



## **Frequently Asked Questions (FAQs) about States:**

1. **What security do I have with States?**
  - States was licensed to operate in 1987 and has a long history of profitability since its first policy was issued in 1988. The Board of Trustees has directed that all revenues not required for operations be used to increase surplus so States can better protect its members and continue to grow.
  - States operates as a group captive, and in many respects, as a well-administered public entity pool, rather than as a commercial insurance company. Unlike a for-profit, commercial insurance company, **States exists only to respond to the unique needs of its public entity owner-insureds** and therefore exercises strict underwriting standards when selecting risks to be allowed into its membership.
  - **States retains only the first \$600,000** above each member-insured's self-insured retention, and then reinsures losses above that amount through a long-standing treaty reinsurance arrangement with major, highly-rated reinsurers who understand and are committed to the public entity sector.
  - Unlike many state pools, States is **not assessable**. **The Company is highly regulated** by the State of Vermont, its state of domicile. States provides National Association of Insurance Commissioners (NAIC) quarterly financial reports to the State of Vermont and 43 other states in which the Company either operates or may seek to operate.
  - States continues to **operate well within the financial integrity measurements** of the NAIC's Risk Based Capital (RBC) requirements and adheres to the stringent oversight and financial requirements of the State of Vermont.
2. **What is States doing to provide for its long-term financial security and continued success and the security and success of its owner-insureds?**
  - States' Board of Trustees is committed to building surplus in order to ensure the financial viability of States for the long-term. As of year-end 2009, total capital and surplus was over \$7.2 million and gross premium over \$10 million. A Board resolution directs, for the present, that net revenues not needed for operating expenses be used to increase surplus and grow the Company.
  - States has a long-term, fiscally conservative focus. It is owned by the public entities that are insured with the program and it has their best interests in mind. Through its **mature and highly-efficient structure**, it is able to keep its expenses down – substantially lower than expense ratios exhibited by the commercial, for-profit insurance industry. This is a further savings that benefits its member-insureds and strengthens States financially.
  - States is a stock insurance company, owned by the States Self-Insurers Trust and directed entirely by its members. Its insured members **are not assessable** and never have been.
3. **What factors differentiate States from other excess liability insurance programs?**
  - Commercial insurance companies generally exist to build large amounts of surplus in order to retain more risk, and more importantly, pay dividends to their stockholders.
  - States, as a group captive, operates more like a well-run public entity self-insurance pool. The differences between a public entity pool and States are: **States operates in numerous states**, is **non-assessable**, is **highly regulated**, and **is audited by multiple independent organizations**.
  - With States, you are more than just another insured. States' insureds are members of the States Self-Insurers Trust and, through the Trust, **owners** of States Self-Insurers Risk Retention Group, Inc.
  - Since States' public entity member-insureds own the insurance company, most remain insureds year in and year out, with a long-term view of their risk management programs. This

is an indication of how committed States members are to the program and how they value the specialized services it provides.

- States' member-insureds share in the financial success of the Company. They are stakeholders in the long-term success and security of the Company without being liable for assessments.
- In an uncertain public entity marketplace, where commercial insurers are in and out of the market and having difficulty maintaining reinsurance relationships and treaty limits, States is proud of its track record of **strong partnerships with its reinsurers**. States has maintained treaty limits of \$10,000,000 since its inception.
- States is a specialized insurer that **provides excess liability coverage only to public entities**. The concern relating to the scope of risk that often surfaces with insurers that try to be "all things to all people" is not a concern with States. States is committed and focused solely on providing high quality excess liability insurance to public entities throughout the U.S.
- States' coverage form has evolved over the years to address the needs of the public entities it serves. Its policy form is considered one of the broadest in the marketplace and is not constrained by dozens of exclusions. This allows coverage to be interpreted broadly in favor of the member-insured whenever possible.

**4. To what do you attribute the success of the States program? Why is it working?**

- States wrote its first policy in 1988, shortly after non-manufacturing risk retention groups were allowed to form under the federal Liability Risk Retention Act of 1986. The group was created and formed by public entity risk managers and insurance professionals. As a result, States is focused entirely on public entity issues and public entity insurance-related and risk management needs.
- States is managed by Berkley Risk Administrators Company, LLC (Berkley Risk), a member company of W. R. Berkley Corporation. Berkley Risk provides the program's overall management, including marketing, financial administration, underwriting, claim management services, loss control assistance, reinsurance management and other administrative services. BRAC is staffed with **professionals who have many decades of experience** developing and managing insurance programs for hundreds of public entities throughout the U.S.

**5. As a risk retention group, how is States regulated?**

- States is **domiciled in Vermont**, which is the largest and most experienced domestic domicile for captive insurance companies, including risk retention groups. Vermont applies strict regulatory controls over the insurers domiciled there. The Vermont Department of Insurance, Captive Division, has long been referred to as the "**Gold Standard**" for the way it provides regulation, audit and oversight on captive and RRG operations domiciled there while still allowing creative and innovative operational models.
- The State of Vermont is fully accredited by the NAIC.
- The State of Vermont has structured its insurance department so that the head of the regulatory section for captives and risk retention groups is in the position of Deputy Commissioner. This reflects Vermont's commitment to high quality regulation of this important segment of the industry.
- **States is registered to do business in 44 states**. It files both quarterly and annual financial statements with each of these states, which are subject to review and comment by each state. **States undergoes an intense examination of not only its financial records**, but its underwriting and claims records by the State of Vermont at least every three years.

**MORE QUESTIONS? CONTACT:**

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