THE INSURANCE Insider

Elementum adds new primary vehicle

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Elementum Advisors has launched a new commingled fund which allows its investors to participate in insurance portfolios underwritten by a select group of MGAs, ***Trading Risk*** can reveal.

The move follows two years of managing a similar strategy on behalf of fund-of-one investors, and previously supporting MGAs on an excess-of-loss basis.

Elementum has partnered with Tokio Marine Kiln on the initiative to originate, evaluate and structure a portfolio of quota share transactions.

The insurance strategy makes up around 5 percent of Elementum's total assets under management, or around $175mn-$200mn.

The new vehicle makes Elementum the third ILS manager to target the primary US market in a significant way. Nephila has led the charge into insurance risks through its Velocity MGA and broker partnerships, while Securis has set up a Lloyd's special purpose arrangement to write excess and surplus lines (E&S) business.

Elementum co-founder Tony Rettino told ***Trading Risk*** that it was important to the firm that it takes an active role in the selection of risks and MGA partners that the portfolio will support.

"Partnering with Tokio Marine Kiln, who has an extensive history and expertise in the market, has provided significant benefits to the initiative," he said.

Elementum said it had sought to build and expand the portfolio in specific areas of the insurance market in order to minimize channel conflict and direct competition with their existing reinsurance partners.

The strategy primarily targets property catastrophe-exposed commercial business placed in the E&S market and also has meaningful allocations to flood-specific and attritional risks.

The E&S markets have been a focus for ILS carriers targeting expansion in primary risks, although Nephila's Velocity has also sought to write personal lines business on an admitted basis, including via take-outs from Florida Citizens.

Rettino said the primary insurance portfolio acted as a complementary bolt-on to its reinsurance funds.

"It's a careful extension of our core reinsurance strategies," he said. "We want to grow it in a measured fashion."

The firm set up the strategy because it wanted to expand the menu of options it offered investors, while broadening the support it could provide to a core set of MGAs, Rettino explained.

The insurance strategy has a higher return profile than a reinsurance equivalent, but with higher frequency of smaller losses. "It blends and complements the return stream for investors," Rettino said.

The portfolio of insurance business the strategy assumed last year took some catastrophe losses, but while these are still evolving, recoveries on hedges have thus far signalled flattish returns for the 2017 underwriting year, Rettino said.