

In order to remain competitive in today's landscape, Mutuals and Co-operatives are increasingly requiring access to additional capital



Increasingly Competitive Market Landscape

Large public/private insurer growth is outpacing mutuals that are typically on the smaller side.



Regulatory Pressures

Globally there are more stringent compliance requirements (solvency, capital standards, liquidity, etc.)



Persistent global economic uncertainty

The global macroeconomy is consistently uncertain, with consumers increasingly pressured from a cost of living and affordability standpoint



Requiring access to additional capital

As a mutual, not all conventional capital raising methods are relevant, however, there are specialized mechanisms that can successfully address the need



Internal Capital Generation



Entity structure / restructure



Alternative risk transfer and reinsurance-linked capital



Debt Based Capital Instruments



Mutual and cooperative specific capital instruments





icmif

The capital conundrum: Growth pathways for mutual and co-op insurers

Swiss Re Business Development

30 April 2026



Risk driven capital choices

	Alternative 1: Add capacity		Alternative 2: Reduce risk	
Sources	Raise new capital	Retain earnings	Risk mitigation	Exit risk
Examples	<ul style="list-style-type: none"> ▪ Equity ▪ Subordinated debt 	<ul style="list-style-type: none"> ▪ Cut dividends ▪ Stop share buy-backs 	<ul style="list-style-type: none"> ▪ Reinsurance ▪ Hedging 	<ul style="list-style-type: none"> ▪ Sale of selected assets and businesses
Impact on Capital	Increase available capital		Decrease required capital	
Risk & benefit to	Investors			Competitors

Some capital alternatives for mutual companies:

- Accumulate retained earnings
- Debt / hybrids
- Specific regulatory instruments (OFSI's Limited Recourse Capital Notes)
- Sidecars / alternative vehicles
- Insurance Linked Securities
- Reinsurance
- Mutual group societies
- Asset investment portfolio management
- Business line portfolio management

*Receiving funding is different than receiving payment
Different instruments have different purposes and behaviors*

Different capital forms serve different needs

	Common Equity	Subordinated Debt	Reinsurance
Advantages	<ul style="list-style-type: none"> ■ Owners retain full benefit of enterprise value creation ■ Versatile – buffers any and all risks 	<ul style="list-style-type: none"> ■ Owners maintain upside benefit of enterprise value creation ■ Improve return on equity by writing more business on same equity base 	<ul style="list-style-type: none"> ■ Efficient capital source – target solvency leverage effect ■ Protects capital base and earnings ■ Highly customizable
Disadvantages	<ul style="list-style-type: none"> ■ Highest cost of capital (investor return expectations) ■ Owners are fully exposed to adverse outcomes 	<ul style="list-style-type: none"> ■ Increases financial leverage ■ Owners remain fully exposed to adverse outcomes 	<ul style="list-style-type: none"> ■ Lowers reported net premium ■ Credit risk exposure towards reinsurer
Protects	<ul style="list-style-type: none"> ■ Creditors, policyholders, counterparties 	<ul style="list-style-type: none"> ■ Policyholders and senior creditors – adverse outcomes paid by equity holders 	<ul style="list-style-type: none"> ■ Equity holders – adverse underwriting outcomes are paid by reinsurance
Sources of available regulatory capital			Reduction in required regulatory capital

Sidecar Overview

Prepared by GC Securities



Sidecars Overview and How They Operate



Fundamentally, a “sidecar” refers to various types of vehicles where capital providers and investors can take a proportional “slice” of a particular subject business.

Capital providers can be third-party investors or traditional (re)insurance capacity.

The specific motivations of both sponsors and investors will vary, but they share common themes of **improved economics** for sponsors and **attractive returns** for investors.



Sponsors



Improved Economics



Investors



Attractive Returns



Where third-party capital is used, legal forms vary, but are typically one of the following



Special Purpose Insurer (SPI), Operating on a Collateralized Basis (i.e. George Street Re)



Lloyd’s London Bridge



Rated SPI – i.e., ABR, Watford

Sidecars are best used as reinsurance cycle management instruments

Whether in hard market, when capital is scarce, or soft market, when margins are constraints, they serve to optimise the cedant capital position and stabilise earnings

Why do Cedants use sidecars?

A range of motivations depending on each cedant's own strategic objectives

Manage P&L volatility /
generate fee income

Create positive equity
story / enhance
relationship with
shareholders

Optimise internal capital
allocation / generate
capital

Optimise cost of
reinsurance

Allianz

Hannover Re

QBE

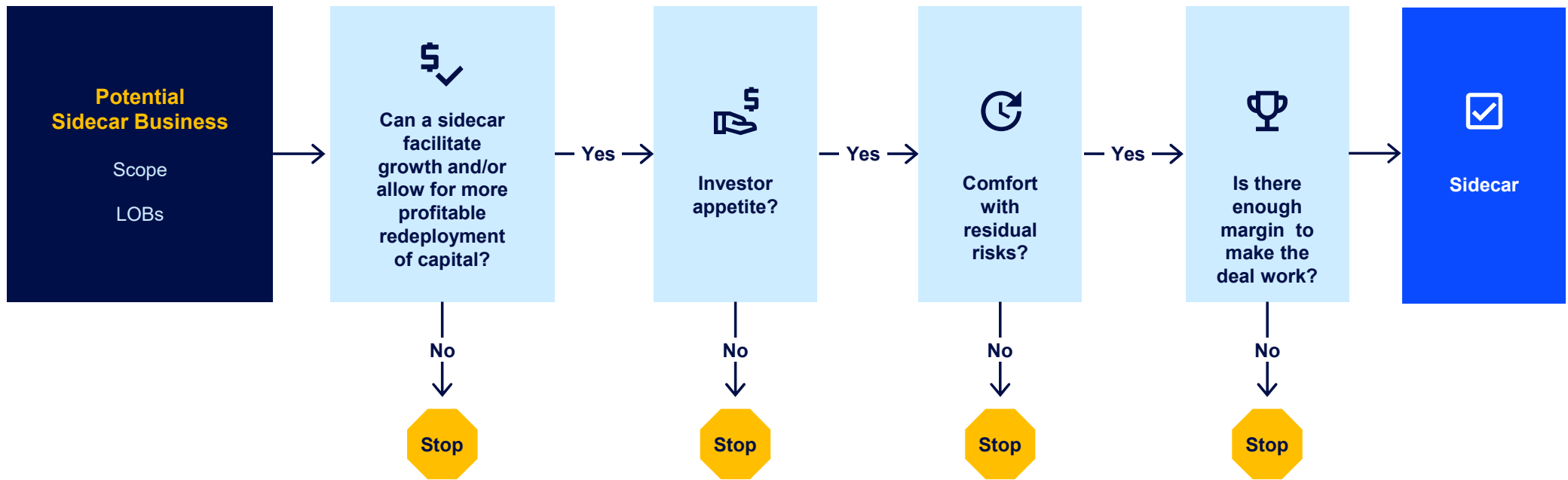
AIG

Two Forms of Multi-Line Sidecars Available

	Direct Cession	Ceded Re Sidecar
Description	<ul style="list-style-type: none"> All or a subset of the cedant's lines of business are ceded to the sidecar vehicle 	<ul style="list-style-type: none"> The sidecar assumes a define share of the cedant's outward treaties
Pros	<ul style="list-style-type: none"> Easy to explain to investors (true cession of the cedant's business) Very stable structure 	<ul style="list-style-type: none"> Easier to put in place as can lean on the existing reinsurance submission information Creates competitive pressure with traditional reinsurers
Cons	<ul style="list-style-type: none"> Requires bespoke information gathering 	<ul style="list-style-type: none"> Timing management is more complex as it needs to follow traditional placement renewal
Examples	<ul style="list-style-type: none"> AXA XL Lascaux sidecar IAG WA QS (albeit in reinsurance form) 	<ul style="list-style-type: none"> ABR Re AIG / Blackstone Allianz / Oaktree

To obtain additional capital, a direct cession sidecar is the favoured option

Sidecar Viability Decision Tree



Examples
Tail Risk
Commutation
Investment Guidelines

There Is a Large and Growing Set of Potential Investors With Interest in Insurance

Examples of active investors

Private Equity Firms	Alternative Investment Managers	International Pension and Sovereign Wealth Funds	Traditional Investment Managers
----------------------	---------------------------------	--------------------------------------------------	---------------------------------



Other smaller investors can also be approached, if required by the cedant's volume of business

GUY CARPENTER

A MARSH BUSINESS

General Disclaimer: Statements or analysis concerning or incorporating tax, accounting or legal matters are general observations or applications based solely on our experience as reinsurance brokers and risk consultants and may not be relied upon as tax, accounting or legal advice, which we are not authorized to provide. All such matters should be reviewed with the recipient's own qualified advisors in these areas. The data, analysis, summaries, marketing materials, or other work product (collectively, the "Materials") provided by Guy Carpenter are provided "as is," without warranty of any kind whether express or implied. The information contained in this document is based on sources we believe reliable, but we do not guarantee its accuracy or completeness. Recipients are cautioned not to place undue reliance on the contents, calculations or any forward-looking statement within the Materials. Guy Carpenter undertakes no obligation to update or revise the Materials, whether as a result of new information, research, future events, or otherwise. The Materials are not a contract or an offer to enter into a contract, understanding or any other type of agreement concerning a potential business relationship. Guy Carpenter is not conveying or transferring any intellectual property rights in the Materials, absent a specific, written agreement, in each instance. If any trademarks and service marks are contained herein, they remain the property of their respective owners. If you have viewed the Materials in a publication, or you can reasonably expect that Guy Carpenter may release the Materials to unaffiliated recipients, the information therein is not intended to be taken as advice with respect to any individual situation and cannot be relied upon as such.

With respect to any Materials developed for clients, prospects or other direct recipients: No person or entity shall disclose, copy, or reproduce the Materials or any portion thereof in any form to any third party without Guy Carpenter's prior written consent in each instance, except that our clients may release the materials to their reinsurers, auditors, rating agencies and regulators. In the event that the client or direct recipient discloses the Materials or any portion thereof to any permissible third party, the client shall adopt the data and analysis as its own. The Materials are intended to be used solely for the purpose of internal evaluation of the individual or business entity to which we release them directly, unless Guy Carpenter has provided specific, written consent to the contrary, in each instance. Guy Carpenter serves as an advocate for its clients and owes no duty of care to third parties arising out of the Materials, even if they are forwarded to such third party by our client with Guy Carpenter's consent. Each recipient shall protect the confidentiality of the Materials to the same degree as it would protect its own information, but in any event limit the disclosure of such Information only to its employees, partners and directors who have a need to know, provided that the recipient shall ensure that each such person adhere to these confidentiality obligations. Recipients shall use a reasonable degree of care to ensure that the Materials are shared and used only for the intended purpose.

With respect to any analytics output: Analytics results in the Materials are generated with software models provided by a third-party modeler, using proprietary risk assessment technology. Developing models to estimate losses resulting from catastrophes or other large-scale events is an inherently subjective and imprecise process, involving judgment about a variety of environmental, demographic and regulatory factors. The assumptions and methodologies used by the modeler in creating the models may not constitute the exclusive set of reasonable assumptions and methodologies. The use of alternative assumptions and methodologies could yield materially different results. Also, the output of the models depends on data and inputs supplied by others, and any gaps, inaccuracies, or changes to the inputs can substantially affect the output. Where applicable, any estimated cash flows may vary significantly from amounts actually collected, particularly in the event that a reinsurer is unwilling or unable to perform in accordance with the terms of the reinsurance contract. These Materials are based upon data provided by our client(s), prospective client, or third parties. The accuracy of such data has not been independently verified by Guy Carpenter. Neither Guy Carpenter, its affiliates, nor their respective officers, directors, agents, modelers, or subcontractors guarantee or warrant the correctness, completeness, currentness, merchantability, or fitness for a particular purpose of such data. In no event will Guy Carpenter or any modeler, SaaS provider, or subcontractor (collectively, "Providers") be liable to recipients for loss of profits or any other indirect, special, incidental and/or consequential damages of any kind howsoever incurred or designated, arising from any use of the Materials or the performance of the subject company, products or services. The Provider information and intellectual property contained in the Materials is provided under license to Guy Carpenter and is proprietary and confidential.

With respect to any actuarial analysis: The Materials are not intended to be a complete actuarial communication. Upon request, we can prepare one. We are available to respond to our clients' questions regarding our analysis. There are many limitations on actuarial analyses, including uncertainty in the estimates and reliance on data. We will provide additional information regarding these limitations upon our client's request. As with any actuarial analysis, the results presented herein are subject to significant variability. While these estimates represent our best professional judgment, it is probable that the actual results will differ from those projected. The degree of such variability could be substantial and could be in either direction from our estimates.

Securities or investments, as applicable, are offered in the United States through GC Securities, a division of MMC Securities LLC ("MMCS"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA"), the National Futures Association ("NFA") and the Securities Investor Protection Corporation ("SIPC"). Main Office: 1166 Avenue of the Americas, New York, NY 10036. Phone: (212) 345-5000. Securities or investments, as applicable, are offered in the United Kingdom by GC Securities, a division of MMC Securities Limited ("MMCSL"), which is authorized and regulated by the Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN. Securities or investments, as applicable, are offered in the European Economic Area by GC Securities, a division of MMC Securities (Ireland) Ltd. ("MMCSI"), which is authorized and regulated by the Central Bank of Ireland, reference number C447471. Main Office: Charlotte House, Charlemont Street, Dublin 2, D02 NV26, Ireland. Reinsurance products are placed through qualified affiliates of Guy Carpenter & Company, LLC ("Guy Carpenter or "GC"). MMCS, MMCSL, MMCSI and Guy Carpenter are affiliates owned by Marsh McLennan. MMCS, MMCSL, MMCSI and Guy Carpenter are hereinafter referred to as "we" and "us". This communication is not intended as an offer to sell or a solicitation of any offer to buy any security, financial instrument, reinsurance or insurance product.

All statistical tables, charts, graphs or other illustrations contained herein were prepared by MMCS or GC unless otherwise noted. Results from simulations and projections are for illustrative purposes only and are based on certain assumptions. Therefore the recipient should not place undue reliance on these results. Past performance does not guarantee future results.

We are not a legal, tax or accounting adviser and make no representation as to the accuracy or completeness of any data or information gathered or prepared by us hereunder. You should therefore consult with your own tax, accounting, legal or other advisers and make your own independent analysis and investigation of any transaction, as well as the financial and tax consequences thereof, the creditworthiness of the parties involved and all other matters relating to the transaction, prior to your own independent decision whether or not to enter into any agreements in connection with any transaction.

This presentation does not constitute an offer to sell or any solicitation of any offer to buy or sell any security or instrument or to enter into any transaction on such indicative terms. These materials contain indicative terms for discussion purposes only. We give no assurance that any transaction will be consummated on the basis of these indicative terms and no specific issuer is obligated to issue any security or instrument on such indicative terms. An investment in insurance linked securities is speculative, involves a high degree of risk and should be considered only by institutional investors who can bear the economic risks of their investments and who can afford to sustain the loss of their investments. Investors may lose all or a portion of their investment. Institutional investors should thoroughly consider the information contained herein.

This document is not intended to provide the sole basis for any evaluation by you of any transaction, security or instrument described herein and you agree that the merits or suitability of any such transaction, security or instrument to your particular situation will be independently determined by you including consideration of the legal, tax, accounting, regulatory financial and other related aspects thereof. Opinions and estimates constitute MMCS's and/or Guy Carpenter's judgment and are subject to change without notice. In particular, neither MMCS nor Guy Carpenter owes duty to you (except as required by the rules of the Securities and Exchange Commission, Financial Industry Regulatory Authority, Financial Conduct Authority, and/ or any other regulatory body having proper jurisdiction) to exercise any judgment on your behalf as to the merits or suitability of any transaction, security or instrument. The information contained herein is provided to you on a strictly confidential basis and you agree that it may not be copied, reproduced or otherwise distributed by you (other than to your professional advisers) without our prior written consent.

MMCS and/or GC may have an independent business relationship with any companies described herein. Trademarks and service marks are the property of their respective owners.

The source of information for any charts, graphs, or illustrations in this document is GC Securities Proprietary Database 2026, unless otherwise indicated

We are leaders in risk, strategy and people. One company, with four global businesses, united by a shared purpose to build the confidence to thrive through the power of perspective.