

NEPHILA

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Presentation to BMA-NAIC

June 2021

Important notes

The following is a general description of Nephila Climate's approach to tailoring weather and climate related risk solutions for its clients. This presentation, including any references to particular strategies or markets, does not constitute a solicitation or sale by Nephila Climate on behalf of any counterparties, nor is it an offer of a particular product. To the extent that you have questions or requests for information regarding a particular company or risk product please contact us, and we will make arrangements for tailored presentations, products and offers to be delivered in accordance with the restrictions and requirements of applicable law.

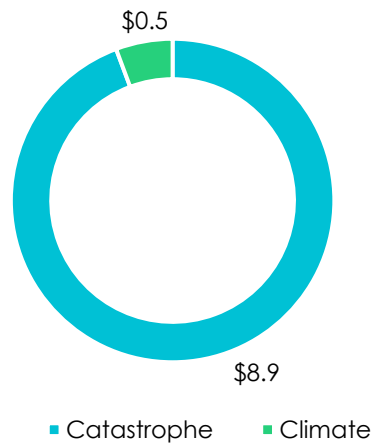
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About Nephila

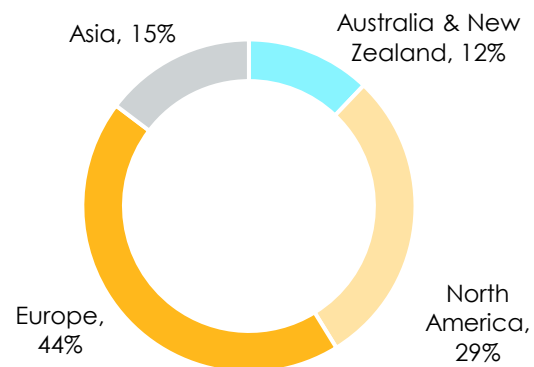
Nephila provides investors access to non-correlated exposures in the catastrophe and climate (re) insurance markets

- First dedicated manager in the ILS sector, founded in 1998
- AUM of ~\$9.5bn¹
- Deep platform with scale and long-term institutional investor capital

Platform assets under management (USD billions)¹:



Investor composition by location²:



Global footprint

San Francisco (15)³

- Research
- Insurtech
- Nephila Climate
- Partner Capital
- Finance

Bermuda (55)³

- Reinsurance origination
- Portfolio construction
- Nephila Climate
- IT / Operations
- Compliance

Nashville (31)³

- Co-founders
- Analytics
- Partner Capital
- IT

London (42)³

- Lloyd's Syndicate
- Partner Capital
- IT

About Nephila Climate

Nephila Climate manages over \$500m¹ in investment products linked to climate resilience and sustainability



Expertise in engineering, agriculture, meteorology, energy, and data science



Creative structural solutions for counterparties



Bespoke analytics to assess weather-linked risks

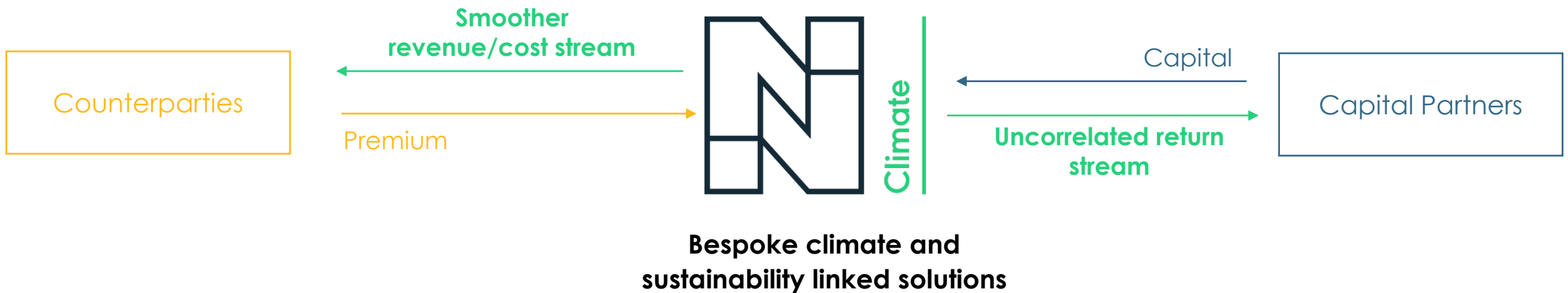


Global network built from 15+ years in the market

Our aim is to earn uncorrelated market rate returns for investors while supporting sustainable development goals

Helping counterparties manage climate risk

- Revenue or expense volatility can be a barrier to investment in sustainable strategies
- Counterparties are willing to pay a premium to remove it



Sample climate risk transfer contract

Common terms apply to all contracts

LOCATION



- Single weather station
- Multiple stations (weighted)

PERIOD



- Seasonal
- Annual
- Multi-year

VARIABLE



- Wind speed
- Precipitation
- Temperature
- Other weather-driven indices (crop yield)

TRIGGER



- Cumulative (total amount of observed variables)
- Event-based (based upon pre-defined 'bad' weather scenario)

PAYOUT



- Pro-rata payment per variable increment
- Secondary price variable (electricity, natural gas, carbon)

Counterparties for climate-linked risk transfer products



Wind or solar farm



Farmers



School district or
government



Biofuel facility
developer

Resilience for Mexico government

Mexico government agency issues catastrophe bonds to help fund national recovery following a natural disaster



Nephila invests in the bonds, triggered by event parameters independently reported by US government agencies



Mexico issued repeated transactions, and received payouts for multiple events through the years

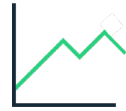
Counterparty	FONDEN, Mexico's natural disasters fund
Challenge	Funds are slow to arrive following a major hurricane or earthquake, and damage inspection is time-consuming
Climate or weather risk	Hurricane (and earthquake)
Potential Solution	Parametric catastrophe bond designed to trigger should a hurricane impact high-population coastal areas, triggered using independent data from U.S. agencies
Added benefit	Repeated issuances (2006, 2009, 2012, 2017, 2020) enable fine-tuning of trigger design; stable financing facilitates long-term planning for emergency response



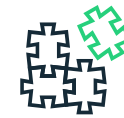
Parametric hurricane cover lets the government receive funds swiftly to limit economic loss

Managing snow removal budget volatility

Counterparties will pay to mitigate snow removal cost uncertainty



Nephila Climate partnered with Demex to offer a risk transfer solution that smooths snow removal budgets



Plan to expand the offering to new companies and municipals in 2021

Counterparty

School district

Challenge

Snow removal budget variability impacts return on property investment

Climate or weather risk

Higher snow removal costs driven by **excess snowfall**

Potential Solution

No-premium swap; A property manager collects when snowfall accumulates above a certain threshold and pays when it is below.

Added benefit

The counterparties have used the snowfall data measured for their contract to validate invoicing by the snow removal companies



Snow removal risk transfer lets counterparties free up capital reserves for other priorities

How NAIC can encourage innovation

Innovative climate insurance products can offer benefits to consumers and the insurance marketplace

- **Encourage multi-year protection:** a better match for climate resilience transition risk mitigation
- **Acknowledge a role for parametric cover:** technology allows options for swifter payment and limiting basis risk
- **Incentivize the use of claims payments for more resilient replacement structures**

Our impact in action

Renewables

3.95 GW

Renewable energy
Nephila Climate has de-risked across 2 continents¹



The equivalent of

~24 million metric
tons per year^{1,2}



AVOIDANCE

Nephila Climate is one of the

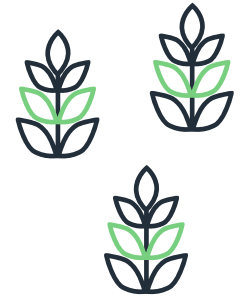
top 5 largest
financial buyers



of renewable energy globally among
corporate green energy buyers³

Agriculture

Nephila Climate
protects crops in
3 countries⁴



Including Asia and South America

Nephila Climate has covered the equivalent of



~74 million
farmers⁵

providing stability to livelihoods

Alternative investments risks and other disclosures

This material is being provided for information and discussion purposes only and is not intended to be, nor should it be construed or used as, investment, tax or legal advice or an offer to sell, or a solicitation of an offer to buy, an interest in an alternative investment or any other product managed or advised by Nephila.

Alternative investments, depending upon their investment objectives and strategies, may invest and trade in many different markets, strategies and instruments (including non-securities and derivatives) and are NOT subject to the same regulatory requirements as mutual funds, including mutual fund requirements to provide certain periodic and standardized pricing and valuation information to investors. There are substantial risks in investing in an Alternative Investment.

You should note carefully the following:

- An Alternative Investment represents a speculative investment and involves a high degree of risk. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment in an Alternative Investment. An investor could lose all or a substantial portion of his/her/its investment.
- An investment in an Alternative Investment should be discretionary capital set aside strictly for speculative purposes.
- An investment in an Alternative Investment is not suitable for all investors. Only qualified eligible investors may invest in an Alternative Investment.
- An Alternative Investment's offering documents are not reviewed or approved by federal or state regulators and its privately placed interests are not federally or state registered.
- An investment in an Alternative Investment may be illiquid and there are significant restrictions on transferring or redeeming interests in an Alternative Investment. There is no secondary market for an investor's investment in an Alternative Investment and none is expected to develop. Substantial redemptions by shareholders within a limited period of time could compel an Alternative Investment to liquidate its positions more rapidly than otherwise would be desirable, which could adversely affect the value of the distribution proceeds and the value of the remaining interests in an Alternative Investment.
- The net asset value of an Alternative Investment may be determined by its administrator in consultation with its manager or advisor in certain cases. Certain portfolio assets may be illiquid and without a readily ascertainable market value. Since the value assigned to portfolio investments affects a manager's or advisor's compensation, the manager's or advisor's involvement in the valuation process creates a potential conflict of interest. The value assigned to such portfolio investments may differ from the value an Alternative Investment is able to realize.
- An Alternative Investment may have little or no operating history or performance and may use performance which may not reflect actual trading of the Alternative Investment and should be reviewed carefully. Investors should not place undue reliance on hypothetical, pro forma or predecessor performance.
- An Alternative Investment's manager or advisor has total trading authority over an Alternative Investment. The death or disability of the manager or advisor, or their departure, may have a material adverse effect on an Alternative Investment.
- An Alternative Investment may use a single advisor or employ a single strategy, which could mean a lack of diversification and higher risk. An Alternative Investment's performance may be volatile.
- An Alternative Investment may involve a complex tax structure, which should be reviewed carefully, and may involve structures or strategies that may cause delays in important tax information being sent to investors.
- An Alternative Investment's fees and expenses which may be substantial regardless of any positive return will offset such Alternative Investment's trading profits. If an Alternative Investment's investments are not successful, these payments and expenses may, over a period of time, deplete the net asset value of an Alternative Investment.
- An Alternative Investment and its managers/advisors may be subject to various conflicts of interest.

The above summary is not a complete list of the risks and other important disclosures involved in investing in an Alternative Investment and is subject to the more complete disclosures contained in such Alternative Investment's confidential offering documents, which must be reviewed carefully. This information is not intended to be or construed as an offer to sell, or a solicitation of an offer to buy, an interest in any Alternative Investment which may be made only by delivery of such Alternative Investment's confidential offering documents to qualified investors. Before making any investment, an investor should thoroughly review an Alternative Investment's confidential offering documents with their professional advisor(s) to determine whether an investment is suitable for them. More information can be found at www.nephila.com

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