

Risk Retention Statistics

Premium and Number of RRGs by Business Area For the Years 2002 and 2003

<u>BUSINESS AREA</u>	<u># of RRGs</u>		<u>Premium (\$M)</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Environmental	5	4	32.9	27.5
Agricultural	1	1	.3	.2
Asbestos/Environmental	2	2	24.7	25.9
Logging	1	0	6.0	0
Storage Tanks	1	1	1.9	1.4
Government & Institutions	7	7	194.3	160.3
Educational Institutions	2	2	116.6	91.4
Nonprofit 501(c)(3) Organizations	1	1	8.0	3.7
Public Entities	2	2	41.9	42.0
Religious Institutions	2	2	27.7	23.2
Healthcare	65	34	898.3	579.8
Dental	3	3	58.2	51.7
HMOs	1	1	2.0	0
Hospitals & Clinics	35	17	637.9	392.4
Nursing Homes	6	0	12.6	0
Other Healthcare Practitioners	1	1	3.5	2.8
Physicians	19	12	184.2	132.9
Leisure	2	2	5.3	2.6
Sports & Recreation	2	2	5.3	2.6
Manufacturing & Commerce	19	16	54.3	79.9
Debt Cancellation	1	1	1.0	0
Extended Service Contracts	13	13	44.8	75.9
Intellectual Property	1	0	2.0	0
Manufacturers & Distributors	2	2	4.5	3.9
Roofing Warranties	1	0	0	0
Wholesalers & Retailers	1	0	2.0	0
Professional Services	8	8	420.1	329.6
Accountants	1	1	10.5	10.0
Architects & Engineers	2	2	13.8	10.6
Attorneys	5	5	395.8	309.0
Property Development	16	14	86.0	60.4
Contractors	5	3	45.0	23.0
Homebuilders	9	9	37.0	35.0
Property Owners & Managers	1	1	0	0
Real Estate Professionals	1	1	4.0	2.3
Transportation	5	5	34.5	25.1
Aviation	1	1	0	0
Commercial Vehicles	1	1	4.0	3.7
Trucking	3	3	30.5	21.5
Total	127	90	1725.5	36.4

States Regulating RRGs As Captives Have Excellent Track Record

States which regulate risk retention groups as captives have a far better solvency record than state regulating RRGs as non-captive insurers. The Liability Risk Retention Act, a federal law enacted 17 years enabling formation of RRGs, require that RRGs become licensed as an RRG under a state's captive law – where the state has enacted a captive law and allows RRGs to form under it – or under the state's traditional property/casualty law. If a state has no captive law, the RRG must become licensed under the state's property/casualty provisions or other sections of its insurance law.

RRGs Regulated as Non-Captives

State	Formations	Insolvent/Liquidated
Alabama	1	0
Arizona	4	1
Bermuda	1	0
Cayman Islands (Note 1)	1	1
Illinois (Note 2)	2	0
Indiana	4	0
Iowa	3	0
Louisiana	1	1
Maryland	1	0
Mississippi	1	0
Missouri	3	2
Nebraska	3	1
New Mexico	3	1
Oklahoma	1	0
Tennessee (Note 3)	6	4
Texas	2	0
Virginia	1	1
Total	38	12
	100%	31.60%

RRGs Regulated as Captives

State	Formations	Insolvent/Liquidated
Colorado	6	1
DC	1	0
Delaware	1	0
Florida	5	0
Georgia	1	0
Hawaii	20	1
Illinois (Note 2)	4	0
Kentucky	1	0
Montana	3	0
Nevada	5	0
South Carolina	25	1
Tennessee (Note 3)	4	1
Vermont	86	2
Total	162	6
	100%	3.80%

(Note 1) 1986 amendments to the LRRRA require RRGs to be domiciled in a state or the District of Columbia. RRGs formed under the 1981 Act, which permitted RRGs to domicile in the Cayman Islands and Bermuda, were grandfathered in under the 1986 amendments.

(Note 2) Four RRGs regulated as captives; 2 RRGs regulated as non-captives.

(Note 3) Four RRGs regulated as captives of which 1 became insolvent; 6 RRGs regulated as non-captives, of which 4 became insolvent.

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Summary of 2003 Risk Retention Group Survey Results

	<u>Projected 2003</u>	<u>Actual 2002</u>	<u>Actual 2001</u>
Annual RRG Premium (Note 1)	\$1,725.5M (+36.4%)	\$1,265.1M (+34.0%)	\$944.0M (+17.6%)
Number of RRGs (Note 2)	127	90	72
Average Annual Premium per RRG*	\$13.59M (-3.3%)	\$14.06M (+6.7%)	\$13.11M (+12.7%)
Number of Insureds	153,915 (+10.1%)	139,837 (-19.0%)	172,713 (+4.6%)

(Note 1) Percent (%) increase or decrease over previous year appears in parentheses

(Note 2) For the current year through September, and for the previous year, RRGs listed in the RRR at some time during the year

(*The reduction in average premium results from the large number of new RRGs)

RRG Insolvency Rates Compared to P/C Insurers 1987-2002

Year	RRGs	Insurers in Best's Study*
1987-88	0.00%	1.12%
1989-90	1.37%	1.54%
1991-92	1.76%	1.75%
1993-94	2.97%	0.89%
1995-96	0.64%	0.25%
1997-98	0.68%	0.70%
1999-00	0.68%	0.63%
2001-02	0.69%	1.18%
	1.10%	1.00%

*Source A.M. Best Study

The annual rate of insolvencies for property/casualty insurers and the rate of insolvencies for risk retention groups is comparable. From 1987 to 2002, RRGs failed at an average annual rate of 1.1% compared to 1.0% for traditional insurers.

Comparison of 2002 RRG Premium and Number of Insureds (Actual & Estimated)

Business Area	Premium (\$M)		Insureds	
	2002		2002	
	Actual	Estimated	Actual	Estimated
Environmental	27.4	22.7	883	810
Government & Institutions	160.3	145.9	2,435	2,435
Healthcare	579.7	535.4	42,124	70,971
Leisure	2.6	2.4	790	790
Manufacturing & Commerce	79.9	87.2	973	973
Professional Services	329.6	356	68,147	82,147
Property Development	60.4	55.4	19,437	19,437
Transportation	25.1	23.2	5,048	5,046
TOTALS	1,265.10	1,228.10	139,837	182,609

**Premium for RRGs by Business Area (\$M)
Years 2000-2003**

Business Area	Premium (\$M)			
	2003 Projected	2002 Actual	2001 Actual	2000 Actual
Environmental	32.9	27.5	22.7	24.3
Government & Institutions	194.3	160.3	120	88.4
Healthcare	898.3	579.8	403.6	346.3
Leisure	5.2	2.6	2.2	2.5
Manufacturing & Commerce	54.3	79.9	61.7	43.8
Professional Services	420.1	329.6	273.9	252.2
Property Development	86	60.4	46.4	36.1
Transportation	34.4	25.1	13.6	9.2
TOTALS	1,725.50	1,265.10	944	802.8
	(+36.4%)	(+34.0%)	(+17.6%)	(+7.7%)

**Number of RRG Insureds by Business Area
Years 2000-2003 (\$M)**

Business Area	Number of Insureds			
	2003 Projected	2002 Actual	2001 Actual	2000 Actual
Environmental	1,490	883	740	1,187
Government & Institutions	2,865	2,435	1,909	1,799
Healthcare	48,481	42,124	66,040	64,580
Leisure	837	790	685	480
Manufacturing & Commerce	1,186	973	941	818
Professional Services	72,117	68,147	80,170	75,630
Property Development	21,388	19,437	19,437	18,889
Transportation	5,551	5,048	2,791	1,737
TOTALS	153,915	139,837	172,713	165,120
	(+10.1%)	(-19.0%)	(+4.6%)	(+1.2%)

**Comparison of Growth Rates
Premium and Numbers of Insureds for RRGs by Business Area**

Business Area	% Change 2002-2003		% Change 2001-2002	
	Premium	Insureds	Premium	Insureds
Environmental	19.80%	68.70%	20.80%	19.30%
Government & Institutions	21.20%	17.70%	33.50%	27.60%
Healthcare	54.90%	15.10%	43.60%	-36.20%
Leisure	100.90%	5.90%	21.00%	15.30%
Manufacturing & Commerce	-32.00%	21.90%	29.50%	3.40%
Professional Services	27.40%	5.80%	20.30%	-15.00%
Property Development	42.30%	10.00%	30.30%	0.00%
Transportation	37.10%	10.00%	84.90%	80.90%
TOTALS	36.40%	10.10%	34.00%	-19.00%

Formations and Retirements of RRGs

With formations (37) exceeding retirements (5), the number of RRGs as of September 2003 totaled 122, as compared with 79 RRGs for the same period last year. A comparison with the number of formations and retirements in the proceeding three years appears below.

**Formation and Retirements for RRGs
2000 to 2003**

Description	Annual Results			
	2003	2002	2001	2000
Number of RRGs at start of year	90	69	65	67
Formations	37*	21	7	2
Retirements	5*	0	3	4
Number of RRGs at end of year	122*	90	69	65
Number of RRGs during year	127*	90	72	69
Premium	\$1,725.5M**	\$1,265.1M	\$944.0M	\$802.8M
Average Premium per RRG	\$13.59M**	\$14.06M	\$13.11M	\$11.63M
	(-3.3%)	(+7.2%)	(+12.7%)	(\$4.6%)

*Numbers apply to September 2003

**Premium estimates are through end of year (The reduction in average premium results from the large number of new RRGs)

**Number of RRGs Classified by Premium Growth Rate
2002-2003***

Range of Increase or Decrease	Number of RRGs	
	2002-2003	2001-2002
No premium in first year	43	18
>50%	12	13
30 to 50%	10	8
15 to 30%	16	13
0 to 15%	28	16
Number of RRGs with increasing premium	109	68
-15 to 0%	6	4
-30 to -15%	1	1
-50 to -30%	0	1
<-50%	3	2
No premium in second year	0	6
Number of RRGs with decreasing premium	10	14
No premium in either year	8	11
TOTAL	127	93