Contrarian Re Captive Program

Contrarian Re is a Member-owned, Tennessee based captive insurance program. The captive is the mechanism by which employers own and control the mezzanine premium and claim layer.

This Overview is intended to be used in conjunction with our Indication. The Indication attempts to explain how the captive works and why an employer would want to participate, and this Overview is intended to provide some concrete information specifically about Contrarian Re.

Program Highlights:

- Licensed and regulated by the Tennessee Department of Insurance
- Members are provided audited financial statements each year, including reserves as calculated by an independent actuary
- Quarterly financial statements
- Member website and portal
- Transparency of claims and expenses
- Semi-annual Member meetings in Nashville (May & October)
- Equity participation by Members
- Member controlled Board of Directors

By The Numbers (as of January 2015)

Number of Employers:	140
Number of Enrolled Employees:	14,709
Average Employer Size:	105
Number of Enrolled Lives:	30,656
Renewal Ratio:	100%
Median Increase in Stop Loss Premium:	2.9%
Stop Loss Carrier:	Standard Security Life
Captive Retention:	$300,000 per individual

Member Meetings

The Member meetings are one of the highlights of the program. The meetings have three goals: governance, education, and networking. Most Members that attend speak very highly of the meetings, and some Members believe that the meetings should be mandatory (on some level) in the future. The argument is that more engaged Members equates to better program experience.

The upcoming meetings are:

May 19-20, 2015
Hilton Downtown Nashville
Nashville, TN

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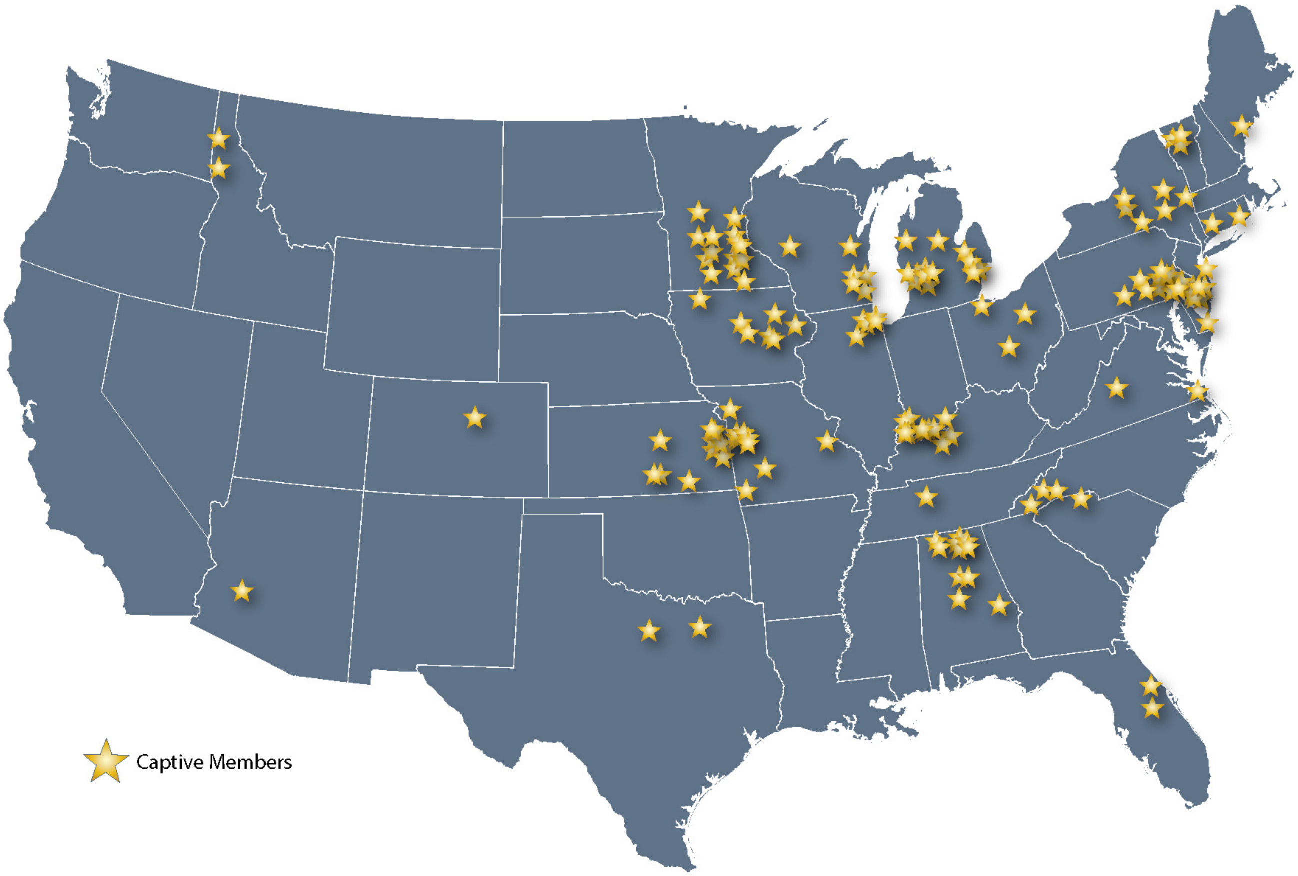
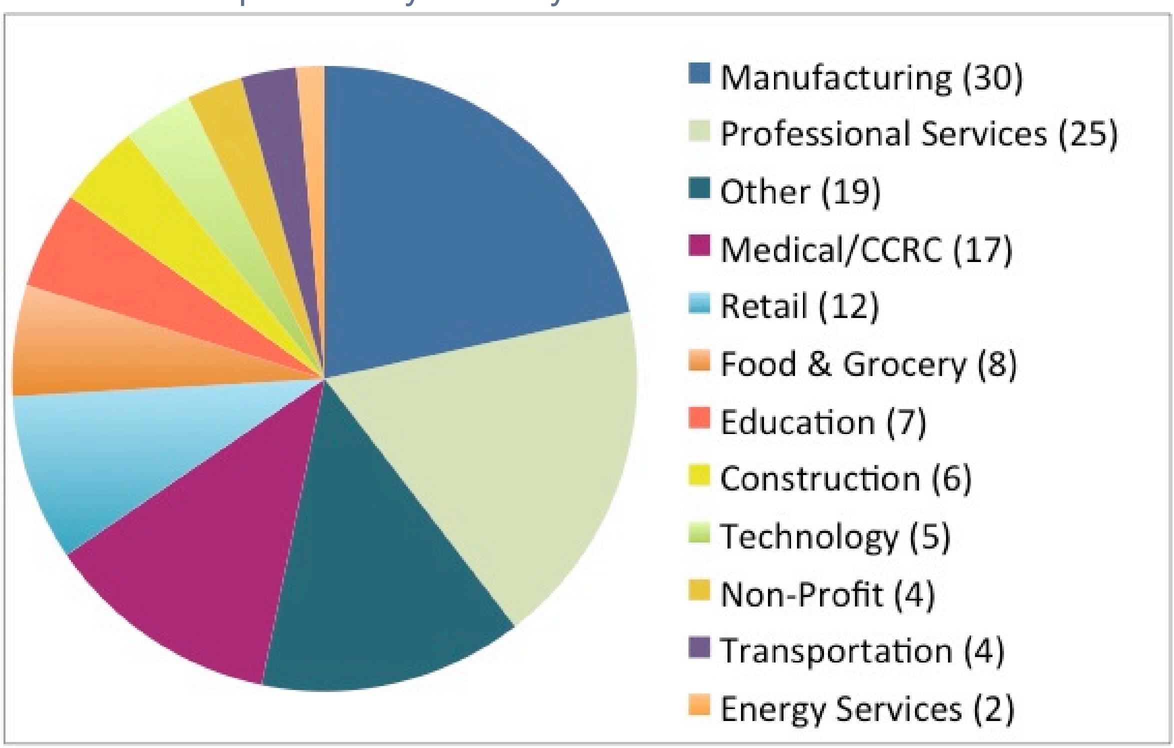
PARETO
CAPTIVE SERVICES

Member Location



Contrarian Re Composition by Industry



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Population Health Management

Population health management (or cost containment) programs are essential to an employer's success in the program. The Indication lists a variety of potential population health management programs. More detail on each of these programs is provided below:

Health Risk Assessments & Biometric Screenings:
An HRA is a background form, completed by each employee (typically online). A biometric screen is a glorified blood test. Employers receive the aggregated, anonymous results of the surveys, providing a snapshot into the key conditions within their population. This allows employers to then put specific cost containment programs in place, targeted at specific areas of need within their population. **In their first program year, Members of Contrarian Re are required to provide a financial incentive to employees to encourage participation in these programs as well as an incentive to not use tobacco.**

Health Savings Accounts:
There is widespread evidence that the use of an HSA (with an employer contribution) significantly impacts costs in the short-term. There is some evidence that the plans are less successful at impacting long-term costs. Pareto's focus is predicated on the former and not the latter. The intent is to use the HSA to create short-term savings and to then invest a portion of the short-term savings in programs designed to more thoroughly impact long-term costs.

Plan Design:
A self-insured employer has more flexibility on plan design. This applies not only to things like co-pays and deductible levels, but also what procedures require pre-authorization, and the difference in co-pays for in and out of network.

Pricing Transparency:
The in-network price of many procedures varies significantly within a geographic area. Increasingly, pricing and quality data is available to both employers and employees, allowing better economic decisions to be made.

Disease Management:
Cancer, heart disease, diabetes, strokes, and COPD account for approximately 70-75% of healthcare costs. One in two Americans has a chronic disease. Any employer hoping to achieve cost containment has to put a large emphasis on disease management. There are more disease management programs than diseases we suspect, and an employer needs to find one that is appropriate for their population and culture. Members are required to have an employee incentive, disease management program by their third program year.

Telemedicine:
Increasing access to doctors can be both a convenience for employees and a cost reduction strategy for employers. It avoids deferral of care and trips to emergencies room.

Onsite Clinics:
Onsite clinics are probably the single most effective way to change how employees and dependents access the greater healthcare system. They have previously been reserved for larger employers, but are increasingly being used by employers with as few as 100 employees in a location. Clinics can increase primary physician visits, increase compliance of care for chronic conditions, and decrease hospitalizations. There are many variations of clinics, including shared clinics and rental clinics.

Domestic Tourism:
Non-emergency procedures may allow an employee and employer to find a high quality, low cost provider in a different geographic area. The cost decreases may be large enough that even with the cost of travel, lodging, and time away from work.

Health Advocacy:
There are many sizes and shapes of health advocacy. The intent is to provide employee access to individuals that can help them navigate the healthcare system. The advocates are trained to focus on making the system easier for employees, while also guiding them to high quality, low cost providers.

Differentiators

We think it is important to highlight what we see as the key ways in which Pareto is different from other participants in this space.

- We are **independent**. We are not owned or affiliated with any stop loss carrier or any broker. This independence allows us to focus on one thing – managing the group captive on behalf of the Members. We believe that if a captive is owned or controlled by the stop loss carrier (or the entity tasked with underwriting the stop loss insurance), that there is a conflict of interest as the stop loss carrier is effectively negotiating both sides of the reinsurance agreement. There is an analogy on this topic on our website.

- Pareto will have approximately 200 captive clients by January 1, 2015. We believe that size is critical to achieving the captives' goals of diversifying claim exposure and reducing frictional costs. Our **critical mass** allows us to offer things that other captive programs cannot provide.

- We use **wholly owned captives**, meaning that the captive is owned and ultimately controlled by the employers. A Board of Directors governs the captive with the majority of the board being comprised of employers. The employers have the legal right to change things like the underwriting and population management requirements. With a segregated account company, the Members essentially have a contract linked to assets and liabilities but little to no legal authority over the company.

- We use **onshore** captives. Our captives are domiciled in Tennessee. We see no tax advantage to being offshore. We see considerable potential agita on the part of employers asked to include an offshore company as part of their benefits strategy and the potential for political or regulatory fall-out from such use.

- We have **transparent underwriting** guidelines including the treatment of claims that would otherwise be lasered. If an account has a claim that would be lasered if they were not in a group captive, we share the account's claim with other Members of the captive on a pro rata to premium basis – but also give a 'double dose' to the Member with the claim. We believe that one of the key reasons an employee chooses to join a group captive is to reduce volatility and this method achieves that. Additionally, the methodology and claims are transparent. We find that many of our competitors are sort of 'squishy' when it comes to lasers. They don't say if they will or won't use lasers and at renewal, you "get what you get" and the allocation of claims amongst members isn't typically transparent.

- We use **mature contracts**. For a typical new group, we will issue a 12/18 contract and continue to do that in each subsequent year. We believe that these contracts provide the most risk transfer and reduce the chances of a laser or uncovered claims. Most of our peers issue 24/12 contracts in the second year. Carriers/captives like these as it shortens their exposure and often binds the accounts to the program – we are confident enough in our structure that we don't rely on such gimmicks. The mature contracts also serve to more fully segregate program years, which is very important as new Members will presumably enter the program in subsequent years and not want exposure to latent claims from prior periods of existing Members.

- We incorporate **required** and written p**opulation health management** requirements into all of our programs. We point this out merely as a comparison to other captive programs that take a much more hands off approach to population management and/or do not make the requirement part of the captive documents.

Finally, we have more **experience** in this space than anyone else. We can help employers avoid many of the pitfalls that are common in this industry and can make the transition as smooth as possible.