

MGA Bluefire assumes risk with AXA XL collateralized reinsurance deal

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Specialist non-standard auto MGA Bluefire Insurance has completed an alternative capital transaction that sees it assume risk in its personal auto business through a collateralized reinsurance agreement with AXA XL, *The Insurer* can reveal.



The structure, which is being described as the first of its kind, sees the Irving, Texas-based MGA use a Bermuda segregated cell to act as a retrocessionaire of AXA XL Reinsurance in Bermuda, which is also a lead participant on its reinsurance panel.

The arrangement covers Bluefire personal auto business reinsured by AXA XL Reinsurance across ten states and three carrier groups the MGA writes on behalf of, with premium ceded to the cell totaling around \$25mn.

As well as acting as the fronting reinsurer for Bluefire to assume risk via the segregated cell, AXA XL Reinsurance will provide a loss ratio cap and collateral release mechanism.

The Bluefire segregated cell is managed by Quest Group, Bermuda, and housed inside segregated account company RQQIH.

The MGA currently writes around \$400mn of premium across its platform with programs supported by half a dozen insurance carriers including county mutuals Home State and Old American.

Bluefire manages a panel of reinsurers behind its carrier relationships with around two thirds, or \$250mn of its written premiums ceded to them under a quota share.

Currently, the MGA, which is part of PE-backed Confie, retains around 5 percent of the risk it writes in a Bermuda Class 2 insurer called Bluefire Re.

But the innovative structure with AXA XL Reinsurance boosts that retention up to 15 percent, with both risk taking positions incepting back at 1 January 2020.

The transaction is the first personal auto alternative capital transaction that AXA XL Reinsurance's Bermuda team has completed.

Bluefire has been working with AXA XL Reinsurance since 2014 when legacy Catlin Re reinsured one of the MGA's Texas portfolios.

In a process that began in 2018 Bluefire has consolidated the carriers it underwrites on behalf to half a dozen and also transitioned its reinsurance to a portfolio basis driven by head of strategy Jamie Pooley (pictured above right), a former reinsurance broking executive at BMS in London and Kirkway International in Bermuda.

Proof of concept

Speaking to this publication, Pooley said the MGA has built a diverse and stable book of business that has been delivering "consistent and predictable" returns to its reinsurance partners.

"We have been exploring ways to reinsure our own business for some time but casualty quota share reinsurance agreements have an exposure duration which presents capital efficiency challenges.

“Once we explained our intent to take risk with the team at AXA XL Reinsurance, we collaborated to design a bespoke structure that met both parties’ objectives,” he said.

Pooley added that the deal with AXA XL Reinsurance was a proof of concept that had created a capital efficient mechanism that is able to capture the reinsurance returns it is producing.

“AXA XL Reinsurance is pleased to partner with Bluefire on this transaction,” said Paul Simons, head of property, global markets and head of Bermuda reinsurance at AXA XL.

“As a leading global reinsurer with experience in both the traditional and alternative capital markets, we offer customized, innovative solutions across a broad product offering.



“While most of our alternative capital solutions have been in the property catastrophe space, this transaction demonstrates our willingness and ability to provide alternative offerings in casualty and other lines of business,” he continued.

Bluefire president Andrew Shrou (pictured above left) said the MGA aims to differentiate itself from its competition and cited the new partnership as further evidence of this.

“We’re a different kind of MGA that wants to give consistent returns to our capital partners and provide a new kind of insurance experience to our agents and insureds.

“This transaction demonstrates that we want to take risk in our business, and we’re sophisticated enough to build a model with the largest insurer in the world and figure out how to transfer risk in a way that hasn’t been done before,” he explained.

The executive said that being able to show greater alignment of interest with carrier partners and reinsurers was critical in an increasingly tight marketplace for capacity.

“There has to be some kind of skin in the game,” Shrout stated.

Bluefire was formed from the amalgamation of several different NSA MGAs acquired by Confie and operates in 10 states, with the lion’s share of its book from business written in Texas, California, Louisiana and Alabama.