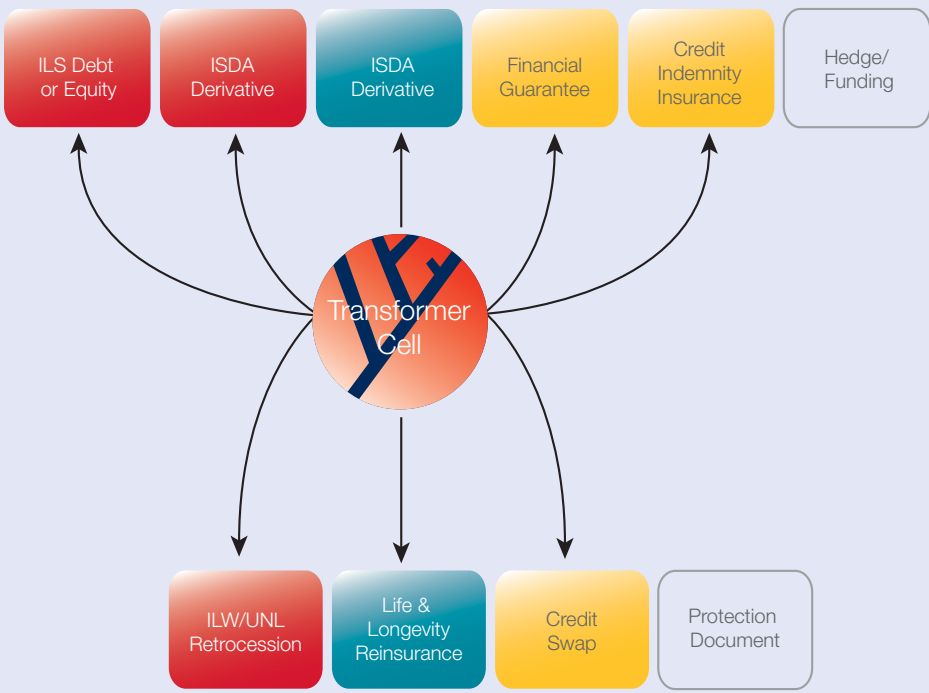


Management & Consulting Services to Risk

- A segregated cell selling property catastrophe reinsurance such as Industry Loss Warranty (“ILW”) or Ultimate Net Loss (“UNL”) retrocession. The cell then transforms the risk assumed by fully-hedging with an ISDA derivative contact. Alternatively the catastrophe reinsurance can be securitised into a debt or equity ILS.
- A segregated cell can sell Credit Default Swap (“CDS”) protection to an investment bank using an ISDA based contract and fully-hedge the exposure with credit indemnity insurance or financial guarantees. This results in the CDS being transformed into an insurance policy.
- More recently, transformer companies are being utilised in life and longevity securitisation structures. This enables the transformation of relatively illiquid life and annuity reinsurance policies into index triggered derivative contracts that are more easily marketable.



Transformation Reinsurance Companies





Access to Risk Transformation Vehicle

A wholly-owned reinsurance company isn't the solution for all our clients' transformation and risk financing needs. For a range of reasons you may not wish to set up your own risk transformer company, in which case renting a segregated cell may be a better alternative. For such opportunities Evolution Management is pleased to offer its own vehicle.

Our Bermuda based platform for capital market transactions and transformations is a Bermuda Class 3 licensed reinsurance company. This vehicle has the flexibility to buy and sell protection in a wide variety of forms as detailed above. As a Separate Accounts Company, the company provides a flexible and secure facility for fully-hedged or fully-funded risk transformations and securitisations.

We recognise that 'live trades' need to be supported by a knowledgeable and responsive team in Bermuda. As part of Evolution Management, our transformer reinsurance company has the ability to set up cells quickly and draw on the structuring expertise of our management group. In addition, counterparties transacting with our transformer can be assured proprietary and confidential information is not shared with other cell participants.



Commercial Reinsurance Company Management

For insurance and reinsurance companies wishing to establish a presence in Bermuda, Evolution Management can provide high quality and seamless back office accounting, underwriting and claim administration and IT services. In many cases, for companies establishing a permanent presence in Bermuda, the outsourcing of back office functions for the new operation is essential to allow the key individuals of the business – the underwriters – to hit the ground running and drive the business forward without the burden of many administrative and operational issues.

Establishing a back office function for a new Bermuda operation can be time consuming and expensive and can divert valuable resources away from the core business objectives. Like many businesses, insurers and reinsurers see outsourced administration as a key strategy to transform business functions and gain competitive advantage by cost reduction, whilst focusing on core competencies.

By using Evolution Management our clients have a turnkey solution to opening their doors in Bermuda that dramatically reduces the planning and effort required to establish, and run an insurance operation in Bermuda.

Contact Us

If you would like to find out more about Evolution Management Ltd or any of our services, please contact us at:

JLT Insurance Management (Bermuda) Ltd.

Cedar House, 41 Cedar Avenue

Hamilton HM12

Bermuda

Phone: +1 441 292 4364

Fax: +1 441 295 3982

Steve Arrowsmith | Executive Chairman

Phone: +1 441 294 4521

Email: steve_arrowsmith@jltgroup.bm

Kilian Whelan | Chief Executive Officer

Phone: +1 441 294 4519

Email: kilian_whelan@jltgroup.bm

Christina Bell | Executive Vice President –

Underwriting & Claims

Captive & Rent-a-Captive Programs

Phone: +1 441 294 4556

Email: christina_bell@jltgroup.bm

Beverley Todd | Executive Vice President –

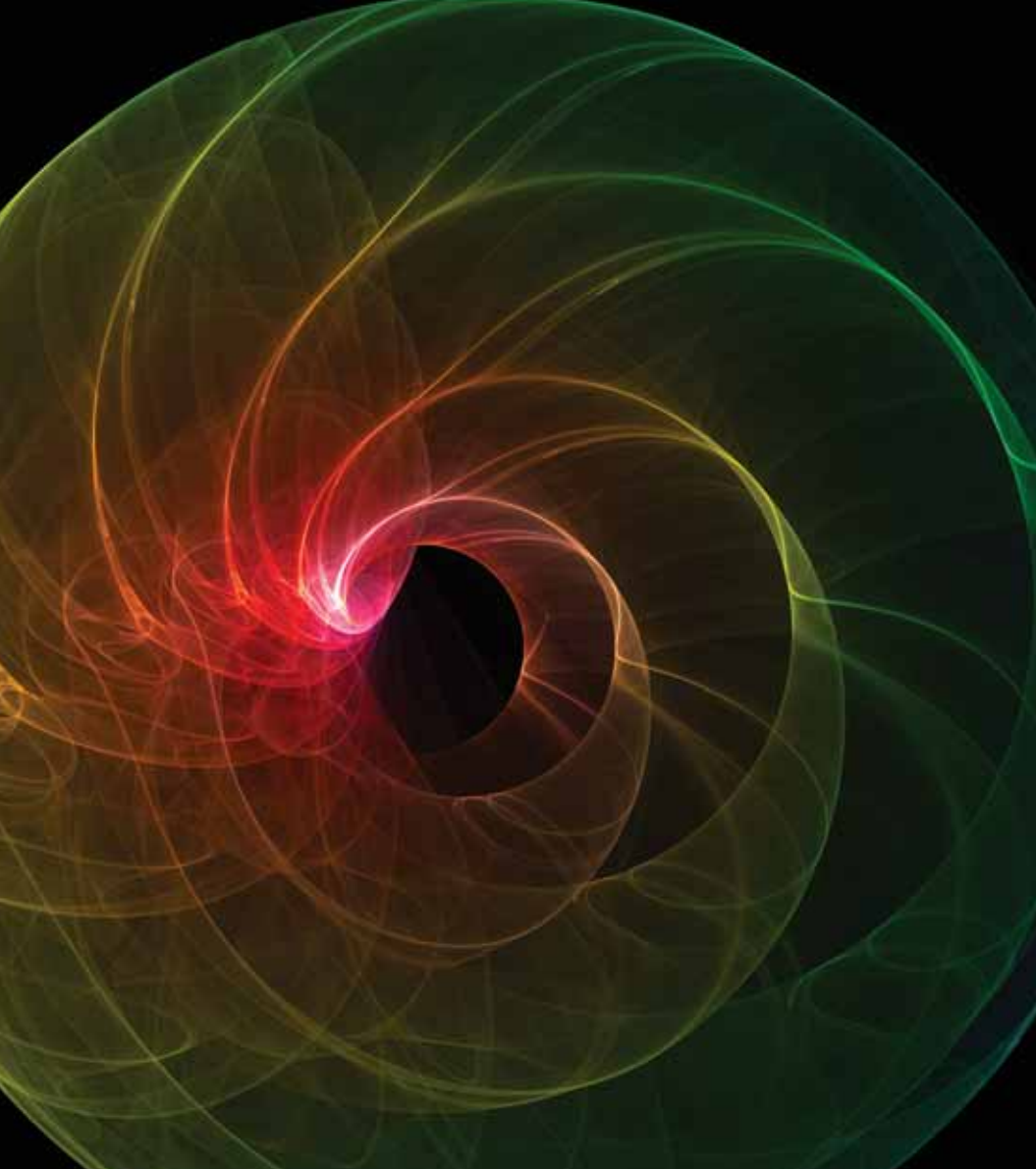
Insurance Management

Phone: +1 441 294 4518

Email: beverley_todd@jltgroup.bm







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6 Crutched Friars, London, EC3N 2PH. Registered in England No. 01679424 VAT No. 244 2321 96

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