

GEM Reinsurance Submission

Government Entities Mutual, Inc. (GEM) is an association sponsored reinsurance captive domiciled in the in the District of Columbia. The Company is controlled and capitalized by member public entity pools and insurance companies. GEM's primary goal is to provide stable and affordable reinsurance coverage for its members. GEM was launched January 1, 2003. It is capitalized with surplus contributions from members. The Company provides liability, property and workers` compensation reinsurance to members.

Membership Categories and Requirements

GEM currently has 17 members: 14 Founding members, 2 Premiere members, and 1 Associate member. Premiere or Associate membership categories are open to public entity pools, public entity insurance companies, and self-insured public entities. Members that made surplus contributions prior to October 1, 2003 are classified as Founding Members. Premiere Members are entities that make a significant surplus contribution [the greater of \$500,000 or 70% of Net Written Premium]. Associate Members are entities that meet GEM underwriting standards and intend to become a Premiere member before the end of the subsequent five-year period.

GEM Status

GEM net written premium to surplus ratio has been better than 1:1 since inception. Total contributed surplus at year-end 2008 is about \$14.4 million. GEM also focuses on using quality reinsurers for any of its reinsurance retrocessions. Nonetheless, prospective members should recognize that GEM currently is not an authorized reinsurer in any state except the District of Columbia. Most pools operate in states where the statutes do not require them to use an authorized insurer/reinsurer. In some states, the exception is usually for workers compensation coverage. Where there are requirements for an authorized insurer/reinsurer, GEM will attempt to work with state specific statutes to properly reinsure our member (such as set up a trust).

For more information on GEM, see additional website information at www.gemre.com.

Member Application

Completion of a reinsurance application is necessary to obtain a quote from GEM. We are currently working on creating our own application. In the meantime, we will accept applications from other reinsurers. GEM performs an actuarial and professional underwriting review of the entire submission outlined below. Any questions you have regarding the completion of the submission requirements can be directed to underwriting@gemre.com.



Interested entities are strongly encouraged to complete their reinsurance submission at least 120 days prior to renewal date. This will enable GEM to perform its review and where necessary to work with the reinsurance companies to whom it cedes risk.

Reinsurance Coverage Submission

We appreciate your interest in GEM membership. Our underwriting and actuarial team would like to make the reinsurance submission process as easy as possible. Because quality underwriting is critical to maintaining and building the mutual strength of GEM's members, we have a keen interest in developing a good understanding of your operation.

GEM's underwriting process includes an evaluation of 10 years of loss history. Prospects and members, alike, are actuarially loss rated. GEM uses the applicant's own actuarial report and loss data to develop a recommended loss rate for the underwriter's consideration. The balance of your GEM proposal is weighted on a scheduled debit/credit system that includes an underwriting review of financial audits, claims audits, loss control, claims administration, underwriting policies and program operations.

Information Needed for GEM Underwriting Evaluation and Rating

Please provide the following as part of your reinsurance submission to GEM:

1. GEM Application – GEM is currently working on their application. At this time, your application consists of the complete submission of items #2-11 below. GEM will accept an application you have prepared for other reinsurers to aid in your submission.
2. Audited Financial Statement – The most recently completed, which should include comparison of the past two fiscal years.
3. Claims Audit – The most recently completed by a qualified claims auditor.
4. Certification – Either AGRIP Recognition, CAJPA certification, A.M. Best rating, or another approved certification.
5. Loss Control – Both the amount of money spent (budgeted) on loss control in the previous year, and a clear description of the program (outlining the scope of the programs offered).
6. Coverage Form – Include coverage form for any lines of business requesting a quote from GEM. Please note any anticipated coverage form revisions for the prospective period. Since GEM's reinsurance is considered "follow form", GEM will perform a coverage form analysis to determine the scope and clarity of the primary coverage form.
7. Underwriting Guidelines – Detailed write-up explaining the existing evaluation used to underwrite a pool's individual members. The rating plan should be adequate and equitable. The underwriting system should have the capacity to



- track exposures, rating, underwriting evaluations, coverage agreements issued, and profitability by coverage period, line of business, and program. Please also provide underwriting administrative guides that detail underwriting procedures.
8. Actuarial Study – The most recently completed study, not more than 15 months old.
 9. Loss Run Listing – A recently completed loss run of all pool claims in the past 10 calendar years. The claims run should be in electronic form, preferably contained in a spreadsheet. Pools with an excessive amount of claims may request to provide only claims above a certain threshold (greater than \$10,000). Information should include claim number, date of loss, most recent evaluation date, incurred loss and expense, paid loss and expense, line of business (and sub-line, if available), short claim description, and claim status. These losses should be on a ground-up basis (not limited by member deductibles, or pool retentions). These losses should also be on a per occurrence basis, rather than on an individual claimant basis. Upon request, GEM can provide an Excel spreadsheet template for the loss run.
 10. Exposure Information – Please provide at least 10 years of exposure base for the GEM layer. Include an estimate for projected exposures for the prospective reinsurance period. With respect to liability and workers' compensation exposure bases, GEM uses that which your own actuary has selected for an exposure base. Upon request, GEM will provide an Excel spreadsheet format depending on the coverage.
 11. Current Reinsurance Pricing – At least, total amount of ceded premium (contributions) spent on reinsurance during the current period. At most, cost estimates (or other competing quotes) for the layers requested from GEM.

The following staff members are available to answer questions:

- Joel Kress, Underwriting Manager
603.568.4880
joel.kress@gemre.com
- Bridget Rogier, Vice President of Member Services & Claims
603.731.7617
bridget.rogier@gemre.com

