

## FUND FINANCE FRIDAY

## Fund Finance Risk Transfer Solutions Provided by Vanbridge

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Vanbridge is a unique advisory and intermediation firm that functions both as an insurance broker and a solutions provider, and brings together banks, insurance companies and asset managers to structure risk transfer and financing transactions, designed to meet the needs of each party.

- **Banks and Life Insurers**. Life insurers have a need to put cash to use over long time horizons and are seeking opportunities to generate yield in a regulatory capital-friendly format. Life insurers can enter into participation agreements with banks, allowing banks to continue to face the client but providing the bank an alternative path to syndication, funding and full risk transfer. A properly structured participation or similar agreement enables the life insurer to reduce the amount of risk-based capital it must hold while providing the life insurer a diversifying source of yield away from widely distributed corporate bonds. A good example of this type of transaction involves subscription facilities. Vanbridge is currently working on transactions in which life insurers would provide back-end funding and risk transfer for banks who may be over-exposed to certain LPs or asset managers, or who are seeking more capacity for their subscription facilities but do not wish to syndicate to competing banks.
- **Banks and Property & Casualty Insurers**. Property & casualty insurers are generally not a source of funding but are increasingly interested in assuming the risk of credit losses on loan portfolios. When structured properly, this type of insurance policy meets bank regulatory capital requirements for substantial risk transfer. As an example, given the historic low default rates on subscription facilities, there is substantial risk appetite for this type of default risk.
- **Funds & Insurers**. Since December 2016, Vanbridge has structured and intermediated over \$2 billion of transactions (and is currently at work on transactions that exceed \$2 billion in the aggregate) in which the firm has brought private equity, real estate and other funds, together with both life insurers and property & casualty insurers, to provide non-recourse leverage and financing, enhancing investment returns to equity investors in funds and tailored asset portfolios. In these transactions, property & casualty insurers provide wraps

and credit enhancement, which enables the financing to be provided by life insurers at low capital charges to them.

There are many other ways in which banks, insurers and asset managers can work together to structure win-win transactions which make the best use of the attributes that each constituency brings to the table. Vanbridge operates at that intersection point, providing structuring, translation, brokerage and intermediation services. For more information, please contact: Ken Pierce, [kpierce@vanbridge.com](mailto:kpierce@vanbridge.com), 646-572-9386