

## **Pine Brook launches Clear Blue Financial**

*By Luisa Beltran    December 15, 2015*

- Pine Brook launches Clear Blue Financial Holdings
- Provides company with line of equity
- BofA insurance exec Jerome Breslin tapped as CEO

**Pine Brook Partners**, which focuses on financial services and energy, has made its latest insurance investment.

The New York private equity firm is backing Clear Blue Financial Holdings LLC. Pine Brook acquired two shell companies, RLI Indemnity Co and Maiden Specialty Insurance Co, to create Clear Blue.

Pine Brook didn't spend "much money" to buy the shells, but the firm is providing a line of equity to Clear Blue, said William Spiegel, a founding partner and managing director.

Spiegel declined to disclose financial terms, but said Pine Brook's lines of equity can range from \$50 million to \$200 million.

Clear Blue, of Charlotte, North Carolina, will "act as a conduit" between onshore distribution companies in the United States and offshore insurance companies in Bermuda and London, Spiegel said. AM Best, which has assigned an A- (excellent) rating to Clear Blue, said the company would provide "fronting services for a diverse mix of managing general agents."

"We don't take insurance risks," Spiegel said of Clear Blue. "We're allowing traditional and alternative reinsurers access to onshore U.S. insurance clients."

Jerome Breslin, who built Bank of America's commercial insurance division during the last decade, has been tapped to serve as Clear Blue's CEO and president.

Former BofA executives Jim Mann and Peter Klope also came aboard as chief risk officer and chief operating officer, respectively.

Clear Blue is Pine Brook's latest in insurance. In June, the private equity firm invested in Bermuda-based Fidelis Insurance Holdings Ltd, which provides specialty insurance and reinsurance products for property, energy, marine and aviation risk classes. Pine Brook, Crestview Partners and CVC Capital Partners invested a combined \$650 million in Fidelis.

Other Pine Brook insurance deals include Essent Group, Third Point Reinsurance Ltd and Vibe Syndicate Management.

Spiegel noted that while insurance M&A was on the rise this year, private equity investment in the sector was not. "The insurance space is not a very attractive space to be," he said. "We haven't had a major catastrophe in many years. There's lots of capital built up in the system that is forcing pricing down."

Insurance rates are low, Spiegel said. Insurance companies have also taken their reserves and invested them in very safe bonds.

Spiegel said one way for PE to invest in the sector is to target reinsurance niche areas like Pine Brook did with Fidelis or Third Point. Another option is to start a new company to serve an unmet need.

"Clear Blue is a company that can succeed in today's difficult insurance market because it is connecting the excess insurance capital with product," Spiegel said.

Pine Brook used its second fund to invest in both Clear Blue and Fidelis. Pine Brook Capital Partners II LP raised \$2.43 billion in February 2014. The firm's first fund closed at \$1.4 billion in 2009.

Pine Brook fund I generated a 9.3 percent IRR and 1.35x total value multiple as of June 30, according to the Oregon Public Employees Retirement Fund. The second pool, which is still in its J curve, is producing a negative 6.38 percent average IRR and a 0.96x average multiple as of June 30, data provider Bison said.