

# HALLER ENTERPRISES, INC.

## GROUP CAPTIVE CONSIDERATIONS

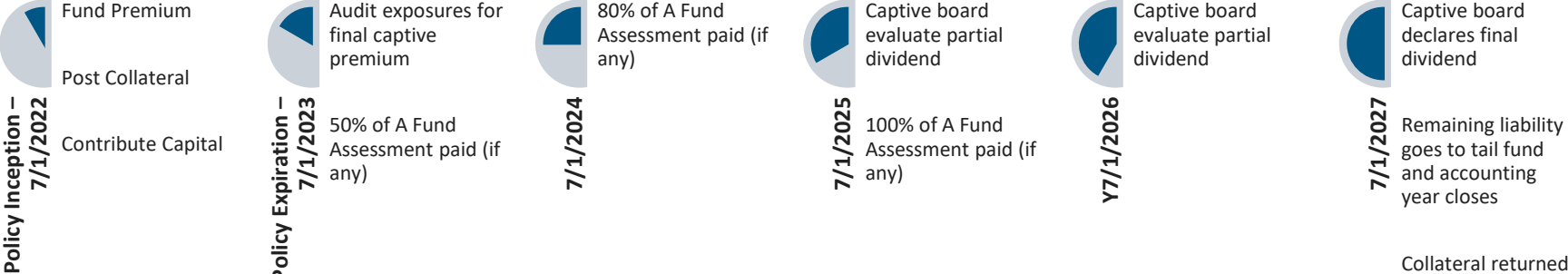
FEBRUARY 2023



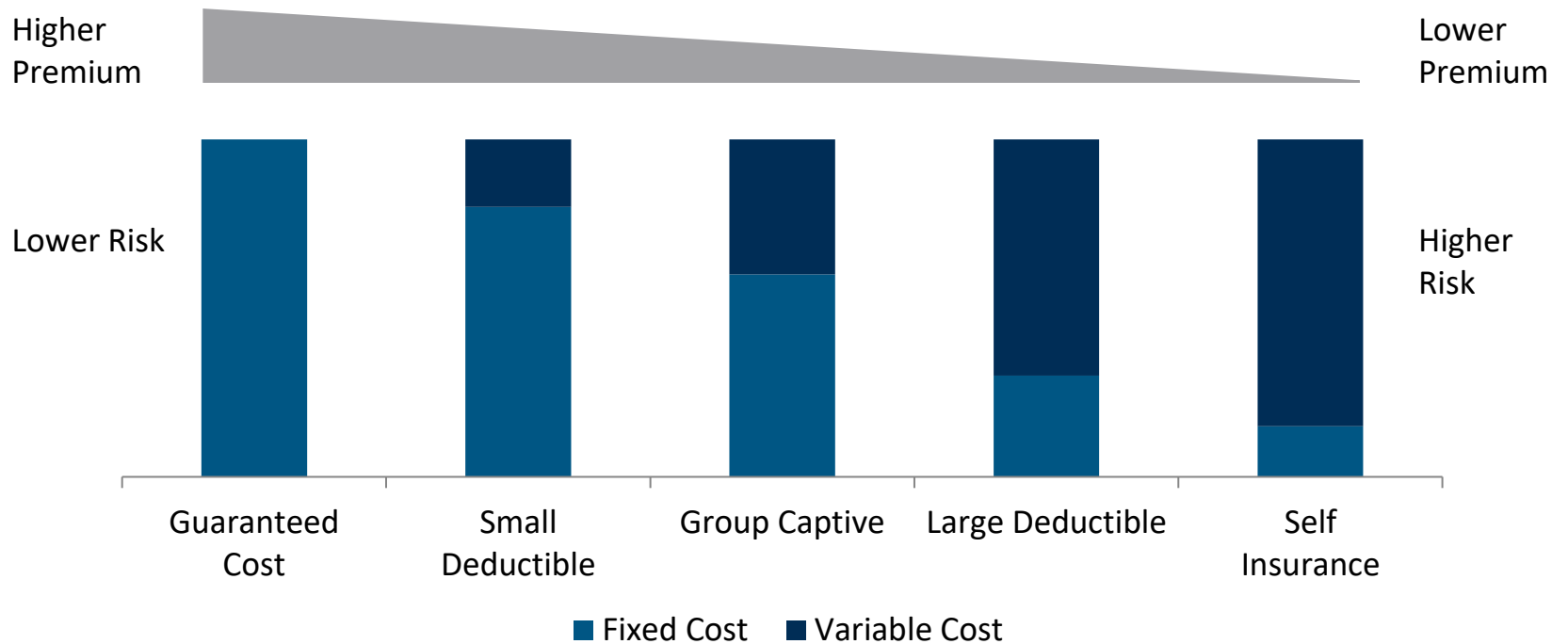
# KEY TAKEAWAYS

- Exiting group captive:
  - Collateral and capital will be held typically for four-five years after the close of the final policy period
  - Dividends/assessments will continue to be paid in the years following exit
- Entering traditional market:
  - Haller alone may find savings in a loss sensitive/large deductible option in the traditional market (subject to market pricing)
  - Merging all five entities would increase total exposure and likely provide more potential for alternative structures/potential for savings
  - Additionally, the highest experience modification factor of the five members is 1.05 and applies to Haller. Therefore, merging with other entities would likely improve overall exposure when going to market and increase potential savings
  - Traditional loss sensitive markets do not typically have the same aggregate maximum as a group captive, this can mean more risk to Haller/HomeX
  - Traditional loss sensitive programs have less formulaic pricing and are more subject to market conditions
- Next Steps – with additional data we can evaluate the combined go forward program to determine more specifically what alternative structures are most optimal and potential savings with those structures. We can also determine whether the group captive could be a viable option for the combined go forward program.

# CAPTIVE LIFE CYCLE FOR SINGLE POLICY PERIOD



# RISK FINANCING ALTERNATIVES



# WORKERS' COMPENSATION LOSS PROJECTION SUMMARY

## Loss Stratification Summary

## Workers' Compensation

	Deductible Layer	Haller Enterprises, Inc. All Year Payroll	Industry Excess 25,994,082	Industry Benchmark	Adj. Industry Benchmark
	100,000	202,000	202,000	220,067	231,510
	150,000	235,000	236,000	255,074	268,337
	250,000	269,000	278,000	297,612	313,087
Current Captive Retention →	<b>500,000</b>	<b>290,000</b>	<b>320,000</b>	<b>342,556</b>	<b>360,369</b>
	Unlimited	290,000	382,000	411,215	432,598

### Example Alternative Structure Analysis

Potential premium range for \$100K deductible = \$150,000-\$300,000.  
 Total premium plus estimated retained losses = 350,000-550,000 (does not include claims handling or cost of collateral). Current group captive WC premium = \$505,000 before potential dividends, assessments, risk sharing, investment income.

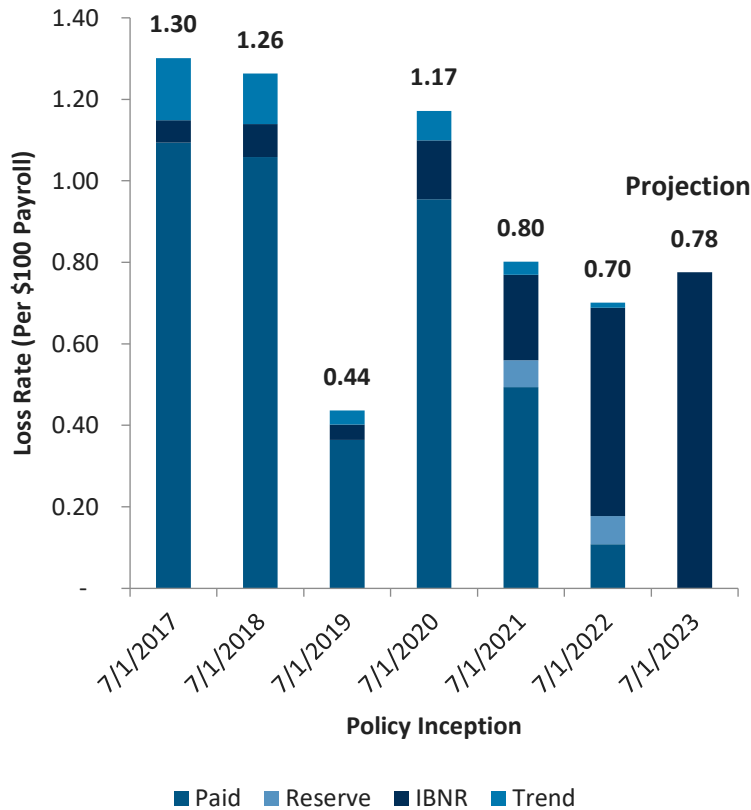
# GENERAL LIABILITY LOSS PROJECTION SUMMARY

	Loss Stratification Summary		General Liability
	Deductible Layer	Haller Enterprises, Inc. All Year GL Payroll	Industry Excess 16,188,815
	100,000	244,000	244,000
	150,000	268,000	253,000
Current Captive Retention →	<b>500,000</b>	<b>397,000</b>	<b>288,000</b>
	1,000,000	515,000	304,000
	Unlimited	547,000	370,000

Potential premium range for \$100K deductible = \$250,000-\$500,000.  
 Total premium plus estimated retained losses = \$500,000-\$700,000  
 (does not include claims handling or cost of collateral). Current group  
 captive GL premium = \$723,000 before potential dividends,  
 assessments, risk sharing, investment income.

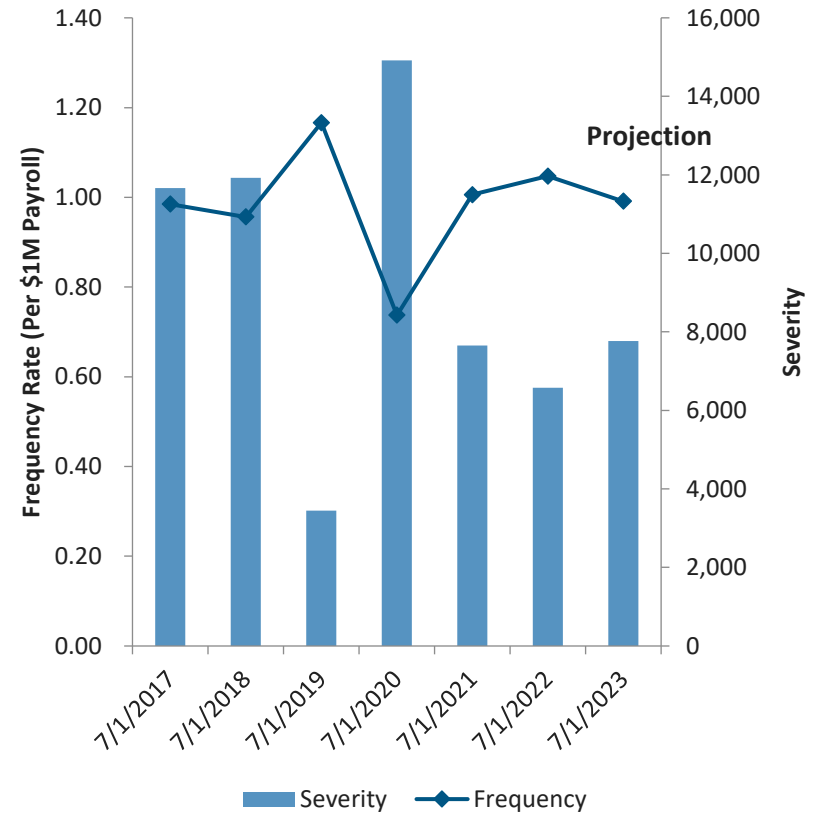
# WORKERS' COMPENSATION LOSS TRENDS

## Loss Rate Trends (\$100K)



Payroll: **\$25,994,082**  
 Projection (\$100K): **\$202,000**

## Frequency & Severity Trends



Projected Claim Count: **26**  
 Projected Severity: **\$7,769**

NOTE: Report-only claims (\$0 Incurred) have been excluded



# WORKER'S COMPENSATION LOSSES BY LAYER

## Historical Loss Activity By Layer (Claim Counts)

## Workers' Compensation

Policy Year Inception	Total Claims	Claims Above 100,000	Claims Above 150,000	Claims Above 250,000	Claims Above 500,000	Payroll (Current Year Pro-Rated)
7/1/2017	23	2	2	1	0	22,004,583
7/1/2018	23	1	0	0	0	22,889,201
7/1/2019	29	0	0	0	0	23,910,848
7/1/2020	18	0	0	0	0	23,763,121
7/1/2021	27	0	0	0	0	26,623,312
7/1/2022	14	0	0	0	0	14,657,774
Total	134	3	2	1	0	
Avg.	22.3	0.5	0.3	0.2	0.0	
Adjusted Avg.	25.9	0.6	0.4	0.2	0.0	

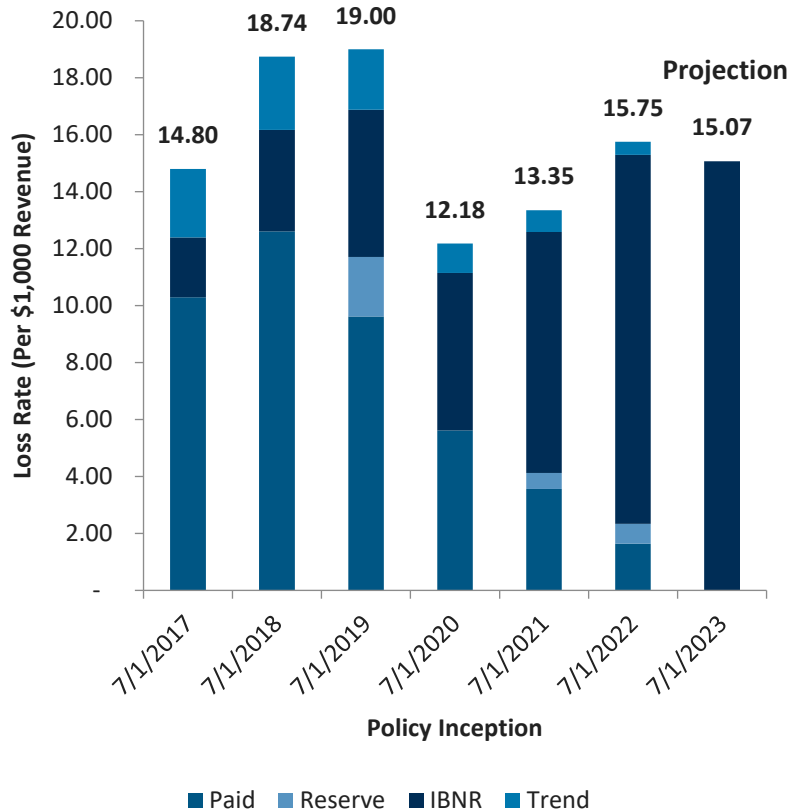
## Historical Loss Activity By Layer (Incurred Losses)

Policy Year Inception	Total Incurred	Incurred Excess 100,000	Incurred Excess 150,000	Incurred Excess 250,000	Incurred Excess 500,000	Payroll (Current Year Pro-Rated)
7/1/2017	537,699	223,217	123,217	12,296	0	22,004,583
7/1/2018	323,121	19,829	0	0	0	22,889,201
7/1/2019	90,620	0	0	0	0	23,910,848
7/1/2020	233,856	0	0	0	0	23,763,121
7/1/2021	151,975	0	0	0	0	26,623,312
7/1/2022	46,499	0	0	0	0	14,657,774
Total	1,383,770	243,047	123,217	12,296	0	
Avg.	230,628	40,508	20,536	2,049	0	
Adjusted Avg.	264,551	47,701	24,260	2,421	0	



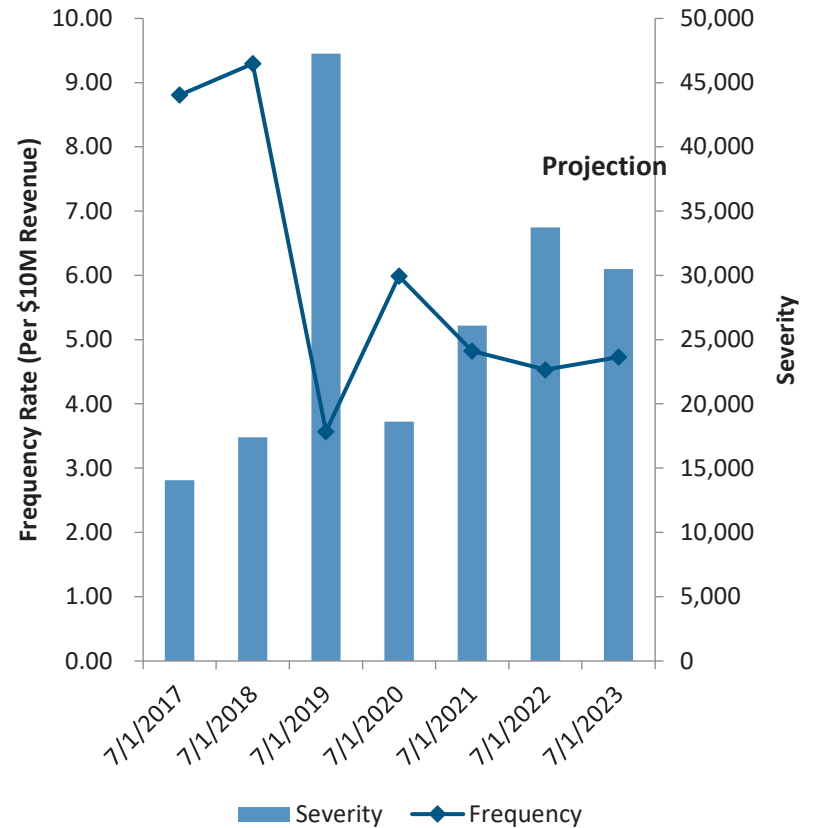
# GENERAL LIABILITY LOSS TRENDS

## Loss Rate Trends (\$100K)



GL Payroll: **\$16,188,815**  
 Projection (\$100K): **\$244,000**

## Frequency & Severity Trends



Projected Claim Count: **8**  
 Projected Severity: **\$30,500**

NOTE: Report-only claims (\$0 Incurred) have been excluded

# GENERAL LIABILITY LOSSES BY LAYER

## Historical Loss Activity By Layer (Claim Counts)

## General Liability

Policy Year Inception	Total Claims	Claims Above 100,000	Claims Above 150,000	Claims Above 500,000	Claims Above 1,000,000	GL Payroll (Current Year Pro-Rated)
7/1/2017	14	1	1	1	0	14,111,842
7/1/2018	15	1	1	0	0	14,614,750
7/1/2019	6	0	0	0	0	15,525,430
7/1/2020	10	0	0	0	0	15,776,114
7/1/2021	8	0	0	0	0	16,131,436
7/1/2022	4	0	0	0	0	9,128,693
Total	57	2	2	1	0	
Avg.	9.5	0.3	0.3	0.2	0.0	
Adjusted Avg.	10.7	0.4	0.4	0.2	0.0	

## Historical Loss Activity By Layer (Incurred Losses)

Policy Year Inception	Total Incurred	Incurred Excess 100,000	Incurred Excess 150,000	Incurred Excess 500,000	Incurred Excess 1,000,000	GL Payroll (Current Year Pro-Rated)
7/1/2017	1,032,369	852,481	802,481	452,481	0	14,111,842
7/1/2018	399,999	182,849	132,849	0	0	14,614,750
7/1/2019	196,763	0	0	0	0	15,525,430
7/1/2020	94,061	0	0	0	0	15,776,114
7/1/2021	69,132	0	0	0	0	16,131,436
7/1/2022	38,557	0	0	0	0	9,128,693
Total	1,830,882	1,035,331	935,331	452,481	0	
Avg.	305,147	172,555	155,888	75,414	0	
Adjusted Avg.	344,473	196,749	177,958	86,513	0	