



From the CEO

It is my pleasure to welcome you, whether you are a client or just an interested risk manager, to the first edition of *Towner Management Group Update*. In this and subsequent editions of *Update*, you can count on reading about news you can use as you try to stretch your risk management dollar.

While 2008 may have been a slow year industry-wide when it came to new alternative risk financing, this year promises to be more active as the twin pressures of a deep recession and hardening traditional insurance market prompts risk managers to take another look at captive insurance.

In the first half-year of our U.S. operations' existence, we picked up nine accounts that included a risk retention group for Eastern Dentist Insurance Company, a risk-transfer program for American Safety Insurance Company and another for developer and real estate manager Tishman Group. Towner Management Group (TMG) also was named regulatory counsel for two captive restructuring deals in South Carolina and Cayman Islands, and we have landed consulting work for a handful of offshore jurisdictions. Also, three other potential captive licensees are in the pipeline.

While it may seem as if this is a lot of activity for the new captive manager on the block, a look at the principals leading Towner Management's U.S. operations tells you that the people behind the Towner name are anything but rookies. Those of you who know me know that I was Regional Executive Director for Willis' Captive, Actuarial, Pooling Solution (CAPS) division for a dozen years, helping to establish an international

consulting network with 14 offices in the U.S. and Caribbean. I was most recently CEO of Marathon Health.

Len Crouse, a partner with Towner's U.S. operation, is one of the most respected and well-known names in the captive industry. Deputy Commissioner and Director of Captive Insurance for the Vermont Department of Insurance for most of the past two decades, Crouse set a new standard for regulating captives and worked with regulators to create the most copied captive laws in the world.

Additionally, we welcomed Steve Brown and Linda Murphy to Towner. Steve, who joined us last June, has broad captive insurance experience with accounting firm Johnson & Lambert and captive managers Aon Insurance Managers and Beecher Carlson Insurance Services. Linda, our latest hire, has both captive insurance experience with Aon and Marsh Management and a regulatory background as the insurance examiner in charge of captives for Vermont's insurance regulatory body. You can read a little more about Steve and Linda in the story to follow.

Not to be outdone, Towner's worldwide headquarters in Barbados was a whirlwind of activity last year.

I trust you will find information you can use in this and future editions. Good luck meeting all your risk management challenges.

Guy Ragosta
CEO, Towner U.S. Operations

Domicile Update

As you read this, Vermont's 2009 legislative session is underway and lawmakers are considering three new initiatives to attract new captives to the state and reinforce the domicile as the unquestioned leader in the U.S.

The first initiative is a premium tax holiday of \$7,500 – the minimum premium tax in Vermont – for captives newly licensed in 2009 and 2010. Secondly, the legislature will consider increasing the special funds budget that supports the captive industry in the state with marketing and advertising. Finally, lawmakers will look at several technical amendments that affect sponsored captives, including letters of credit and accounting standards.

The view from here is that it makes sense to strengthen Vermont's attractiveness as a domicile during these tough economic times. Last year, the state licensed 16 new captives – slower growth than in recent years, but on par with activity worldwide. Vermont has always been proactive when it comes to the captive insurance industry, so expect passage of most, if not all, of these initiatives.

After talking with South Carolina captive insurance head Jeff Keler, I've also learned that South Carolina plans to update some inconsistencies in their captive laws to make sure they are forward looking. The domicile is growing fast, licensing its 200th captive in February. We'll be there in the future. Towner just received approval to operate as a captive manager in the state of South Carolina.

As for the coming year, economic conditions are tough, but a hard market should create new captive opportunities, particularly for small and medium-sized companies. At Towner, we expect soon to get our license to operate as a captive manager in New York and other domestic domiciles. And, of course, we have Towner's Barbados-based captive management offices to serve clients who wish to insure at least a portion of their risk in an off-shore domiciled captive.

Len Crouse
Partner, Towner U.S. Operations



TOWNER PEOPLE

Knight Continues as Barbados Working Group Chairman

Ricardo Knight, President of the Towner Management Group in Barbados, was retained as Chairman of the Joint Policy Working Group when Barbados Prime Minister David Thompson named George Hutson as Minister of International Business and International Transport, a cabinet-level position. Hutson was previously Minister for Trade, Industry, and Commerce. The working group, which includes prominent government and private industry leaders, provides advice to Minister Hutson. Ricardo was originally appointed as Chairman July 1, 2008, when it under the auspices of the Ministry of Foreign Affairs, Trade and International Business.

"The group's major task is to finalize short and mid-term action plans to continue to attract international business to Barbados," says Knight. "This sends a signal that there is a focus on the industry, especially during this current economic crisis." Knight, who is immediate past President of the Barbados International Business Association, assumed the position in July, 2008. The post has a two-year term.



Steve Brown: "Captivating" from the Start

Not many people end up in insurance straight from college, but Stephen Brown did. While studying for his accounting degree at Champlain College in Burlington, Vermont, one of Brown's professors successfully convinced Towner's future Vice President of U.S. Operations that there were growing opportunities in Vermont's captive insurance industry.

Heeding his advice, Brown took a public accounting position after graduation with Johnson & Lambert, specializing in captive insurance. From there, he progressed from Aon to Beecher Carlson, gaining experience with Vermont, South Carolina and Washington, D.C., captives while familiarizing himself with the accounting intricacies of risk retention groups, protective cell companies (sponsored captives in Vermont), pure captives and industrial insured captives.

Why the interest in this industry? "Insurance is horizontal, and as a captive insurance manager, you get to meet a wide variety of people across different industries," he says. "You get to deal with different industries and get intimately involved in their businesses and operations to help determine how they can best use alternative risk financing."

"This is an exciting opportunity we have at Towner," he continues. "We may be new to the market, but we're not new to captive insurance."

Steve is married to Christine and has two children, Burton, 4, and Aaron, 3. Interestingly, captive insurance is all in the family in the Brown household. Christine is the assistant chief examiner for Vermont's captive insurance division.



Linda Murphy joins TMG

We are happy to announce that Linda Murphy also has joined the Towner family as an account manager in the U.S. office. Linda has accomplished a lot in a short period of time.

After graduating summa cum laude with a bachelor's degree in accounting from Champlain College in 2000, Linda started her career with Marsh Management Services in Vermont where she was an account administrator for Fortune 500-owned, multi-state captive insurance companies. From there, Linda went on to Aon Insurance Managers where she was an account manager, before moving to Vermont's Department of Banking, Insurance, Securities and Health Administration, where she eventually became the captive division's insurance examiner-in-charge.

"We are very excited to have Linda join the Towner Management family," says Guy Ragosta, principal of the firm's U.S. operations. "Her expertise in GAAP and SAP accounting and complete familiarity with NAIC guidelines gives our clients a breadth of expertise that is hard to beat."

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