

SERVICE IS KING

Celebrating 20 Years



Where did the time go? The Towner Management Group marked its 20th anniversary April 1, but it seems like only yesterday when we began.

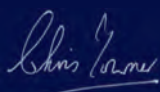
Today, our global company, anchored by a growing team of top-notch

professionals, has grown since its humble beginnings. From a clientless start, TMG and its sister organization, The St. James Group, include multiple companies designed to serve our many clients' varied needs worldwide.

You can read about TMG's beginnings and our capabilities today on pages 1 and 4. Also, on page 3, consulting practice leader Tom Stokes talks about the difference between captive managers and captive consultants. We also congratulate an award-winning client and provide domicile updates in this issue.

Service Matters

Throughout this newsletter, expect to see the word service used often. This is not an accident. We strive to consistently offer service that exceeds your expectations—and hope to for another 20 years.



Christopher J.N. Towner
Chairman

From Humble Beginnings, a Growing Force Emerges

In 1991, Minet, a Top Seven global insurance broker of the era, sold its Barbados captive management company to its former domicile director, Christopher J.N. Towner. From humble beginnings, The Towner Management Group grew this one firm into a robust independent group of multi-faceted companies serving organizations and individuals worldwide.

"I could never have accomplished what I have without quality people around me, whether in the U.S. or Barbados."

— Christopher Towner

A Dream and a Plan

"I started with a temporary secretary, two desks and two chairs—but no clients," he recalls. "Yet, I always believed I would succeed." After a few false starts, that success began to take form a year later when the company's first big client signed on. It grew from there, as Towner made a crucial decision to manage both captives and International Business Companies (IBCs). Eventually, that first company, Towner Risk Management Ltd., would become Barbados' largest captive manager.

TMG's captive business took root in 1993 when Willis and its captive leader, Guy Ragosta, teamed with Towner to oversee Willis's Barbados captive office. Fast forward 15 years

when Ragosta and Len Crouse, the former long-time Vermont captive regulator, approached Towner about partnering to enter the U.S. captive market.

A New Chapter

"Chris ran a quality operation then and he does today," says Ragosta. "He's a man of his word. This is why I do business with him and why he has built a successful organization." Today, Ragosta, Crouse and Thomas Stokes, a 25-year industry veteran, are the U.S. group's principals.

"I didn't plan to become a captive manager in the U.S.," says Towner, "but Guy and Len were well-respected in the industry and, most importantly good people, so they convinced me. I could never have accomplished what I have without quality people around me, whether in the U.S. or Barbados."

Service the Key

Today, TMG continues to grow (see p. 4), anchored by an experienced staff averaging 8.5 years of tenure in Barbados, in a fierce environment for top professionals. "What good are service companies if they can't provide prompt and efficient service?" asks Towner. "While we try not to compete on price, our clients know they get value for their money and everything is under control.

"My staff was—and remains—crucial to servicing our clients and, ultimately, to our success."

Hope for Federal Action to Ensure Consistency

A court order request and the introduction of federal legislation may help level the playing field nationally for risk retention groups.

"Generally, non-domiciled states are required to regulate RRGs in the same way home domiciles regulate them," says Len Crouse, TMG Principal, a former long-time Vermont regulator and a member of the National Risk Retention Association's Government Affairs Committee. "However, this hasn't always been the case, with Nevada the latest example. Anything that will enforce RRGs' right to do business nationally will be a positive for the industry."

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— Len Crouse

Earlier this year, the NRRRA requested a federal court order to prevent the Nevada Insurance Department from restricting the rights, spelled out under the Liability Risk Retention Act (LRRRA) of 1986, of an RRG.

Also, Congress asked the General Accounting Office last year to conduct a study on RRG restrictions across state lines, while both houses of Congress introduced bills this year designed to modernize LRRRA and provide teeth to federal enforcement of the Act.

What's Happening in Your Captive Domicile?

Towner Management regularly keeps its clients up to date on new developments in their captive domiciles. Contact us to learn about changes that may affect your captive or RRG.

Vermont

The domicile surpassed 900 active captives with 33 licenses in 2010. New governor Peter Shumlin and the state legislature continue to voice their support for the captive industry. The insurance department also named Steve Kimbell its new commissioner.

Barbados

Freundel Stuart was named the seventh Prime Minister of Barbados after the passing of Prime Minister David Thompson at the age of 48 last October. Subsequently, details of the domicile's Financial Services Commission were finalized and Sir Neville Nicholls was named its chairperson. "We believe Barbados' regulation will be as strong and fair as any in the Caribbean," says Ricardo Knight, TMG president.

South Carolina

Nikki Haley is the state's new governor and David Black was appointed new director for the Department of Insurance. Both made statements supporting the state's captive insurance industry, which had 160 captives at the end of 2010. "There are six new licenses in the pipeline," says TMG Principal Len Crouse, "and Jeff Kehler [program manager of the department's ARTS division] says they hope to broaden protected cell legislation this year."



Capitol Building, District of Columbia

District of Columbia

William P. White was named Acting Commissioner for the District's Department of Insurance, Securities and Banking by new Mayor Vincent C. Gray. Associate Commissioner Dana Sheppard told TMG's Crouse that the domicile hopes to pass legislation supporting health care stop-loss coverage and new serial captive provisions.

Elsewhere

Utah licensed 54 new captives, Delaware licensed 48 more and Kentucky added 25. The latter domicile also is expanding its captive division and named Russell Coy its new head. New Jersey now has a maiden captive law, which will take effect this May 22. Adding a provision to allow RRGs is next on captives' wish list here.



Who's Guiding Your Captive's Future?

by Thomas P. Stokes

When captives that have operated for years don't provide as much value today as when they were formed, an independent captive insurance consultant can help add value in today's constantly changing global economy.

Understanding the Difference

While competent captive managers provide vital services such as satisfying fiduciary, regulatory, accounting and administrative standards, they may not position your captive for maximum efficiency as business and economic conditions change. Most captive managers don't offer consulting as a part of basic service: it's not in the job description. But an independent captive consultant will.

There are many reasons to consider a captive consultant. In today's low-margin, competitive environment,

company management may require you to justify your captive's role. When a manager cannot demonstrate a captive's continuing utility, the company may decide the captive's capital is better invested elsewhere.

The best way to ensure your captive meets minimum standards and runs at optimum levels is to identify opportunities that add flexibility, improve risk management and save money.

Ask Good Questions

An independent captive consultant should help you increase your captive's efficiency by asking key questions, including:

- Are your captive's benefits fully realized?
- Have changing external and internal factors influenced your captive's operations?
- Have traditional insurance

markets affected your coverage?

- Is management aware of all your exposures?
- Do new reinsurance opportunities exist?
- What new opportunities exist to utilize the captive?

Like risk, opportunities can only be acted upon when identified. An experienced, independent captive manager can best help you identify risk and cost-savings opportunities with an annual performance review.

Thomas P. Stokes is the author of [Who's Guiding Your Captive's Future](#), which describes more fully captive consulting and is available on the TMG web site or by calling Tom, who is Managing Principal of The Towner Management Group (NY) LLC and Consulting Practice Leader, at (718) 618-4439.

Best of the Best

The Towner Management Group prides itself on the quality of its clientele, and now the Captive Insurance Companies Association (CICA) has affirmed one client's reputation for quality.

The National Catholic Risk Retention Group, Inc. (TNCRRG) was given the CICA 2011 Outstanding Captive Award, recognizing TNCRRG for creative uses of the entity, its ability to prevail in difficult times and its positive reputation among agencies, regulators and colleagues.

"We are very pleased and grateful to receive the award because we

see it as acknowledgement by our colleagues and professional peers," says Michael Bemi, president of the RRG. "TNCRRG provides a high-quality and innovative risk financing alternative to the Catholic marketplace, and it has done so in a stable and consistent fashion."

A Model Client

"TMG is proud of its association with TNCRRG, and pleased that CICA has recognized the quality of its operations," says Mary Richards, a U.S.-TMG vice president. "TNCRRG proactively invests financial and intellectual resources to help members learn to avoid losses by

recognizing and addressing potential problems early on."

TNCRRG provides a wide array of liability coverages for almost 12,000 parishes, and numerous Church-affiliated member schools, employees and social programs. The group also developed the globally recognized VIRTUS®, a safe environment risk control program.

Growth Continues

TMG's U.S. captive business grew sharply and its operations expanded to new domiciles in 2010. TMG also joined forces with Hanover Stone Partners, LLC, a consortium of independent risk management service firms and specialty brokers.

"I am proud Towner Management is one of the Partner Firms of Hanover Stone Partners because of their leadership's and employees' professionalism and character," says Managing Partner John Kelly. "I have known and worked with both Guy Ragosta and Tom Stokes for many years, and their word is their bond."

"I have known and worked with both Guy Ragosta & Tom Stokes for many years, and their word is their bond."
— John Kelly,
Hanover Stone Partners

Meanwhile, The St. James Group grew to five companies in 2010, adding NorseStar Assurance SCC, a joint venture writing specialized lines of insurance, and St. James Assignment Corp. The latter firm offers clients access to international financial markets, as well as fixed and variable investment income portfolios. St. James Assignment also facilitates the transfer of third-party obligations for attorney fees generated from settlements of personal physical injuries claims in the U.S.

Towner Management: Growing to Better Serve Our Clients



When Ricardo Knight joined Towner Risk Management Limited in 1994, he admits he had great ambitions.

"I was young and working for a large, multinational actuarial firm with a big bureaucracy," he says. "When I talked to [founder] Chris [Towner], he convinced me I would work directly with the boss and that there was substantial growth potential. So I'm not surprised at how we have grown."

Great ambitions and the founder's vision helped Knight realize his goals. Today, he is president of The Towner Management Group's Caribbean operations and a board director for a sister group of companies, The St. James Group. The two groups include entities that help meet companies' and individuals' challenges in the broad financial services and business management arena, wherever those clients and whatever their needs might be.

Servicing Clients

Superior service is the central theme of these burgeoning groups of companies. Here's how they break down: There are two related groups of companies: The Towner Management Group (TMG) and The St. James Group. Both groups were founded by Christopher J.N. Towner.

TMG provides captive insurance management services in the U.S.,

Barbados and elsewhere offshore. In Barbados, the group includes Towner Risk Management Ltd., which is Barbados' largest captive manager, and Towner International Services, which provides comprehensive administrative, compliance and accounting services. The companies also manage and service International Business Companies (IBCs) and Societies with Restricted Liability (SRLs).

Branching Out

As TMG's businesses grew, Chris Towner's unquenchable thirst to develop new financial services and management-related endeavors led to the formation of The St. James Group and, over time, its five companies. "One area I couldn't service with the Towner Management name was the personal wealth area," he recalls. "St. James does that and more." Read more about The St. James Group's companies and their services for individuals and companies at www.stjames.bb.

Today, TMG's captive management clients gross almost \$1 billion in premium annually, while gross revenues from non-insurance companies managed are approximately \$1.8 billion annually. "One of my strengths is meeting needs with new businesses," says Towner. "Yet, I don't believe I've accomplished everything I'm destined to achieve—not even close."

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