



UNITED INSURANCE COMPANY

# COLLATERAL SOLUTIONS

**United Insurance Company (United)** alleviates the costs of collateralizing insurance risks for its captive clients through our Collateral Solutions services.

When a new or existing captive client enters into a risk-pooling agreement with Nexus Re or a reinsurance contract with United, it may be required to post collateral (either as Reg-114 trust assets or a letter of credit (LOC)) to back its obligations.

## THE PROBLEM

### Letters of Credit are:

- Exceedingly expensive
- Usually backed by cash or treasuries (which are poor uses of capital and historically poor investment returns)

### Reg 114 Trust Assets lead to:

- Expensive trustee services which can be arduous
- Difficulties investing effectively due to trust accounts
- Greater risk to investors due to duration, especially in a rising rate environment

## OUR SOLUTION

In lieu of posting a letter of credit or assets held in trust, we will add an option to the reinsurance contract to allow the posting of cash collateral directly to Nexus Re or United and will guarantee a crediting rate to the Captive.

United will invest 100% of the cash into a separate account, managed by a third-party investment manager, with a fixed income investment strategy focused on duration-neutral municipal bonds. The client receives collateral statements supplied by United at the end of each quarter (after cession statements have been processed) which will include the guaranteed amount credited to the client and noting top-up requirements for changes in the required collateral. The crediting rate will be guaranteed by United, carrying an A.M. Best A- rating, and its subsidiaries.

## BENEFITS TO CAPTIVES



Backed by the balance sheet of an A.M. Best A- (VII) company



Eliminate transaction costs from letters of credit and trustee fees



Flexible lock-up periods to return funds quickly



Reduces duration risk while earning a guaranteed return

## CONTACT

For more information, contact Janet Sairsingh at [jsairsingh@uicinsurance.com](mailto:jsairsingh@uicinsurance.com) or ask your United representative for details.

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