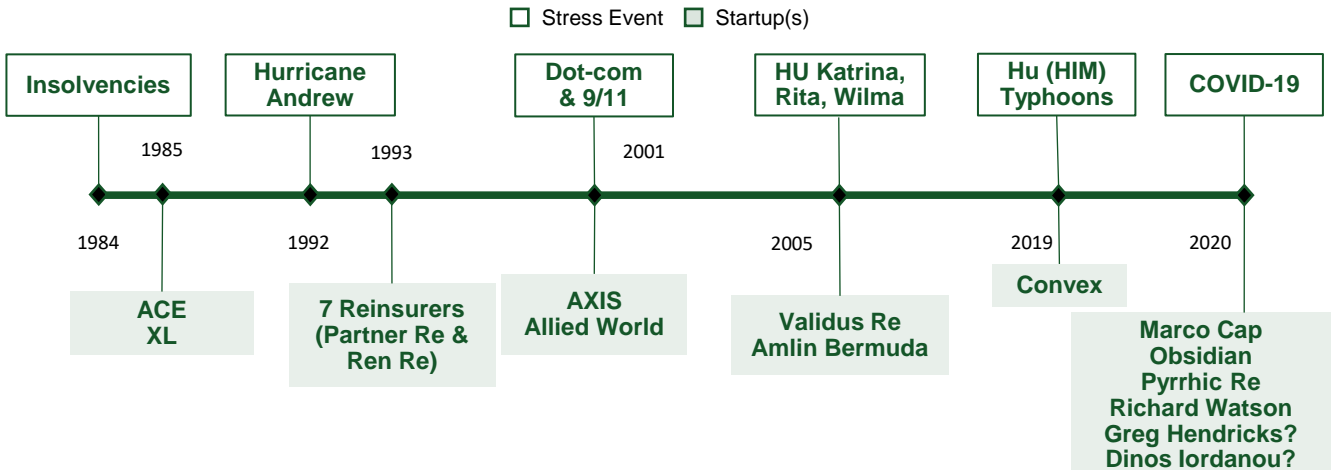


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Startup Waves and Stonybrook Services

Recently, there has been wide market discussion about new companies, a potential sign for the beginning of a new startup wave. Startup waves have historically shown up after times of distress. The outline below provides information on several startup waves identified over 40 years, including the '80s, '90s, 2001, 2005, and the one we believe is currently forming. In addition to the distress event, we included a few conditions that make the market ripe for new companies



History

'80s Wave

- The mid-1980's wave followed after the major insolvencies of Mission Insurance, which was the largest P/C failure at the time, Transit Casualty, and Integrity Insurance. The insolvencies created a need for what was then difficult to obtain excess liability and unmet risk management needs. The two companies created following the insolvencies were ACE (Now Chubb) and XL (Now AXA)

'90s Wave

- In the early '90s, Category 5 Hurricane Andrew made landfall and caused about \$50 billion in insured losses (KCC estimate in 2012 dollars). Hurricane Andrew became one of the costliest catastrophes to impact insurance and reinsurance markets. The catastrophe enabled the formation of several new reinsurers. Most of the companies created during this time, Tempest Re, Mid Ocean Re, IPCRe, Centre Cat, and Global Capital Re, have merged with other companies. Renaissance Re and Partner Re remain standalone

2001 Wave

- The 2001 wave began after the dot-com crash, a very sustained soft insurance market and 9/11. The startups that followed this event include AXIS, Allied World, and Arch (it was zero premium in 2000, so essentially a new company). Axis is one of the largest of the Bermuda companies that started up following September 11

2005 Wave

- 2005 became another period that produced a startup wave, resulting from Hurricanes Katrina, Rita, and Wilma. The new companies introduced here include Validus Re and Amlin Bermuda. Both companies emerged to fill a void of both capital and confidence following the large losses incurred from the previous year and noted stress-events

COVID-19 | 2020

Startups and recapitalizations are beginning to emerge after a period of cats, casualty reserve issues, and now Covid-19

- Marco Capital Holdings Limited, is a new Malta- Property & Casualty run-off solutions provider
- Obsidian Insurance Holdings, Inc., a new fronting insurance holding company
- Pyrrhic Re, combined MGA/balance sheet startup
- Richard Watson, former chief underwriting officer of Hiscox, reportedly has a startup company in the works
- Greg Hendricks – potential startup
- Dinos Iordanou – reportedly hiring now

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Securities offered through Weild & Co.

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Table: Startup Waves

Event	Startup	Date	*USD Strength	*Equity Market	Credit Spreads
Major Insolvencies		1984			
	ACE (Now Chubb)	1985	Strengthening	Bull	N/A
	XL (Now AXA)	1986	Strengthening	Bull	Wide
HU Andrew		1992			
	Ren Re	1993	Weakening	Bear	Average
	Partner Re	1993	Weakening	Bear	Average
Dot-com & 9/11		2001			
	AXIS	2001	Strengthening	Bull	Wide
	Allied World	2001	Strengthening	Bull	Wide
	Arch (recap)	2001	Strengthening	Bull	Wide
HU Katrina, Rita, Wilma		2005			
	Validus Re	2005	Strengthening	Bull	Wide
	Amlin Bermuda	2005	Strengthening	Bull	Wide
HIM & Typhoons		2018/19			
	Convex	2019	Strengthening	Bull	Wide
COVID 19		2020			
	Richard Watson	2020	Strengthening	Bull	Wide
	Marco Capital	2020	Strengthening	Bull	Wide
	Obsidian	2020	Strengthening	Bull	Wide
	Pyrrhic Re	2020	Strengthening	Bull	Wide
	Greg Hendricks ?	2020	Strengthening	Bull	Wide
	Dinos Iordanou ?	2020	Strengthening	Bull	Wide

*Dollar strength and equity market data were pulled from two years before each startup launch date as an initial company formation timeframe

Analysis and How Stonybrook Can Help

Startups follow periods of distress and tend to happen following and/or during a bull market, a strengthening dollar, and when credit spreads are wide. A healthy or strengthening equity market makes raising capital much more accessible as opposed to bear markets. The strengthening dollar fuels more leverage on dollar-denominated business, and a wide credit spread makes it difficult to borrow or hedge. All the startup waves mentioned above, excluding the Hurricane Andrew period, were formed during each of these conditions that make the market especially ripe for startups. Covid-19 losses follow major cats, a strengthening dollar, market meltdown, and now rising equities, an environment that appears very similar to those during previous startup waves. There have already been startups announced and in the works, and we expect this trend to continue.

Stonybrook Services | Global presence – Offices in London, Bermuda, HQ in NYC

Stonybrook Advisory Services | Investment Banking

- **Middle market insurance specialist with a focus on:**
 - M&A, raising capital, mutual insurers, coastal state peril carriers, MGAs, divesting non-core assets, and valuation analyses
 - Stonybrook can aid in various aspects of the Syndicate in a Box set up including consulting, capital raising and reinsurance broking

Stonybrook Risk Management | Reinsurance Broking

- **Services provided include:**
 - Prospective carrier/MGA identification, product development, alternative risk, captive services, strategic advisory, and reinsurance placement
 - Fronting expertise

Stonybrook Alternative Investments

- **Placement agent for a variety of insurance related Funds:**
 - Insurtech Fund, Lloyd's Capacity, and a Surplus Note Fund

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Notable Stonybrook Transactions

<p>March 2020</p>  <p>Acquired by</p>  <p>Amount undisclosed</p>	<p>February 2020</p>  <p>\$45,000,000 Capital Raise</p>	<p>February 2020</p>  <p>Acquires the assets of</p>  <p>Amount Undisclosed</p>	<p>January 2020</p>  <p>Acquired by</p>  <p>Amount undisclosed</p>
<p>August 2019</p>  <p>\$30,000,000 Capital Raise</p>	<p>July 2019</p>  <p>Announced Sale of Sandell Re</p>  <p>Exclusive sell-side financial advisor</p>	<p>May 2019</p>  <p>\$20,000,000 Capital Raise</p>	<p>March 2019</p>  <p>Triangle Surety Agency, Inc.</p> <p>Capital raise amount undisclosed</p>
<p>February 2019</p>  <p>\$10,000,000 Capital Raise</p>	<p>December 2018</p>  <p>\$125,000,000 Capital Raise</p>	<p>October 2018</p>  <p>Sale of Boston Indemnity Company</p>  <p>Exclusive sell-side financial advisor</p>	<p>July 2018</p>  <p>\$12,500,000 Capital Raise</p>
<p>December 2017</p>  <p>\$50,000,000 Capital Raise</p>	<p>December 2017</p>  <p>Sale to</p>  <p>Exclusive sell-side financial advisor</p>	<p>December 2017</p>  <p>Capital raise amount undisclosed</p>	<p>October 2017</p> <p>MARK EDWARD PARTNERS</p> <p>Capital raise amount undisclosed</p>
<p>September 2017</p>  <p>Conifer Holdings Inc.</p> <p>\$30,000,000 Capital Raise</p>	<p>September 2017</p>   <p>Valuation analysis</p>	<p>August 2017</p>  <p>Sale of Great Lakes Casualty to</p>  <p>Exclusive Financial Advisor</p>	<p>March 2017</p>  <p>PREPARED INSURANCE COMPANY</p> <p>Exclusive Sell-Side Financial Advisor</p>