



NonProfits' United

Workers' Compensation Group

2010 In Review and 2011 Mid-year Status Report

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BACKGROUND

Established in 2004, the NonProfits' United Workers' Compensation Group (WCG) is a self-insurance group developed and designed specifically to provide workers' compensation coverage tailored to nonprofit organizations in California. As of July 2011, the WCG has 136 members throughout the state, providing coverage to over 13,000 employees with a payroll base of approximately \$316 million. The WCG retains a self-insurance limit of \$500,000 above which an additional \$35 million in reinsurance is purchased, for a combined single limit of \$35.5 million per occurrence.

Program Structure

Program Year: 1/1/11 – 1/1/12
 Pooled Layer: First Dollar to \$500K
 Excess Layer: \$35 million xs Pool
 Excess Carrier: ACE American

2010 IN REVIEW

The WCG experienced steady growth throughout 2010, with 20 members joining the Group during the year. Member retention was once again strong, with a 99% membership retention rate. The illustration to the right provides a summary of the 2010 Group status and membership growth during the year.

Membership January 1 – Dec 31, 2010

Members - 1/1/10: 90
 Members - 12/31/10: 108
Change: +23%
 Payroll - 1/1/10: \$157 million
 Payroll - 12/31/10: \$207 million
Change: +32%

Rates in the workers' compensation market began on an unstable and unpredictable cycle toward the end of 2008. The uncertainty in the commercial market created was anticipated to be an exceptional opportunity for the WCG, which has maintained rates at the 2008 levels. However, despite the tumultuous market conditions membership growth in 2010 was slower than anticipated and less than the Group experienced in 2009.

As noted, interest in the WCG remained steady throughout the year, although prospective membership applications increased by just 18 percent over the prior year.

In years past, the Group had experienced increases in submissions of 40% or greater. The Group received and reviewed a total of 140 prospective submissions in 2010, up from 119 in 2009. The chart to the right summarizes the application submission activity.

WCG Prospective Member Submissions 2010						
Month	UW Decline	Ineligible	Quote Declined	Joined WCG	Denied	Grand Total
Jan	3	0	9	2	0	14
Feb	0	0	7	2	0	9
March	2	0	5	3	0	10
April	5	1	9	3	2	20
May	5	0	7	1	0	13
June	5	0	8	4	0	17
July	1	0	5	0	0	6
Aug	1	0	3	0	0	4
Sept	5	1	5	3	0	14
Oct	1	0	3	4	0	8
Nov	2	0	2	5	0	9
Dec	5	0	8	3	0	16
Grand Total	35	2	71	30	2	140

* of the 30 that joined - 10 were effective 1/1/11 or later

Of the 140 submissions received, 20 chose to join the WCG during 2010, and another 10 came on board for the start of 2011.

The ratio of prospects to member-owners (30 out of 140) is just under 25%. When considering that the Group has been operational for just over six years, this is a healthy benchmark. Although growth was slower than anticipated, interest in the Group did remain strong and growth was steady. Most importantly, though, is the Group's ability to maintain rate stability in the midst of market turmoil which is continued evidence of the WCG's maturity as a stable, cost-effective coverage program providing a comprehensive package of services for our member-owners.

2011 MID-YEAR STATUS REPORT

The WCG entered the 2011 coverage year providing member-owners with their third straight year of rate stability, holding rates down to the same low 2008 levels. The Group was able to maintain this rate level while continuing to provide an excess limit of \$35 million, and negotiating a two-year rate guarantee with ACE, the existing excess partner for the past three years.

Membership January 1 – July 1, 2011

Members - 1/1/11: 117
 Members - 7/1/11: 136
Change: +16%
 Payroll - 1/1/11: \$254 million
 Payroll - 7/1/11: \$316 million
Change: +24%

Interest in the Group in 2011 has been phenomenal, with prospective submissions exceeding the prior year's number by the end of June. As of June 30th, the Group had received 141 submissions, which is one more than in all of 2010.

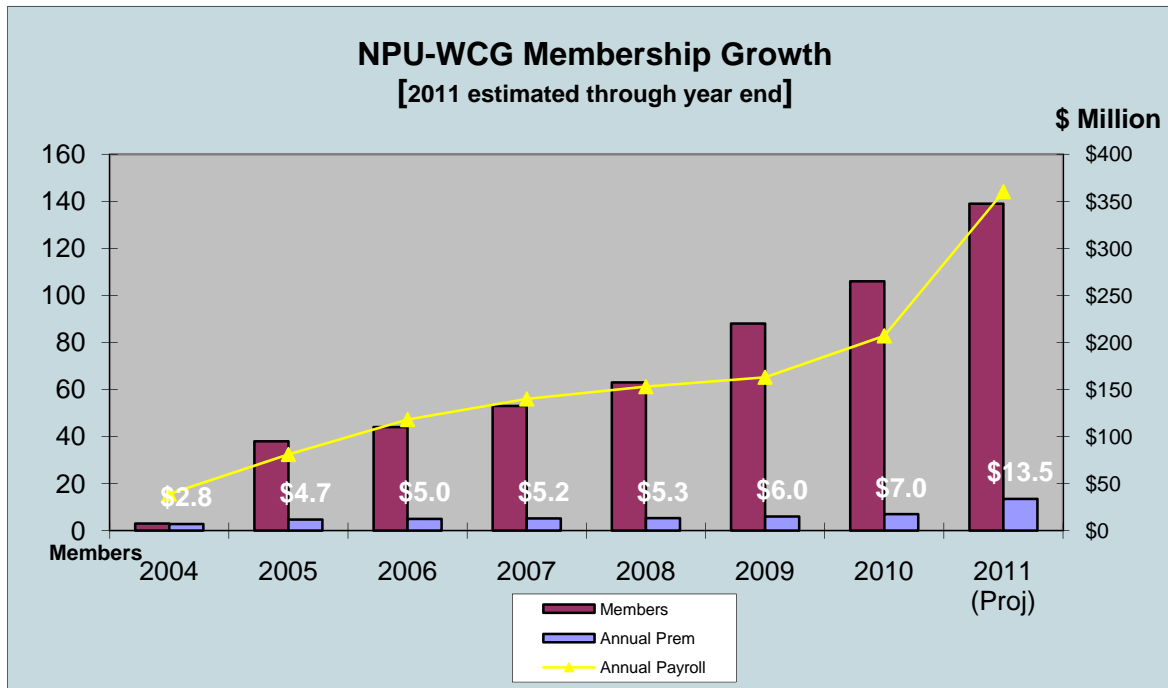
Since January, 31 members have joined the Group, generating an additional \$108 million in payroll and adding another 4,400 covered employees.

Of the 141 submissions received through the end of June, 19 have chosen to join the WCG so far this year. At the end of June, six submissions were still pending a decision regarding membership. The chart below summarizes the application submission activity at mid-year.

WCG Prospective Member Submissions 2011 (Jan - June)							
Month Rec'd	UW Decline	Ineligible	Quote Declined	Pending	Joined WCG	Denied	Grand Total
Jan	8		6		3		17
Feb	7	1	7		2		17
March	5	1	9		6	2	23
April	9	1	5		4		19
May	28		5	1	4		38
June	14		8	5			27
Total	71	3	40	6	19	2	141

Membership retention in the Group was strong in 2011, with all but two members renewing for the 2011 year. The WCG also experienced a phenomenal growth spurt in the first half of 2011 with 11 new members joining on January 1st, and an additional 20 joining the Group between January and July 1st.

The chart below illustrates the Group’s growth since inception, and the projected growth for the remainder of the 2011 year.



The WCG began with three Northern California-based members in 2005 and has now matured into a state-wide membership representing over 130 social service nonprofit organizations providing vital resources to their communities. As the growth chart indicates, the WCG is on track to achieve anticipated premium in excess of \$13 million by early 2012.

The rates in the Group are set based on the actuarial determination of the premium necessary to cover the anticipated Group losses. The rate reductions provided in prior years, as well as the ability to hold rates steady at the 2008 levels over the past 30 months have been possible due to the excellent loss experience of the Group. Since inception, the Group has consistently exceeded performance expectations, incurring fewer losses with a lower ultimate cost than projected. The WCG began its seventh year of operation in 2011, and the pattern of excellence continues.

The table to the right provides an analysis of the Group's loss ratio since inception.

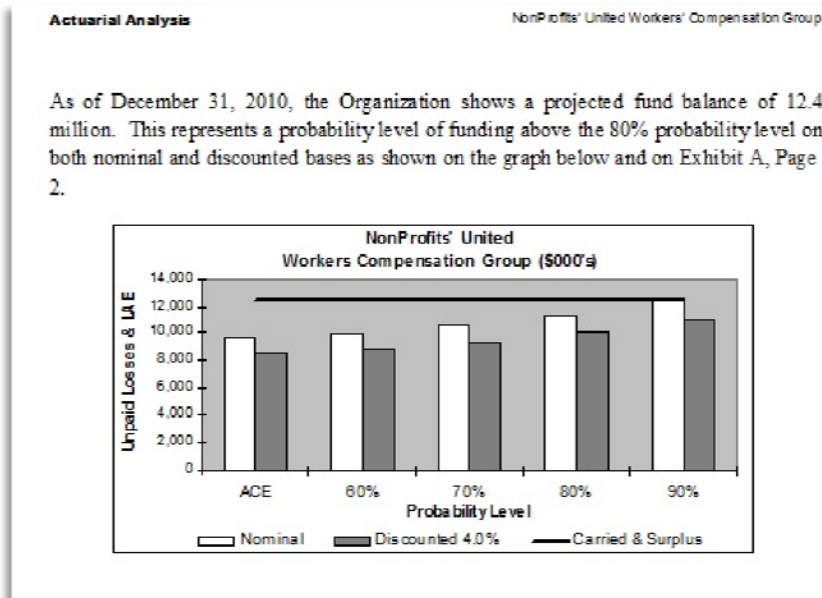
NonProfits' United Workers' Compensation Group Incurred Loss Ratio by Year

Year	Mem Contribs	Incurred Losses	Loss Ratio
2005	4,673,344	1,227,945	26%
2006	5,389,995	2,228,367	41%
2007	5,225,859	1,974,133	38%
2008	5,127,518	2,658,379	52%
2009	5,333,383	2,917,252	55%
2010	6,336,012	2,663,017	42%
2011 (as of 6/30)	5,020,309	1,245,731	25%
Grand Totals	37,106,420	14,914,823	40%

The excellent experience of the WCG members is further evidence that the WCG provides its members with superior claims administration and risk management services. Additionally, as a result of the excellent experience, the WCG remains a well-funded and financially stable organization which is well equipped to weather this challenging economic environment.

FINANCIAL STRENGTH

The WCG is regulated by the Department of Industrial Relations, Office of Self-Insurance Plans (DIR-OSIP). The DIR-OSIP has strict operational standards to which the WCG, and all self-insurance groups, are subject, including mandates on the minimum confidence level required for membership contributions and reserve funding.



To both affirm the financial viability of the Group's operations and maintain regulatory compliance, the WCG annually conducts an independent financial audit as well as an actuarial review of the adequacy of the reserve funding. The 2010 reports have been reviewed and accepted by the WCG Board of Trustees and are available to all WCG members and, upon request, to the public.

The illustration above is an excerpt of the WCG actuarial surplus funding position from the *Actuarial Analysis of Unpaid Losses and LAE as of December 31, 2010*, prepared by Oliver Wyman.

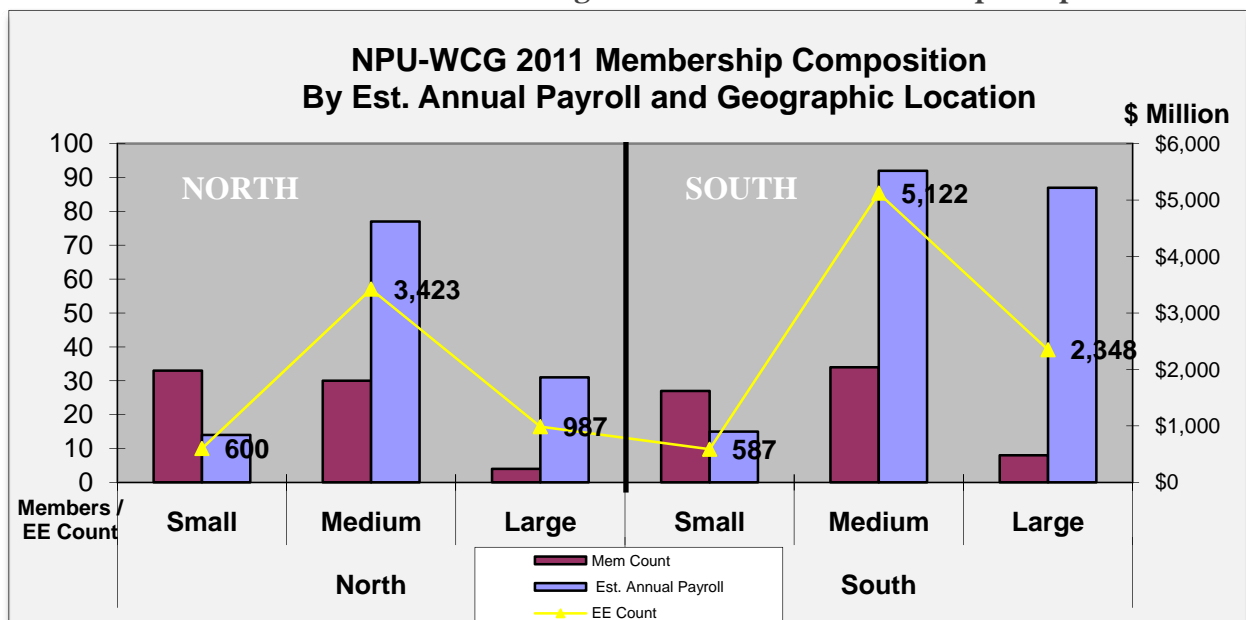
At the close of 2010, the WCG realized an increase in member equity, and maintained reserve funding (which is used to fund anticipated claim liabilities) at just above the 90% confidence level; well in excess of the state mandated requirement at the 80%

confidence level.

CONCLUSION

The WCG began providing workers' compensation and risk management services to three nonprofit organizations in 2005. Over the course of the last six years, the WCG has expanded its breadth and reach to encompass 136 social service nonprofits throughout the state. This growth pattern is confirmation that the WCG provides an unparalleled package of coverage and services which are vital to California's nonprofit organizations. The NPU staff is honored to be of service to our nonprofit members, knowing that our programs enable them to continue providing their valuable services to their communities.

Provided below are charts illustrating the 2011 WCG membership composition



The mission of NonProfits' United is to help other nonprofits succeed in their missions.

