NEXUS
Reinsurance Company

The Captive Risk Pooling Specialist

6 REASONS
Why Your Captive Needs Risk Pooling

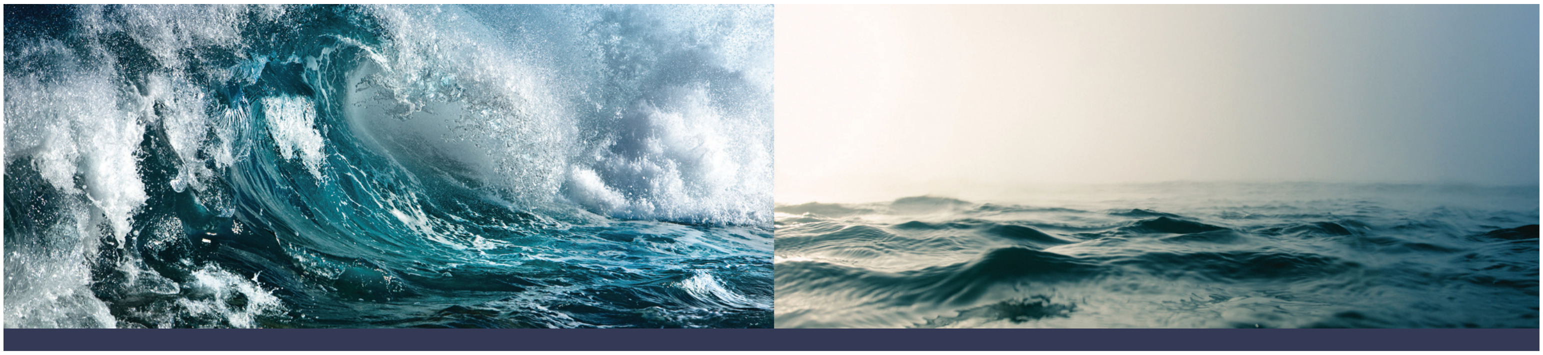
Risk Pooling allows captives to transfer their individual exposures to a third party pool and in return receive an equal share of a much larger pool of similar risks. The pooling of risks facilitates a smoothing effect, created by the "law of large numbers."

How would my captive benefit from Risk Pooling?

1. **STABILITY** – You will improve your risk distribution while reducing volatility by exchanging your own parental risk for an equal share in a larger pool of more stable, predictable risks.
2. **BUDGETING** – Obtain known premium cost for future losses to assist with planning.
3. **SMOOTHING** – Stabilize cash flow with the potential to lengthen your payout pattern.
4. **SPREADING OF RISK** – Captives writing a single line of casualty business have the opportunity to easily diversify underwriting risks by participating in a pool with auto liability, general liability and workers' compensation losses.
5. **QUALIFICATION** – Writing third party business in a controlled environment may qualify your captive as a true insurance company for tax purposes.
6. **TAX BENEFITS** – Enables US captives to cede parental risk to the pool and offshore captive to accept third party (unrelated) pooled risk. This structure may be of particular interest to US entities with offshore related subsidiaries impacted by the 2017 Tax Cuts and Jobs Act.

What insurance exposures are most appropriate for Risk Pooling?

High frequency, low severity primary casualty risks such as workers' compensation, general liability and auto liability benefit the most from risk pools.



Why Nexus Re Risk Pool

1. **BETTER PROTECTIONS AND PROCEDURES**
   All risks entering the Nexus Re Pool abide by the same protections, including a maximum per occurrence limit (typically $250,000 to $500,000) and an annual aggregate cap on total losses of 135% of the premium. All participating risks are required to have a proven loss history to enable premiums to be assessed based on actuarial techniques. Independent actuaries undertake reserve analysis for each participating risk and the overall pool on an annual basis.

2. **OUR EXPERIENCE LEADS TO PREDICTABLE RESULTS**
   Nexus Re is a leading Cayman-based Reinsurance Company and has provided primary casualty risk pooling in a controlled environment since 1999. It is a wholly owned subsidiary of United Insurance Company (UIC). Nexus Re is a U.S. tax payer taking Section 953(d) tax election. Since 1999, the Nexus Re Risk Pool has ceded more than $1B in premium and has maintained an inception-to-date loss ratio of 97% demonstrating the predictable and stable basis of its underwriting approach.

3. **YOUR SECURITY MATTERS**
   Each participant provides collateral to secure its obligations to the pool. In the event of a failure of any participating captive, or its parent, the outstanding losses of the pool remain protected. Further, current participants in the Nexus Pool include some of the largest public companies in the US.

Nexus Re – By the Numbers

WHAT IS THE MINIMUM ANNUAL CEDED PREMIUM TO THE POOL? $2,000,000

WHAT ARE THE TYPICAL EXPENSES? 2% of ceded premium for claims handling and administration

WHAT IS THE FINANCIAL BENEFIT OF HAVING YOUR CAPTIVE QUALIFY AS AN INSURANCE COMPANY? The potential accelerated tax benefit of a qualifying insurance company will vary by captive depending on the parental company tax rate, investment income returns and payout pattern of claims. However, a recent Nexus Re Pool example involved a company that was expected to receive benefits of over 5% of each year's total premium income flowing through the captive based on a 21% US Federal Income tax rate. For a captive ceding $10,000,000 to the Pool and writing $20,000,000 of total premium, this equates to prospective benefit of over $1,000,000, compared to the expense of participation of $200,000 (2% of $10,000,000).

WHAT IS THE TIMEFRAME TO IMPLEMENTATION? Typically 90 days

For more information on Nexus Re, please contact:

CONTACT *Helen Stephenson*
PHONE *(345) 914 8915*
EMAIL *hstephenson@uicinsurance.com*

Nexus Reinsurance Company
18 Forum Lane
Camana Bay
P.O. Box 10205
Grand Cayman
KY1-1002
Cayman Islands