



HB 2547 Captive Insurance for TEFFIs

January 31, 2022

The TEFFI Business Model

Beneficient (through subsidiaries) provides the following business lines:



A unique suite of liquidity products designed to serve customers, who have historically possessed few attractive options to access early liquidity from their alternative assets.



Trust administration, reporting and custodial services for investors in alternative assets.



Insurance products and services covering risks attendant to owning and managing alternative assets.

Kansas Technology Enabled Fiduciary Financial Institutions (TEFFI) Act (the “Act”):

- The Act was signed into law on April 21, 2021.
- Beneficient Fiduciary Financial, L.L.C. received its charter under the Act and is authorized to conduct business as a TEFFI as of December 31, 2021.



What are “Alternative Assets”?

Alternative assets are non-publicly traded investments managed by professional investment advisors who are registered with the Securities & Exchange Commission. Investments in these assets are currently limited to institutional investors and high net worth individuals and families. Alternative assets include:

Private Equity	Non-traded BDCs	Hedge Funds
Venture Capital	Non-traded REITs	Fund of Funds
Leveraged Buyouts	Private Real Estate	Life Insurance Policies
Special Situations / Structured Credit	Feeder Funds	Co-Investments
Private Debt	Infrastructure	



What Alternative Assets are Not

Alternative assets are NOT:

Cryptocurrencies	Gold Bullion	Artwork
Foreign Currencies	Wine Collections	Kansas Farms
Family Limited Partnerships	Family-owed Businesses	



Need for Captive Insurance

Risks Covered:

- Breach of representations or warranties made by an investor in connection with a transfer of alternative assets;
- Negligence or fraud of a manager of alternative assets;
- Credit risks associated with the financing of alternative assets; and
- Risks associated with the management of alternative assets in trust



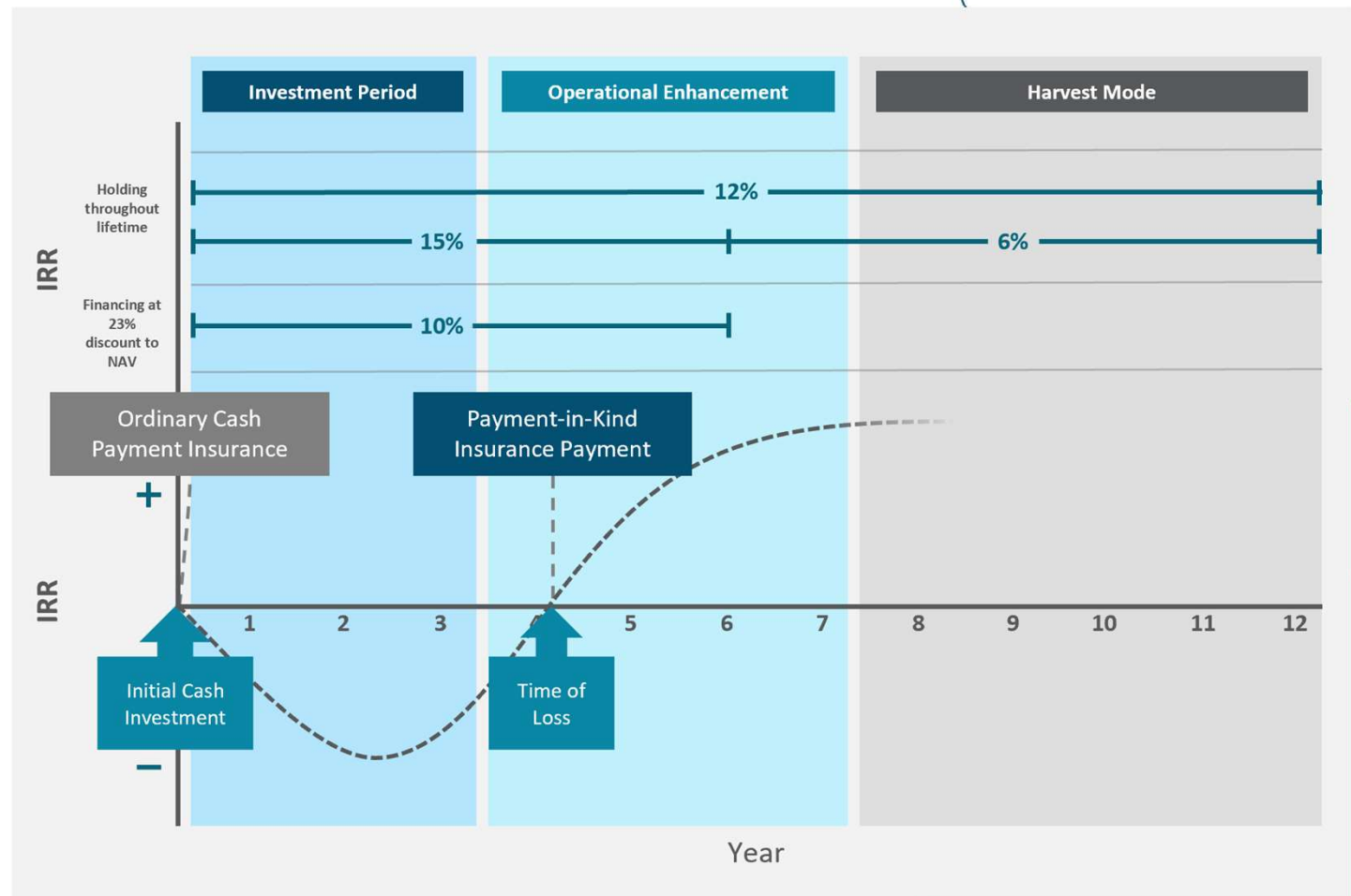
PAID-IN-KIND POLICY

Ordinary Cash-Paid Insurance:

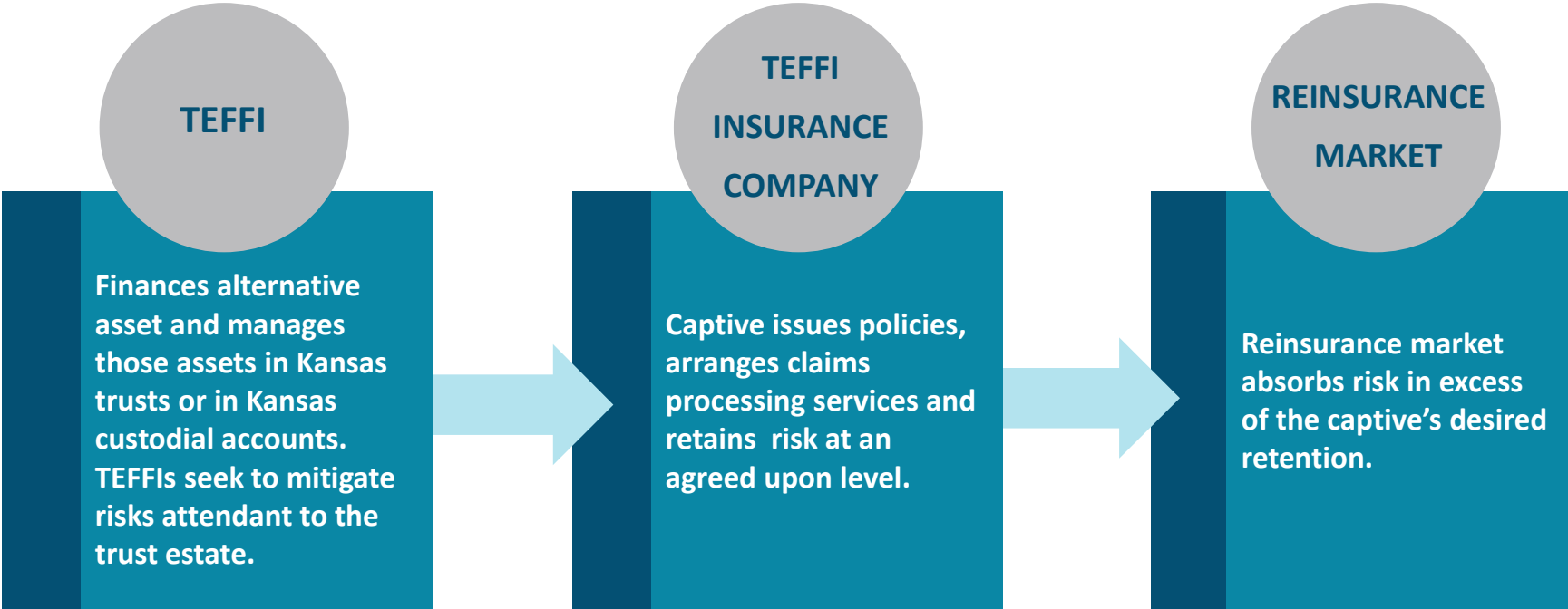
Resets insured's position to the beginning of the J-curve/ investment timeline

Payment-in-Kind Insurance:

Maintains insured's investment position on J-curve/investment timeline such that the insured is in the same investment position as when the event of loss occurred



UTILIZATION OF REINSURANCE



Additions to the Kansas Captive Insurance Act

Special Provisions Applicable to TEFFI Operations

- Description of forms of insurance which may be underwritten by TEFFI insurance companies
- Identification of fortuitous events covered by policies issued by TEFFI insurance companies
- Relationship between a TEFFI and a TEFFI insurance company, including dual employment of professionals, co-location of principal place of business, overlap of Kansas resident directors and shared services agreements
- Authorization and description of Payment-in-Kind Policies, the associated reserves and the enforceability of such policies

