



Industry Update

How the Mighty (seem to) Have Fallen

What is going on in the financial markets? Government bail outs and bankruptcies. Who can you trust? As advocates for our clients, USA Risk Group has a heightened awareness to the struggles of the insurance marketplace and potential turmoil these recent events may cause.

One might answer the question of who can you trust with a simple “me”. If that’s your answer, it may be time to look at a captive arrangement, or to expand the captive arrangement you already have, and put your faith in your own company. Who knows your business better than you? Because of that fact, does it make sense to insure your assets with an entity you can trust to be there in the long run? As has happened over the past few years, insurers with “A” ratings today aren’t always around tomorrow. By forming your own captive or expanding your existing captive, we can help you stabilize your insurance needs while maintaining the proper coverages you need.

We are currently riding the uncertainty of a soft market. As you may know, one key factor of a soft market is the influx of competition. As competition floods the marketplace, prices tend to

decline. It’s a simple supply/demand concept. It’s very early to tell, but one observation of the current state of affairs might be: will these recent financial issues move us to a hard market? Theoretically, a major supplier of insurance is on the verge of faltering which could diminish the supply of insurance. We are not trying to be alarmists; we are simply trying to get ahead of the curve to be proactive with our clients in mind.

Rather than just yell “the sky is falling the sky is falling”, we’d like to address, specifically, why we think there may be some captive opportunities in the current environment:

- Before this week, how big of a problem were collateral requirements for your entity? This week’s events aren’t going to help that problem and there’s a very good chance those problems will increase.
- As we have already seen, it appears the solution being put forward is MORE regulation, not less. It’s a fact that the captive industry is a less regulated industry than the traditional market. Typically, with added regulation, comes added cost.



Jeff Kenneson, Senior Vice President, Business Development

- Controlling your own destiny and funding your non-catastrophic loss layers yourself means less reliance on the financial institutions now circling the drain.
- With some of our country’s stalwarts in disarray, is this going to be the trigger that starts to harden the insurance market? Why not be ahead of the curve on that, as has been proven by history, the market will harden.

For all of these reasons and more, forming a captive at this time is a good idea. USA Risk Group is on pace to match its number of captive formations for the past several years, even with the undeniable soft market upon us. Contact us to find out if some of the reasons companies are still forming captives, even in the soft market, apply to you and your clients.

Industry Update Continued

Upcoming Conferences

We encourage you to meet with USA Risk Group personnel at upcoming conferences. [Paul Macey](#) and [Andrew Sargeant](#) will be attending ASHRM from October 2nd—5th; [Jeff Kenneson](#), [Marc Lapointe](#) and [Dennis Silvia](#) will be attending World Captive Forum from November 17th—19th; [Gary Osborne](#) and [Jeff Kenneson](#) will be attending the Cayman Captive Forum December 2nd—4th; and [Gary Osborne](#), [Paul Newton](#), [Garry Coulter](#) and [Adam Forstot](#) will be attending the South Carolina Executive Educational Conference December 10th—12th. We encourage you to check our website for an updated conference calendar, including USA Risk Group attendees.

New Website

We are in the process of redesigning our website to make information more accessible and user friendly for our clients and prospects. We hope to have that launched by the end of 2008 and encourage you to visit the site for updates on USA Risk Group and the industry.

Virtual University

Our partnership with Cedar Management Limited and Cedar Consulting has brought you Virtual University! Captive specific courses are still being developed but insurance CE and CPA courses are available, as well as course materials. Check it out at <http://cedarconsulting.360training.com>.

About USA Risk Group

USA Risk Group of Vermont, Inc. (“USAVT”), was established in Vermont in 1981 by H. Lincoln (“Linc”) Miller Jr. USA Risk Group now includes captive operations in Vermont, South Carolina, Arizona, Nevada, New York, Bermuda, Barbados, British Virgin Islands and Grand Cayman, managing captives in 16 different domiciles, as well as a reinsurance intermediary operation in Greenville, South Carolina. All companies under the USA Risk Group umbrella are owned by Linc’s family and various key employees. We believe that, as an independent company, not owned by a broker, insurance company or bank, we can provide a superior, objective service to our clients without any conflict of interest.



USA RISK GROUP

P.O. Box 306
Montpelier, VT 05601

Phone: 800/872-7475

Fax: 802/229-6280

Email: jknesson@usarisk.com

The leading independent

Visit our website at:

www.usarisk.com

*New website to be launched by
year end 2008*

Save the dates for next
year's Executive Educational
Conference May 27—28,
2009!!!