



VENTURE
CAPTIVE
MANAGEMENT

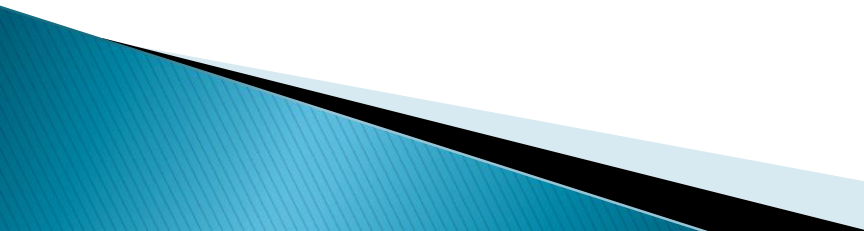


National Assisted Living
Risk Retention Group

THE DC CAPTIVE INITIATIVE CONCORD NC APRIL 24TH 2012

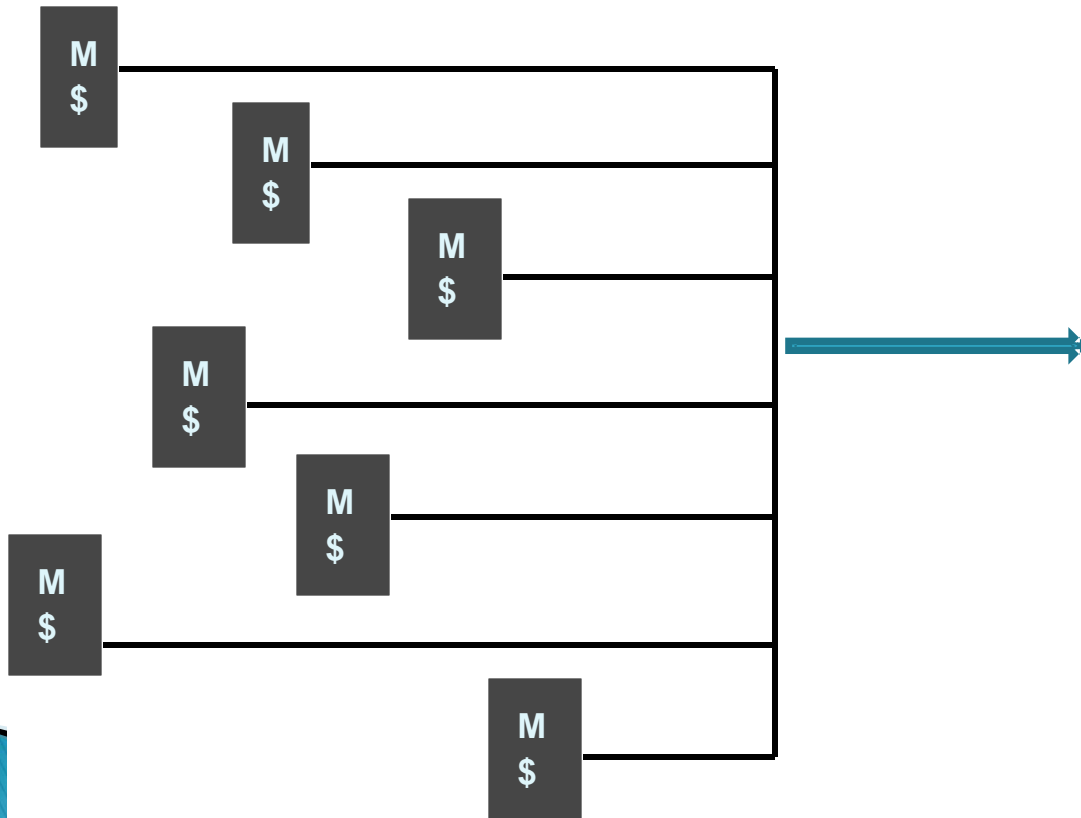
NATIONAL ASSISTED LIVING RISK RETENTION GROUP

An Overview

- ▶ National Assisted Living Risk Retention Group is an insurance company formed under the Liability Risk Retention Act 1986 and domiciled in Washington, DC
 - ▶ The company provides General and Professional Liability insurance to ALF's, has been in operation since 2003, and operates in 10 states (NC, SC, VA, FL, GA, TX, TN, WV, MD, AL)
 - ▶ Total Assets \$7.2m. Demotech, Inc Financial Stability Rating , **A-Exceptional**
 - ▶ Speakers today will be: Guy Pierce – President of NALRRG; John Leandro – Chairman/Secretary; John Weeks – Treasurer; and Sterling Shuttleworth – CEO of Venture Captive Management, LLC
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National Assisted Living Risk Retention Group A Case Study

2002 NCALTCF
Hard Market



2003
NALRRG
was
Formed

29 members
of NCALTCF
and other
partners
provided
capital to
form NALRRG

THE INSURANCE MARKET CYCLE

- ▶ **The Hard Market:**

A period of capacity shortage, increased pricing, and more restrictive terms and conditions.

- ▶ **The Soft Market:**

Is characterized by excess capacity, increased competition, and declining premiums.

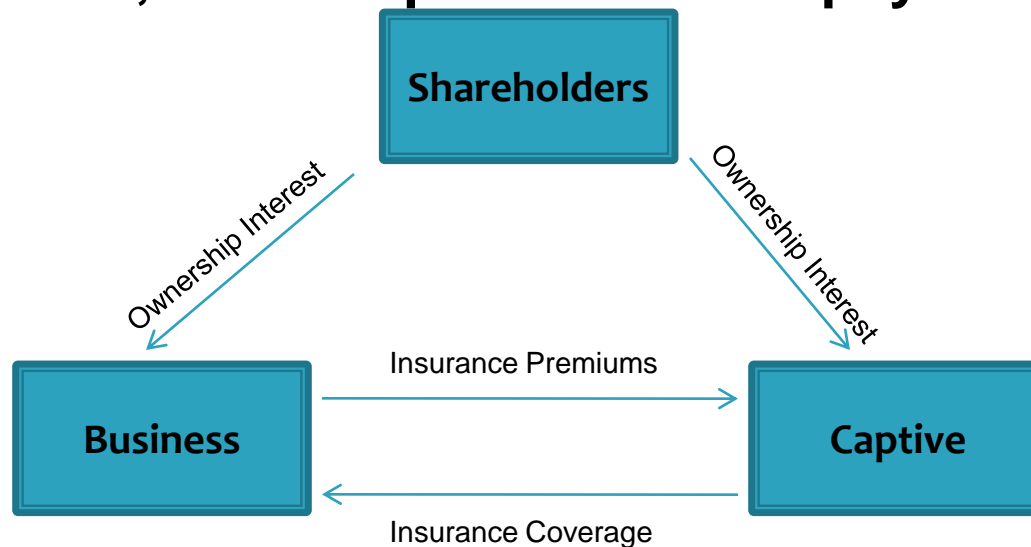
- ▶ **Alternative risk transfer and financing mechanisms**

Captives and Risk Retention Groups

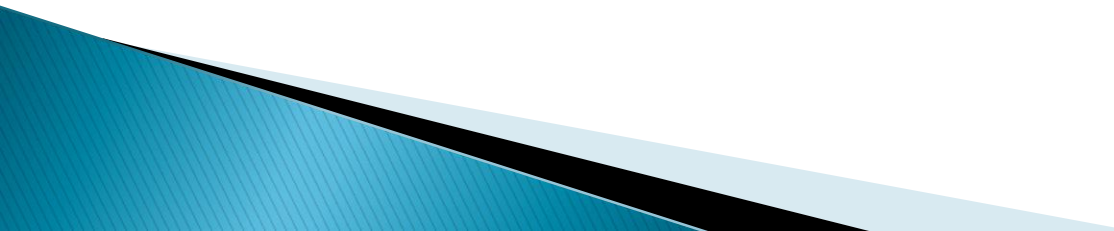


WHAT IS A CAPTIVE ?

A Captive is an insurance company that insures the risks of its owner, affiliated businesses, or a group of companies. It issues policies, collects premiums and pays claims.

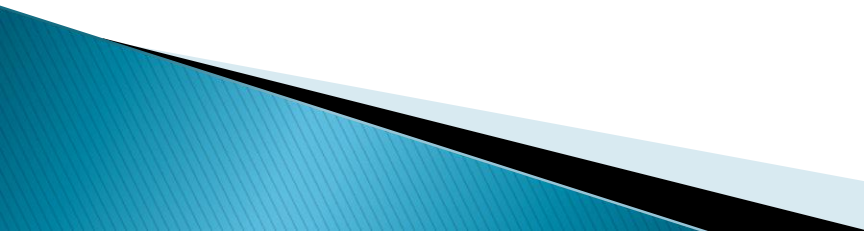


WHAT IS A RISK RETENTION GROUP ?

- ▶ Operates under the Federal Liability Risk Retention Act 1986
 - ▶ Insures liability risk exposures of its members
 - ▶ Members must be engaged in similar business activities
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NCALTCF Members take action

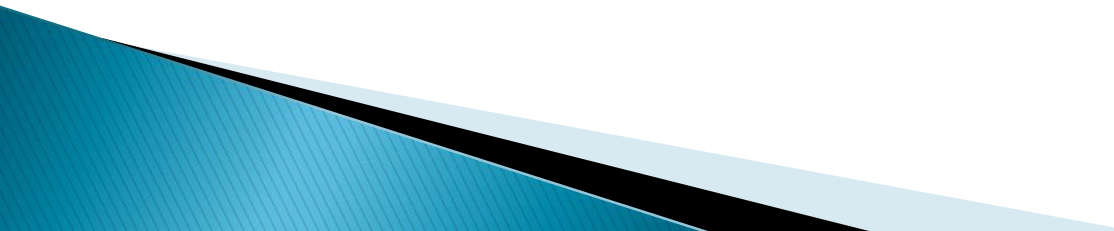
Members of the NCALTCF became disillusioned with the yo-yo effect of the insurance market cycle. The scenario they were faced with were as follows:

- ▶ Continued loss of traditional insurers that offered coverage to ALF's
 - ▶ Assisted Living Facilities being lumped in with skilled nursing facilities
 - ▶ The real potential that the members could be without coverage
 - ▶ For two and a half years they explored other options for the procurement of coverage for their Assisted Living Facilities membership
 - ▶ In 2000, Venture Captive Management (VCM) was contracted (funded by members of NCALTCF) to undertake a feasibility study regarding coverage options, and to present recommendations to the Association.
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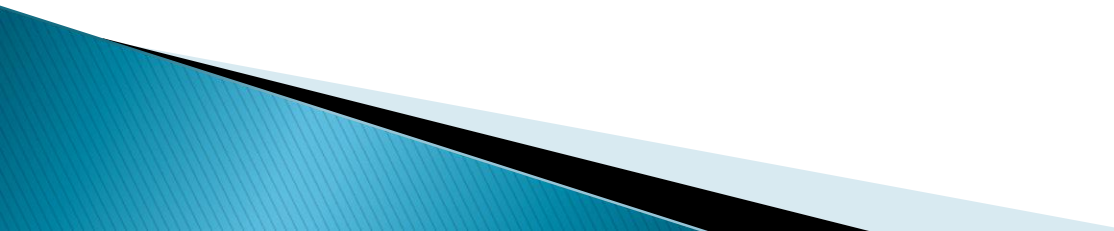
Consultants Recommendation

In 2001, it was recommended by VCM that a **'Risk Retention Group'** was the best fit for members of the Association

Why an RRG and not a Captive?

- ▶ Wanted to create a national program
 - ▶ RRG allows for certain exemptions (State Insurance laws, Blue Sky laws)
 - ▶ Better fit for the Association's vision
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Advantages of an RRG:

- ▶ Could provide coverage for General/Professional Liability at a reasonable cost
 - ▶ It offers a potential 'long term' business opportunity
 - ▶ Better control of premiums rates, claims, and risk management.
 - ▶ Exempt from Blue Sky and Multi-State Insurance Regulations
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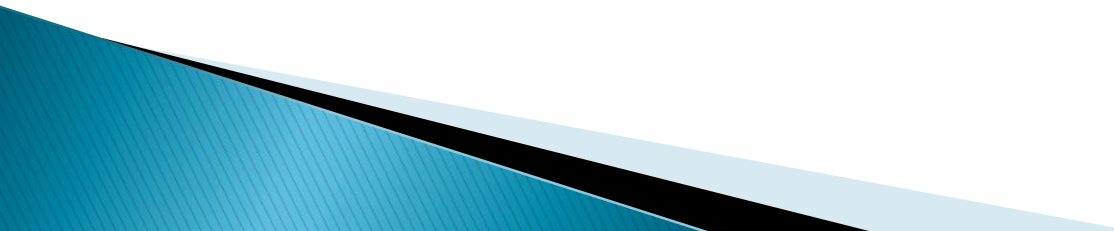
Committees Formed

- ▶ On 11 / 13 / 2002, the NALRRG Pre-Incorporation Board was established.
- ▶ On 1 / 16 / 2003, the first meeting of the Pre-Incorporation Board was held. Committees were then established:
 - Audit/Finance
 - Risk Management/Loss Prevention
 - Claims
 - Underwriting

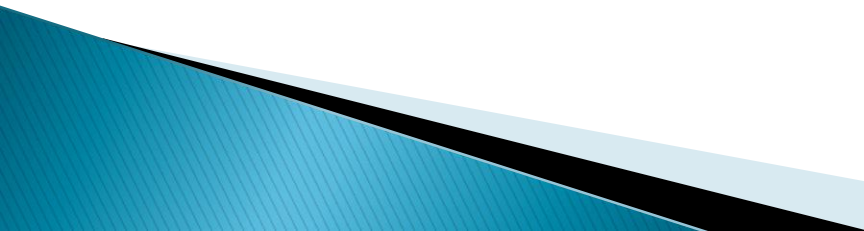
NALRRG was Born

- ▶ In early 2003, some of the members of NCALTCF, and other partners agreed to:
 - Provide funds for the initial Capital and pre-incorporation fees
 - Hire attorneys to develop the company, which included the disclosure documents for investors/insureds

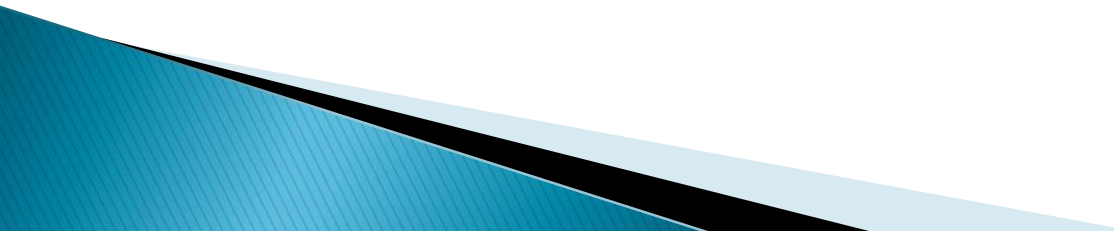
Incorporation of NALRRG

- ▶ In 2003 NALRRG was incorporated in South Carolina, licensed by the SC DOI, and registered by the NC DOI.
 - ▶ The first NALRRG policies were issued to NCALTCF members in North Carolina in October 2003
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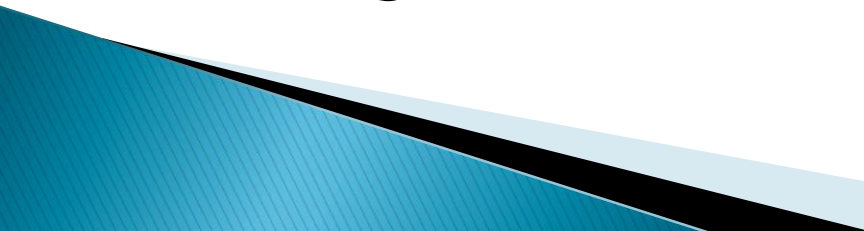
NALRRG's Progress

- ▶ On 2/28/2005 NALRRG re-domiciled to Washington, DC because of a friendlier business atmosphere there
 - ▶ In 2005, NALRRG began to expand the insurance program to other states. NALRRG now operates in 10 states (NC, SC, VA, GA, FL, TN, AL, TX, WV, and MD)
 - ▶ NALRRG's assets have grown to \$7.2m, total premiums generated from inception to date \$13.8m (annual premiums \$1.8m), and its claims ratio from inception to date is just 21%.
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Claims Experience

- ▶ NALRRG's good claims experience is attributable to its low limits of liability philosophy, risk management, and keen claims management.
 - ▶ High limits attract aggressive plaintiff's attorneys that make high level money demands
 - ▶ Since its inception NALRRG has never had reason to increase premiums. In fact, on occasions it has reduced premiums.
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Management

- ▶ NALRRG is managed by **Venture Captive Management, LLC**. Its Principals did the initial feasibility study, and continues to manage the operations of NALRRG.
 - ▶ The day to day management is supported by services provided by other external partners (Actuarial, Claims, Auditing, Risk Management, and Legal)
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Contact

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