



REINSURANCE OPPORTUNITY: NOVATION TRANSACTION

Background

On March 16, 2017, Public Service Insurance Company, in Rehabilitation (“PSIC” or the “Estate”) was placed into rehabilitation by order (the “Rehabilitation Order”) of the Circuit Court of Cook County, Illinois (the “Supervising Court”) pursuant to Article XIII of the Illinois Insurance Code (the “Rehabilitation”), and the Director of the Illinois Department of Insurance was affirmed as PSIC’s statutory rehabilitator (the “Rehabilitator”).

- *Prior to being placed in Rehabilitation, PSIC primarily wrote workers’ compensation and commercial multiple peril insurance policies.*

To facilitate PSIC’s orderly Rehabilitation and to protect the interests of PSIC policyholders and other creditors of the Estate, the Rehabilitator seeks to transfer certain of PSIC’s insurance policies, risks, obligations and rights associated with accident years 2013 and prior, 2016 and 2017 to an assuming counterparty (“Assuming Counterparty”) in a novation transaction (the “Transaction”).

Transaction Overview

- In the Transaction, the Rehabilitator seeks to transfer to an Assuming Counterparty: (i) ~\$166 million of PSIC’s Loss & ALAE reserves, and (ii) a negotiated portion of PSIC’s investment securities and certain other assets.
- It is intended that the Assuming Counterparty will have the benefit of inuring reinsurance, including a \$60 million limit adverse development cover reinsuring accident years 2013 and prior (the “ADC”).
 - *In connection with reserve strengthening at year end, PSIC reached the attachment point and penetrated the ADC by approximately \$680,000, leaving approximately \$59.3 million of reinsurance under the ADC for the benefit of an Assuming Counterparty.*
- The Assuming Counterparty will have first dollar exposure for 2016 and 2017 run-off of policies and claims.
 - *Accident years 2016 and 2017 premium written consists primarily of specialty program and homeowners business which has historically experienced loss ratios of ~ 60% or less.*
 - *Premium earned was ~\$77.3 million in 2016 and \$7.0 million in 2017 for the three month period ending on March 31, 2017.*
 - *The Rehabilitator plans to cancel all of PSIC’s inforce policies effective June 30, 2017.*
- The Transaction will require the approval of the Supervising Court.

In connection with the potential Transaction, the Rehabilitator has retained Griffin Financial Group to solicit indication of interests and identify an appropriate Assuming Counterparty.

For more information, please sign the attached confidentiality agreement. All questions concerning this opportunity should be directed solely to:

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