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Westaim-CC Capital

Investor Conference Call

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CORPORATE SPEAKERS:

Cameron MacDonald

Chief Executive Officer, Westaim

Chinh Chu

Founder and Senior Managing Director, CC Capital; Future Executive Chair of Westaim

Deanna Mulligan

Incoming Chief Executive Officer, Ceres Life Insurance Company. Former Chief Executive Officer and Chairman, Guardian Life Insurance

Daniel Zwirn

Chief Executive Officer and Chief Investment Officer, Arena Investors LP

PARTICIPANTS:

Jeff Fenwick

Cormark Securities Analyst

PRESENTATION:

Operator

Good morning, and thank you for joining us on today's call with Westaim, CC Capital, Arena Investors, and Ceres Life Insurance Company. (Operator Instructions) You can find a press release and presentation on Westaim's investor relations website. I would now like to turn the call over to Cam MacDonald, CEO of Westaim.

Cameron MacDonald

Good morning, and thank you for joining us on short notice to discuss our strategic partnership with CC Capital and the transformational combination of Westaim, Arena Investors, and Ceres Life Insurance Company. Before we get started, I would like to summarize the forward-looking statements on slide two.

Certain statements on today's call may constitute forward-looking statements within the meaning of applicable Canadian and United States securities law, including pursuant to the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995.

Statements that express or involve discussions with respect to predictions, forecast, target yields and returns, internal rates of return, expectations, beliefs, plans, projections, objectives, operating leverage, assets under management, growth, assumptions, or future events or performances are not statements of historical fact and may be forward-looking statements.

You are encouraged to review the risk factors discussed in Westaim's annual information forum for its fiscal year ended December 31st, 2023, which is available on SEDAR or the Management Information Circular of Westaim relating to the proposed transaction when available.

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Although management of Westaim has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause actual results not to be as anticipated, estimated, or intended, and there can be no guarantee that any of the forward-looking statements discussed today will be achieved to any extent.

Forward-looking statements discussed today speak only as of the date hereof, and the parties expressly disclaim any obligation -- any obligation to release publicly any updates or revisions to any forward-looking statement.

This conference call is not an advertisement or a solicitation for any investment or any investment product with respect to Westaim or any other entity. We will also be discussing a few specific dollar figures on today's call. Unless we specify otherwise, these figures will be in U.S. dollars.

I'll begin today's call by sharing why I'm so excited by our transaction partnership and how bringing our companies together will drive significant value for Westaim shareholders. Then Chinh Chu, founder of CC Capital and future executive chairman of Westaim, will discuss the team he has assembled that positions us to drive execution successfully, as well as CC's capital experience and track record in insurance and asset management.

Finally, we will hear from Deanna Mulligan, former CEO and chairman of Guardian Life Insurance, who will lead Ceres Life as well as Dan Zwirn, CEO and CIO of Arena, on the unique opportunities our combination will create for Ceres Life and Arena and how we will all work together to create value for Westaim shareholders.

I am proud to have their partnerships as we chart the path forward to unlock their tremendous potential of this unique platform. Let's begin on slide three. Today we announce the strategic combination of Westaim, Arena and Ceres Life, fueled by CC's capital investment and expertise.

The combination will transform Westaim into an integrated insurance and alternative asset management company, a highly coveted rare flywheel. You're, of course familiar with Arena. Westaim has had a significant position in Arena for some time.

Arena has USD3.5 billion AUM today and is well positioned to scale, especially through this transaction. Arena has a strong investment track record spanning a range of investments, including asset-backed securities and structured products, real estate, corporate credit, and more. With over USD5 billion in capital deployed since inception, it has delivered a 20.5 gross realized IRR. These investment capabilities meaningfully overlap with insurance balance sheet needs, with insurers representing approximately half of the firm's current LP base.

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Arena has a global sourcing and credit origination engine, supported by more than 50 active and capital-aligned joint ventures and an emphasis on risk management. And Arena has a strong, experienced leadership team with operational and credit investment infrastructure and an in-house technology platform that is well positioned to scale and ready to create new insurance-tailored products.

You are likely not familiar with Ceres Life since it was introduced to the market just this morning and is expected to launch in Q1 2025. Ceres Life will be a cloud-native annuity platform, which has been incubated by CC Capital and will be led by Deanna Mulligan.

For those of you who don't know Deanna, Deanna is the former CEO and chairperson of Guardian Life Insurance, a Fortune 300 company and one of the largest life and annuity insurance companies in the U.S. She brings a caliber of leadership and expertise that you would be hard-pressed to find elsewhere in the industry.

We are really excited about this new platform and the opportunity to integrate a best-in-class insurance business to fuel our growth and our value creation with stable insurance capital. Ceres Life will not only be highly scalable with exceptional distribution capabilities, but also fundamentally and uniquely tech-enabled, with the potential to reinvent how insurance providers meet the needs of policyholders. It is focused on the highly attractive U.S. life and annuities market and is poised to benefit from the continued growth of the annuity market.

Deanna is supported by an exceptional leadership team with strong industry relations and immense experience. Importantly, Ceres Life will launch with access to considerable organic distribution flow through a unique strategic partnership with a leading independent marketing organization called Advisors Excel, which is expected to support Ceres Life's growth trajectory.

Advisors Excel has been intricately involved in the creation of Ceres Life's platform, helping ensure Deanna and her team are building in the tools to deliver connectivity, data, speed, and efficiency.

Ceres Life's partnership with IMOs, especially those supporting our distribution channels, will be a clear competitive advantage. Deanna and Dan will expand on Ceres Life and Arena's unique capabilities and opportunities. But the key point I want to highlight on this slide is, this transaction creates an entity that is remarkably greater than the sum of its parts, presenting a significant uplift in the intrinsic value of the company, substantial long-term upside, and attractive equity compounding.

For those of you who can think back to our last Investor Day you will recognize this announcement as a continuation of our strategy that has been in the works for years. This partnership and combination are the culmination of thoughtful planning and collaboration and a commitment to serving the best interests of our shareholders.

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Let me take a step back and discuss the details of our agreement on slide four. Assuming all of the necessary approvals are obtained, CC Capital will make a USD250 million strategic investment in Westaim at CAD4.75 per share, which represents an approximate 18.2% premium to our closing share price yesterday post-market, and an approximate 25% premium to the 180-day volume-weighted average price prior to announcement.

This USD250 million investment will bring Westaim's total investable capital base to approximately USD700 million. With this investment, CC Capital will become a large, long-term shareholder and a key advisor of Westaim, with Chinh Chu, Founder and Senior Managing Director of CC Capital, joining as Executive Chair of the Board of Directors following the close of the transaction.

Capitalizing on CC's investment in our balance sheet, we will, first, invest approximately USD600 million into an investment vehicle managed by CC Capital that will acquire Ceres Life.

Second, increase ownership of Arena to 100%, simplifying the economic relationship and eliminating Arena's existing earn-in mechanism, while entering a profit share arrangement for Arena's talent management team that ensures alignment with investors and Westaim shareholders. Third, Ceres Life and Arena will enter an agreement through which Arena is expected to manage up to 90% of Ceres Life's total assets.

Altogether, the combination will transform Westaim into a global alternative credit asset manager with an integrated insurance platform. Importantly, following the completion of the transaction, subject to Board approval at the time, Westaim plans to repurchase up to USD100 million of Westaim common stock at CAD5.00 to CAD5.25 per share, returning Capital's shareholders at accretive values. The transaction is subject to approval by Westaim shareholders and satisfaction of other customary closing conditions.

I am pleased to share that Westaim shareholders, holding in the aggregate approximately 35% of the outstanding common shares of Westaim, have agreed to vote their shares in support of the transaction. I want to hand the call now to Chinh Chu, founder of CC Capital and future executive chair of Westaim, to share more on the power of the platform we are building.

Chinh Chu

Thanks, Cam. It is a privilege and honor to be here today. Let me start by saying that for CC Capital, this is much more than a transaction. This is a partnership.

For us, we look at this not as a deal, but a core pillar of our strategy going forward. As you can see illustrated on slide five, this is a very synergistic combination that fits hand in glove. On one hand, you have CC Capital and Westaim, and on the other hand, you have Arena and Ceres, driving growth and stability across the combined platform.

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Arena will benefit from the stable insurance assets generated by Ceres Life, with approximately and hypothetically USD6 billion to invest through Arena, with just the existing equity capital base that we have today. This assumes a 10:1 leverage ratio, asset leverage ratio, and this is based on industry precedence in the very attractive new lease market. This creates a path to potentially triple assets for Arena under management, given that Arena has USD3.5 billion today.

Arena's capabilities are very strong. It has unique capabilities to source high-quality, long-duration assets to generate stable returns for Ceres Life. Ceres Life, of course will benefit from a sizable committed capital base, as Cam mentioned, USD600 million.

Cam also noted that Ceres has also secured a strategic partnership with Advisors Excel. This is a leading IMO, or independent marketing organization, an organization that we've known for a while and have had a long relationship at CC Capital, and we believe that Advisors Excel is one of the best in the market, if not the best, and will provide a significant gateway to scale the business, which will in turn propel the growth of Arena.

One key differentiation of Ceres Life is the focus on technology. Ceres will be a new-age, next-generation insurance company that focuses on technology and will have a unique cloud-native platform. Deanna and I will discuss this later, so I don't want to spend a lot of time into it today but I just want to reiterate again on this slide that Westaim will be a key strategic, maybe the key strategic imperative for our firm. Evidence of that is that I will serve as Executive Chair, and Rich DiBlasi, Managing Director of our firm, will also be appointed Chief Strategy Officer of Westaim effectively immediately.

Slide six. Slide six further illustrates the power of the flywheel engine. Ceres Life will be a differentiated cloud-native technology platform and is expected to unlock strong distribution partnerships, leading to higher origination volumes and more assets for Arena.

Ceres Life's stable insurance assets will drive scale and stability to Arena. In return, Arena can deliver attractive investment returns to the insurance company, delivering higher OE and growing book value, which obviously benefits the policyholders, which is very important and is one of the key focuses for all of us.

Arena's existing investment capabilities overlap very nicely with insurance balance sheet needs. Interesting to note that approximately 50% of the current LPs are insurance companies today at Arena.

Ceres Life will be well-capitalized, no legacy books, no exotic liabilities that can impair the efficiency and value of other insurance businesses. It plans to focus on products with significant market tailwinds, and the key focus will be FIAs, fixed index annuities.

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Its cloud-native technology platform will prove to be a massive competitive advantage, which allows for rapid distribution, also interaction with our sales force, interaction with the customers, and this will be not easy for existing carriers to replicate because of the legacy technology that exists in a lot of the existing carriers.

In short, the advantage capabilities of both Ceres Life and Arena are amplified through the synergistic model. It becomes a snowball effect. It becomes a flywheel that will continue to compound.

So ultimately what we have here is a unique asset. It's a highly differentiated operating company that will reinvest earnings within its ecosystem and compound growth, creating long-term significant value for Westaim shareholders and creating significant long-term value for Ceres Life policyholders.

On page seven, we once again outline the unique strategic combination that is created through this transaction, which features compelling value-generative elements, which I want to point out on this slide.

Once again one of the first things we should know is that this is a very scarce asset. It's hard to put this together. It has to have all of the elements that came here in. It has to have great management. It has to have asset management capabilities. This has to have an insurance company led by somebody like Deanna, and all of that has to come together.

We're creating a differentiated business underpinned by asset generation flywheel, the combination of a highly scalable cloud-native insurance platform with a high-quality asset manager and a path to potential USD10 billion of AUM. And once again that number is just what the existing equity capital base on an illustrative basis.

The attractive returns generated by Arena and the earnings growth resulting from insurance strategies feed into one another and can be reinvested in Westaim and returned to shareholders. And the combined company will benefit from our significant anchor investment of USD250 million and long-term strategic partnership, as well as the long-term alignment of the transaction partners and our leaders. I'm going to turn it back to Cam for more comments.

Cameron MacDonald

Thanks, Chinh. I believe our partnership with CC Capital is cornerstone and a key value driver of this transaction. CC's capital investment, expertise, and stewardship underlie the highly synergistic and well-capitalized structure we're presenting today.

Chinh and I began discussing this opportunity several years ago, and it took us time to assemble all the parts, and the agreement we announced today reflects a long-time horizon and commitment to creating something special.

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Together, we are delivering on our strategic objective and driving tremendous, sustainable value for our shareholders with a rare, standout integrated insurance and asset management platform. Upon the completion of the combination, I am grateful that Chinh will join Westaim's Board as our Executive Chair and remain a key advisor and supporter of our strategy moving forward. With that, I'll turn it back to you, Chinh.

Chinh Chu

Thanks, Cam. As we prepared to announce our agreement, we knew how important it is to have a world-class management team. The management is always the key driver to value creation in most of our investments, if not all of our investments.

We're very pleased to have a partnership with Deanna. Deanna will join as CEO of Ceres. Internally, we talk about Deanna as a unicorn.

She is an executive that has managed an USD80 billion insurance company. She has invest -- she has effectively grown her business very rapidly and is focused on creating the right policies and the right value for the policyholders, which is very important for us. But she also has significant experience in the technology field.

She has launched several businesses, including life insurance consultancy called DMM Management Solutions. Since leaving Guardian, Deanna has been laser-focused in building a cloud-native and highly scalable annuity platform, something that we're realizing together, given our congruent goals.

In the few months that we've worked together, we've been highly impressed with Deanna, and we think she's one of the rare executives that is -- meets all of the expectations and is perfectly suited for this opportunity.

On the CC Capital side, we also bring considerable track record annuity and insurance base. I won't go into my background specifically, but I do want to go to slide 10 to talk about Fidelity & Guaranty Life, or FGL. You turn to this page and remember that in 2017, we acquired a controlling stake in the leading provider of FIA called FGL, Fidelity & Guaranty Life.

This was a company with a significant balance sheet, a little bit less than USD20 billion of assets at the time, but had stalled growth. In two years, we transformed the company and drove significant year-to-year growth. As you can see there, 27% sales CAGR over the two-year period.

We also improved the company's credit rating from a B++, and eventually the company achieved an A rating. We also struck a partnership with Blackstone to manage the assets and was able to deliver significantly higher yields, which ultimately benefited the policyholders, which enabled the company to sell more policies, which enabled the company to go out to market with more products.

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And this is a flywheel effect that we're talking about when we're talking about our partnership at Arena and Ceres.

So the results there on page 10, ROE improved from 11% at close to 20%. Book value went from USD1.6 billion to USD5.7 billion. The total assets of the company, when we started, was under USD20 billion, and today it's over USD50 billion.

A resounding success, and we're very proud of our track record at FGL, where I served as Executive Co-Chairman of the company, and we unlocked a lot of value for shareholders. With that, I would like to introduce Deanna, who will walk through the opportunity.

Deanna Mulligan

Thank you, Chinh. It's a pleasure to be here and to be speaking with all of you this morning. I hope you will walk away from this call as excited about the platform we are building at Ceres Life as I am.

As seen on slide 11, Ceres Life will be launching with competitive advantages to win in the USD15 trillion addressable U.S. annuities market. From both an organic and an inorganic growth perspective, this will be a brand-new business made from the ground up with cloud and technology capabilities you can't find anywhere else in this industry.

This infrastructure not only creates meaningful operational and cost efficiencies, but also makes this platform highly scalable and well-positioned to take advantage of the new capital coming into the business and able to serve a broad range of policyholders.

The de novo nature of this business means we will be launching with no legacy liabilities that might serve as a drag on other businesses, and we will be building our own book with thoughtful, conservative actuarial assumptions.

We also benefit immediately from our relationship with Arena, an experienced asset management partner, creating a company position to deliver superior returns for investors and stable and attractive income for policyholders.

You heard earlier that Ceres Life will be partnering with Advisors Excel, which gives us access to a best-in-class distribution channel from day one. This is a first-of-its-kind partnership for a de novo annuities carrier, and we are excited about what it means for us, as well as what it means for how the industry serves policyholders.

We expect this relationship will significantly support Ceres Life's growth trajectory, helping us deliver more assets to Arena and, in turn, scaling Ceres Life. While organic growth will be our primary focus, Ceres Life will capitalize on the longstanding insurance relationships across CC Capital and our management teams and networks to opportunistically pursue reinsurance

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transactions when capital is scarce and spreads widen, conditions we are observing now, and that will help us provide early scale to the business and further accelerate the platform's growth over the medium and long term.

I also want to underscore the size of the opportunity we are faced with on slide 12. As I mentioned, the fixed annuity industry in the U.S. is already a USD15 trillion business, and it is positioned for continued rapid growth, buoyed by a broad range of tailwinds, including the large and growing population over the age of 65, as you can see on the right-hand of this slide, a national shift from defined benefit to defined contribution plans, and growing consumer interest in principal protected and lifetime income offerings.

The long-term demographic shift in the U.S. is driving significant demand for retirement products of all types. As you can see, this has propelled growth in the market over the past four years, and this trend will be durable, supporting sustainable growth of the annuities market for years to come. This growth has also been accompanied by growing interconnectedness with the asset management industry.

And I am thrilled to partner with Dan to capitalize on these trends together. So I'll let Dan share some information on what makes annuities so attractive from an asset management standpoint and why Arena is so well-situated to serve as an asset management partner to Ceres Life.

Daniel Zwirn

Thanks, Deanna. Turning to slide 13. Before I speak to why we at Arena are so enthusiastic about this opportunity, I want to briefly talk about our team. Of course you all know Cam well, and he and his partners, Rob and Ian, understand the tremendous value -- have brought tremendous value to the business that we've created at Arena.

Cam has led Westaim for more than 15 years, and we've benefited from his guidance as a strategic partner and Chair of Arena since formation. I've been an investor in the alternative credit space for more than 25 years, with experience investing across a range of geographies, industries, and products, including serving several insurance companies over many, many years. This is one of the most exciting transactions in which I've had the chance to participate.

Turning to slide 14. As we heard earlier, Ceres Life will be highly differentiated at launch as a result of its technological foundations, enabling it to cater to policyholders in a way other insurance platforms can't easily emulate.

This is further amplified when combined with an asset manager like Arena which operates with institutional quality and scale with the ability to originate a range of transaction sizes. We have a unique market position and advantage playing field among midsize, multi-strategy managers, making us an ideal steward for the assets of insurance companies.

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As Deanna noted, annuity product premiums are an excellent source of capital for asset managers, and particularly for asset managers with diversified credit strategies such as Arena. So we're looking forward to the opportunities this transaction creates for the firm.

With Ceres Life, we'll have predictable, long-term inflows with defined payment schedules, allowing us to design careful, considered strategies in accordance with the needs of policyholders. Our existing investment capabilities across corporate and asset-backed securities, structured finance and structured products, real estate, and corporate credit are well-matched to the risk and duration needs of an insurance company balance sheet.

Arena has always and will continue to manage conservatively around risk, duration, and diversification, leveraging our proprietary sourcing capabilities to create structured products that add efficiency on the asset side of the balance sheet without increasing investment risk. We look forward to capitalizing on our experience working with insurance partners to source high-quality, long-duration assets to generate stable returns for Ceres Life's policyholders.

In doing so, we will be able to thoughtfully scale our platform through access to stable insurance assets from Ceres Life and the additional support and resources of the CC Capital team. We will build on our distinguished track record, continuing to serve as a one-stop solution to manage the full spectrum of fixed-income assets.

As you all know, we have worked with Cam and team for a long time. Our entire management team across all of our managing directors throughout the world in our front, mid, and back office are very excited to partner in this unique way to create something that's truly differentiated and poised for significant growth. With that, I'll turn it back to Cam for a look at the illustrative economics and closing remarks.

Cameron MacDonald

Thanks, Dan.

We have carefully evaluated Westaim's structure to determine how we can best enhance value for our shareholders.

We believe the strategic combination will transform Westaim from being perceived as a holding company, which we tend to trade at discounts, to an operating platform, leading the go-forward new company to be valued among its new peers, Apollo, KKR, Ares, TPG, and Blackstone.

While Arena today may not have the scale of some of these businesses, we believe the stable insurance assets anticipated from Ceres Life, combined with CC's capital support as a long-term aligned strategic partner, will help Arena scale rapidly and expand opportunities for third-party capital.

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Chinh Chu

I just want to close by saying that this is a very, very exciting partnership and we're fully committed to building up this business strategically inside CC Capital and in partnership with the management team here. This is not a portfolio-focused company for us. This is not a transaction for us. It's going to be a core part of what we do.

Four points to leave for you all. Number one, Westaim is being transformed into an integrated insurance and asset management platform.

Number two, this is a very scarce asset market and we believe that this is a company that has a lot of differentiation from the technology platform that Deanna's building into the asset management capability that we have.

Number three, the path to -- illustratively, the path to USD10 billion AUM is clear, achievable, and within our sight with existing capital that we have.

And number four, this transaction is going to create tremendous value for Westaim shareholders going forward and we're really excited about it. With that, I'd like to thank everybody for attending and opening up to questions.

Operator

(Operator Instructions) Your first question comes from Jeff Fenwick with Cormark Securities. Please go ahead.

Jeff Fenwick

Hi. Good morning, everyone. Thanks for your presentation this morning. It's an interesting transaction. Maybe just one question here with Ceres effectively really kicking off operations in Q1 of next year.

Could you just describe maybe how that business is positioned on day one to begin driving some volumes?

Is there a further build-out on people and operations that are required before you can really begin to push for growth here?

What's sort of the readiness of that platform?

Deanna Mulligan

Well thank you for the question. As we noted earlier, we have a strategic partnership with Advisors Excel, one of the largest IMOs, and we are working with Advisors Excel to really build out our platform in a way that is going to add value to their operations and make it easier for them to do business with us. We will be later adding other IMOs and potential distribution

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sources, and we believe that our cloud-native technology will make it easy for us to personalize our services to other distribution platforms.

In terms of where we are in building out the platform, we are kind of in test mode right now, and we do believe that by the time this closes at the end of first quarter 2025, we will be fully operational.

Chinh Chu

Yes. You know, the only thing I would add is that in addition to our IMO partner, we will also be looking to pursue reinsurance transactions, and that will be part of our business plan. And I think the ramp-up and acceleration of the growth here will be very quick.

Advisors Excel, for instance, as you may know, has USD30 billion of volume that goes through its channels annually. And so, our partnership with Advisors Excel will enable us to tap into that immense distribution channel and -- but in addition to that, we also have reinsurance opportunities as well.

Jeff Fenwick

Okay. And with respect to sort of regulatory approvals, and I see you're licensed in a number of states already, is there anything there that still has to be completed?

Chinh Chu

From a regulatory point of view, we don't anticipate any issues. Our Form A has been filed, and the number of states, as you can see, is 45.

Jeff Fenwick

Thank you. Then maybe one question on another aspect of the transaction here. It speaks to you doing a substantial issuer bid after the close.

Cam, maybe you just speak to that, thinking behind that. You gave us a valuation range and, again I'm sure you're balancing the thought around returning capital versus using that capital to facilitate further growth.

Cameron MacDonald

Thanks, Jeff. The thought process behind that is when we went through the exercises we talked about in May at our Investor Day we really highlighted a number of factors. One, we wanted to really lean into the growth Arena and, secondly, we were considering all ways to enhance the value for shareholders.

And what we really like about this transaction is that we're able to really deliver both scenarios being for those that would like to liquidate and monetize their holding, we can provide them a very attractive price, and for those that want to participate on what we think will be a very significant creation of value over a number of years can join alongside.

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And so, we -- this structure versus a go private was much more attractive for all the stakeholders because of the, in our view, the really compelling IRRs that we expect to achieve over the foreseeable future.

Chinh Chu

We've also been satisfied by the fact that the shareholders that Cam and Dan have spoken to are all very positive about this transaction. As you can see, there's 35% that have agreed to the voter agreement going forward, and that's a high number and unique for this type of transaction.

Jeff Fenwick

Yes. Thank you for that. And maybe just one more here. Part of the capital you're raising here is going to come from the FINCOs.

And Cam, that balance has been sitting, I think around USD150 million or so for a while now. What's the expectation about how quickly you can do that?

I think we've spoken in the past, it's not something that you just flip a switch and can access. So how do you expect that part of this to play out?

Cameron MacDonald

I'll ask Dan to address.

Daniel Zwiirn

Yes. I think there's a bunch of, obviously accruing assets there. And we've discussed that the flywheel effect of transporting that over for the benefit of the insurer is very valuable. And so, I've been working with the CC team to think about how we're going to opportunistically monetize those assets over time.

Chinh Chu

The good news is that with the existing cash on the balance sheet, plus our USD250 million of capital, there is not an urgent need to do that. Although we want to do it expeditiously we have more than ample capital for the next few years.

Jeff Fenwick

Great. Thank you. Thank you for that color. I'll re-queue.

Operator

And ladies and gentlemen. that does conclude today's conference call. Thank you for your participation and you may now disconnect.