

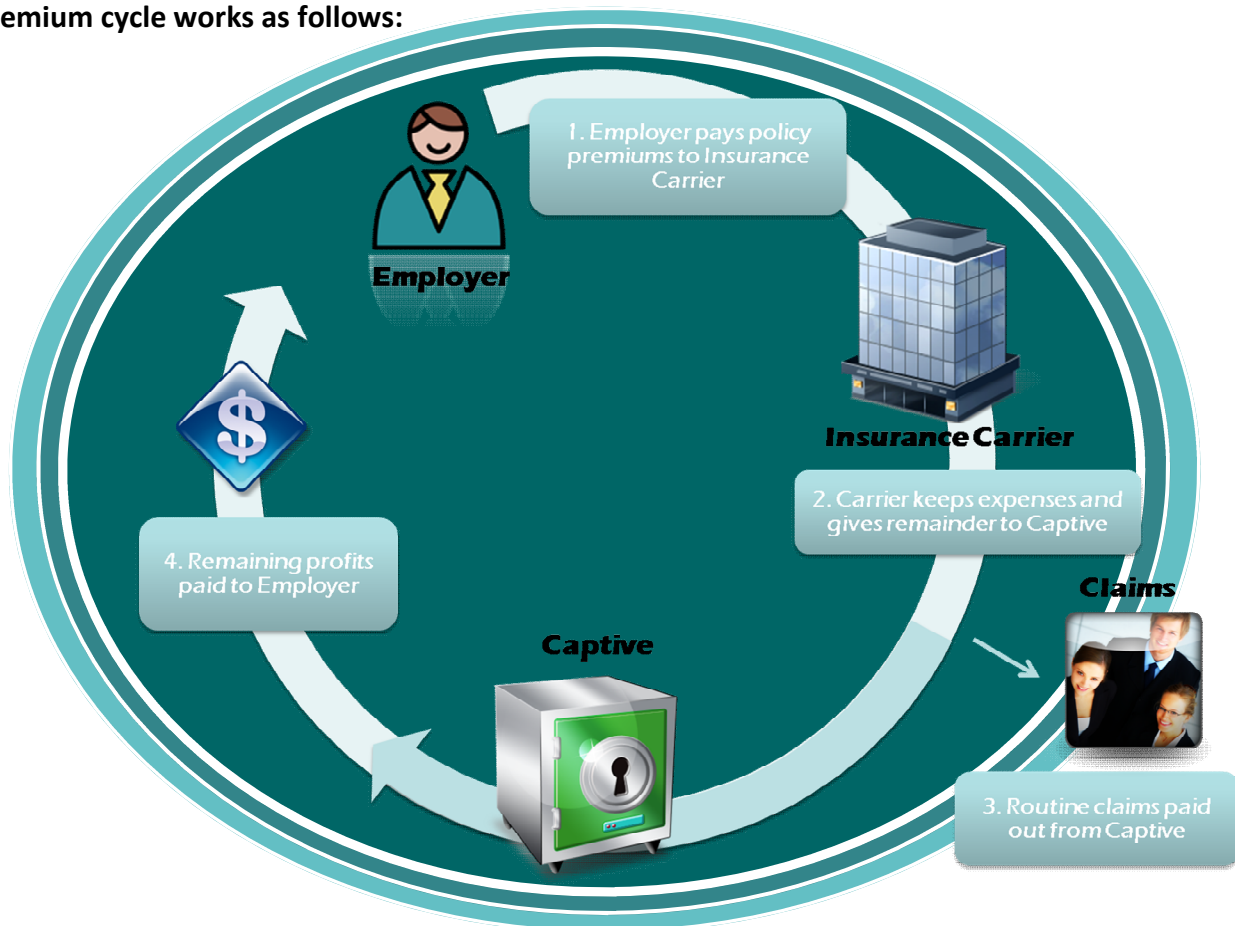
What is a Member Owned Group Captive?

A Member Owned Group Captive insurance company is one in which the purchaser of insurance is an owner in the insurance company providing the insurance coverage.

As a captive owner, the insured pays reasonable and fair premiums, which are determined by an independent actuary and based on the insured's own claims experience.

Captives are often domiciled in places like the Cayman Islands or Bermuda, and use USA approved fronting or policy issuing carriers who collect premium, reinsure large claims, and perform required state filings.

The premium cycle works as follows:



The premium is paid by the insured to the carrier, who keeps a portion for expenses, and cedes the Captive premium for the predictable risk layer to the Captive. Routine claims are paid out of the Captive funds. The remaining premiums in the Captive after claims are paid and closed become profits to the captive owners.

Over time, it is expected that there will be more good claims years than poor ones, leading to a net profit being returned to the insureds who own the Captive.