



Government of the District of Columbia  
Vincent C. Gray, Mayor  
Department of Insurance, Securities and Banking



Chester A. McPherson  
Interim Commissioner

**BEFORE THE  
INSURANCE COMMISSIONER OF  
THE DISTRICT OF COLUMBIA**

Re: Report on Examination - **National Assisted Living Risk Retention Group, Inc.**, as of  
December 31, 2012

**ORDER**

An Examination of **National Assisted Living Risk Retention Group, Inc.**, as of December 31, 2012 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this 18<sup>th</sup> day of December, 2013, that the attached financial condition examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.

  
Chester A. McPherson  
Interim Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



REPORT ON EXAMINATION

National Assisted Living Risk Retention Group, Inc.

AS OF

DECEMBER 31, 2012

NAIC NUMBER 11806

## TABLE OF CONTENTS

Salutation .....	1
Scope of Examination .....	1
Summary of Significant Findings .....	2
Status of Prior Examination Findings .....	2
History.....	2
General .....	2
Membership .....	2
Surplus Notes .....	3
Dividends and Distributions .....	4
Management.....	4
Board of Directors and Officers.....	4
Committees .....	5
Conflicts of Interest.....	5
Corporate Records .....	6
Captive Manager.....	6
Fidelity Bond and Other Insurance .....	6
Pension and Insurance Plans.....	6
Territory and Plan of Operation.....	6
Comparative Financial Position of Company.....	8
Reinsurance.....	9
Accounts and Records.....	9
Statutory Deposits.....	9
Financial Statements .....	10
Balance Sheet.....	11
Assets .....	11
Liabilities, Surplus and Other Funds .....	12
Statement of Income .....	13
Capital and Surplus Account .....	14
Analysis of Examination Changes to Surplus.....	15
Notes to Financial Statements.....	15
Comments and Recommendations.....	16
Conclusion .....	16
Signatures.....	17

Washington, D.C.  
October 24, 2013

Honorable Chester A. McPherson  
Interim Commissioner  
Department of Insurance, Securities and Banking  
Government of the District of Columbia  
810 First Street, NE, Suite 701  
Washington, D.C. 20002

Dear Interim Commissioner McPherson:

In accordance with Section 31-3931.14 of the District of Columbia Official Code, we have examined the financial condition and activities of

**National Assisted Living Risk Retention Group, Inc.**

hereinafter referred to as the “Company” or “NALRRG,” located at the office of its program manager, Venture Captive Management, LLC, located at 3740 DaVinci Court NW, Suite 130, Norcross, Georgia 30092.

**SCOPE OF EXAMINATION**

This full-scope examination, covering the period from January 1, 2008 through December 31, 2012, including any material transactions and/or events noted occurring subsequent to December 31, 2012, was conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”). The last examination was completed as of December 31, 2007 by the Department.

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (“Handbook”) and the policies and standards established by the Department. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles, annual statement instructions, and compliance with domestic jurisdiction laws and regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Company was audited annually by an independent public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2008 through 2012. We placed substantial reliance on the audited financial statements for calendar years 2008 through 2011, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2012. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2012. We placed reliance on the work of the auditor and directed our efforts, to the extent practical, to those areas not covered by the firm's work papers.

### **SUMMARY OF SIGNIFICANT FINDINGS**

The results of this examination disclosed no material adverse findings, significant non-compliance findings, or material changes in financial statements.

### **STATUS OF PRIOR EXAMINATION FINDINGS**

A full scope financial examination was conducted by the Department as of December 31, 2007, which covered the period October 30, 2003 through December 31, 2007. In the Report on the prior examination, dated April 24, 2009, the Department noted three exception conditions and related recommendations. Our examination included a review to determine the current status of the three recommendations in the prior exam report, and determined that the Company had satisfactorily addressed these recommendations.

### **HISTORY**

#### **General:**

NALRRG was incorporated on September 15, 2003 and commenced business October 30, 2003 as a risk retention group in South Carolina. On March 11, 2005 the Company re-domesticated to the District of Columbia under the District's captive insurance laws.

The Company was formed by some of the members of the North Carolina Association, Long Term Care Facilities ("NCALTCF") as a means of providing medical professional and general liability insurance coverage to NCALTCF's members. As of December 31, 2012, the Company provides coverage to long term care facility owners in North Carolina, South Carolina, Virginia, Georgia, Tennessee, Alabama, and Florida.

#### **Membership:**

The Company is authorized to issue Class A and Class B shares of common stock to its policyholders/members in accordance with the Company's articles of incorporation.

The purchase of Class A shares is voluntary, but purchasers are required to also purchase insurance from the Company. Class A shares are \$1,000 per share (subject to modification by the board), and shareholders receive ten votes per share on all matters submitted to a vote of the shareholders and have the right to receive a portion of the net assets upon dissolution of the Company.

During the examination period the Company's stock subscription agreement obligated policyholders to purchase one share of Class B stock for each bed being insured. In 2008, the board of directors voted to reduce the capital contribution for new Class B shareholders from \$105 per share paid over three years, to \$35 per share paid only in year one. Corresponding to this change in capital contributions for new shareholders, the board voted to split the Class B shares of current shareholders. If a shareholder had paid the full \$105 per share, then they would receive three Class B shares for every one share. If a shareholder had paid \$70 per share, then they would receive two Class B shares for every one share. If a current shareholder had only paid \$35 per share, then the remaining portion of the payment would be canceled so that each share cost \$35. These changes were approved by the Department on October 9, 2008.

The Class B shares are not transferable and are forfeited in the event that the policyholder is no longer insured by the Company. Class B shareholders receive one vote per share on all matters submitted to a vote of the shareholders. Class B shareholders have no right to any distributions upon dissolution of the Company except for any dividends or distributions that were previously declared by the board of directors with respect to Class B shares.

Class A and Class B shares have no par value. 10,000 Class A shares were authorized and 1,055 were issued and 647 were outstanding at December 31, 2012. 90,000 Class B shares were authorized and 14,266 were issued and outstanding at December 31, 2012.

Effective June 3, 2013, the Company obtained the Department's approval to modify its Articles of Incorporation, Shareholders Agreement, and other corporate documents to allow for the issuance of Class C stock. Under these revisions, policyholders must purchase at least one of the following: Class A shares; Class B shares; or Class C shares. Class C shares have no par value and no capital contributions are required of Class C shareholders. Each Class C Share shall entitle the holder thereof to one-tenth (1/10) of a vote on all matters submitted to a vote of the shareholders. Class C Shareholders have no right to dividends or distributions from the Company, except to the extent authorized by the board of directors in its sole discretion. Upon any liquidation, dissolution or winding up of the Company, no distribution shall be made to Class C shareholders except dividends and distributions previously declared by the board of directors with respect to Class C Shares. The interest of any shareholder in Class C Shares shall terminate automatically, and Class C Shares may be cancelled without refund, upon the occurrence of certain events as set forth in the Articles of Incorporation.

#### Surplus Notes:

In 2003, the Company issued various surplus notes totaling \$660,000 as part of initial capital. Some of these notes were interest bearing and some were not. Through December 31, 2007, with the approval of the Department, the Company repaid surplus notes totaling \$370,000, plus

interest. As of December 31, 2007, surplus notes totaling \$290,000 remained outstanding. During the current examination period, with approval from the Department, the Company re-paid additional surplus notes totaling \$260,000, plus interest. As of December 31, 2012, the Company had a balance of \$30,000 of non-interest bearing surplus notes remaining.

Dividends and Distributions:

Other than surplus note principal and interest payments notes above, the Company did not declare or pay any dividends or other distributions during the period under examination.

**MANAGEMENT**

Board of Directors and Officers:

The Company's directors serving as of December 31, 2012 were as follows:

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
John Leandro, Chairman North Carolina	Owner The Country Home
Carlos Garcia North Carolina	Owner Brookstone Retirement Center, Inc.
Debra Kirby North Carolina	Owner/Administrator McAlpine Adult Care Center
Susan Morris North Carolina	Administrator Bethamy Enterprises, Inc.
Linda Nethery Georgia	President Venture Captive Management, LLC
Al Stephen Pierce North Carolina	Chief Executive Officer GJP Enterprises, LLC
Guy Pierce North Carolina	Manager GJP Enterprises, LLC
Kim Simpson North Carolina	Owner Magnolia Gardens Senior Care
Daniel Tuttle North Carolina	Owner/Administrator Davie Place

John Weeks  
North Carolina

Owner/Administrator  
Countryside Villa

Dean Wilson  
North Carolina

Chief Financial Officer  
Therapeutic Alternatives, Inc.

Lou Wilson  
North Carolina

Director of Governmental Affairs  
North Carolina Association Long Term Care Facilities

The Company's officers serving as of December 31, 2012 were as follows:

<u>Name</u>	<u>Title</u>
John Leandro	Chairman/Secretary
Guy Pierce	President
Kim Simpson	Vice President
John Weeks	Treasurer

Committees:

As of December 31, 2012, the Company's board of directors had established the following committees:

Audit/Finance Committee:

John Weeks, Chairman  
John Leandro  
Al Stephen Pierce  
Guy Pierce  
Daniel Tuttle

Claims Committee:

Dean Wilson, Chairman  
Ann Cranford  
Debra Kirby  
Kim Simpson  
Daniel Tuttle

Risk Management & Loss Prevention Committee:

Sterling Shuttleworth, Chairman  
Susan Morris  
Kim Simpson  
Lou Wilson

Underwriting Committee:

John Leandro, Chairman  
Al Stephen Pierce  
Daniel Tuttle  
John Weeks

Guy Pierce served as ex-officio on all committees.

Conflicts of Interest:

The Company has adopted a "Business Conduct Code & Ethics" policy ("Code"), which includes a conflicts of interest policy. Under the Code, the Company's directors and officers are required to annually sign conflict of interest statements. Our review of the conflict of interest statements completed by the Company's directors and officers for the period under examination disclosed that there were no conflicts of interest reported that would adversely impact the Company.

Corporate Records:

We reviewed the minutes of the meetings of the board of directors and shareholders for the period under examination. Based on our review, it appears that the minutes documented the board's review and approval of the Company's significant transactions and events.

**CAPTIVE MANAGER**

Effective October 1, 2011, Venture Captive Management, LLC ("Venture") replaced The Taft Companies, LLC as the Company's captive manager, providing services including record retention, regulatory compliance and other management services to the Company.

**FIDELITY BOND AND OTHER INSURANCE**

NALRRG does not have any employees and does not carry fidelity bond coverage. NALRRG maintains insurance company professional liability coverage, as well as directors and officers liability coverage, with a \$2,000,000 maximum aggregate limit for both policies combined. The Company's captive manager, Venture, maintains errors and omissions coverage in the amount of \$1,000,000, as well as a \$1,000,000 commercial crime coverage policy. This provides adequate coverage based on NAIC guidelines and contractual requirements.

**PENSION AND INSURANCE PLANS**

The Company has no employees and therefore has no employee pension or insurance plans.

**TERRITORY AND PLAN OF OPERATION**

As of December 31, 2012, the Company was licensed in the District of Columbia and was registered as a risk retention group in Alabama, Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Texas, Virginia and West Virginia. \$731,766 (50 percent) of the Company's written premium in 2012, which totaled \$1,462,380, was in North Carolina, \$578,346 (40 percent) in Florida, \$57,722 (4 percent) in Georgia, \$46,307 (3 percent) in South Carolina, \$45,198 (3 percent) in Virginia, and \$3,041 (0.2 percent) in Alabama. The Company had no written premium in Maryland, Tennessee, Texas or West Virginia.

The Company provides claims made professional liability and general liability coverage to assisted living facilities. Limits are offered up to \$100,000 per claim and \$300,000 per location with a zero deductible. Policy limits include defense costs. Policies covering multiple affiliated facilities are subject to a combined \$1,000,000 annual aggregate. The Company does not reinsure any portion of its risk. Management has made a determination reinsurance is not necessary due to low policy limits, favorable claims experience and good financial position of the Company.

The Company has no employees and its daily business operations are managed by various service providers. During the examination period and as of the date of this report, the Company's captive manager, Venture, managed the Company's regulatory filings from its offices in Norcross, Georgia, as well as performed underwriting, policy issuance, premium and billing collection, and accounting functions. Claims administration services and risk management are provided by The Littleton Group in Austin, Texas. Risk management and loss control services are provided by Ubiquity Quality Healthcare Group, Inc. in Loganville, Georgia.

## COMPARATIVE FINANCIAL POSITION OF THE COMPANY

The financial position of the Company and its loss experience for the years under examination is presented in the following table. Information for the years 2008 to 2011 is prepared from information contained in the Company's annual statements filed with the Department. The amounts presented in the table for the year ended December 31, 2012 are determined by this examination.

	2012	2011	2010	2009	2008
Total admitted assets	\$ 7,604,107	\$ 6,955,481	\$ 6,958,493	\$ 6,322,877	\$ 6,058,893
Total liabilities	\$ 4,110,774	\$ 3,867,866	\$ 3,977,694	\$ 3,344,779	\$ 3,492,041
Total capital and surplus	\$ 3,493,333	\$ 3,087,615	\$ 2,980,799	\$ 2,978,098	\$ 2,566,852
Net cash from operations	\$ 449,247	\$ (4,228)	\$ 578,580	\$ 142,113	\$ 924,834
Total adjusted risk-based capital	\$ 3,493,333	\$ 3,087,614	\$ 2,980,799	\$ 2,978,098	\$ 2,566,852
Authorized control level risk-based capital	\$ 895,497	\$ 821,532	\$ 735,995	\$ 397,047	\$ 811,141
Gross written premium*	\$ 1,462,380	\$ 1,539,792	\$ 1,873,203	\$ 2,001,446	\$ 1,786,266
Ceded premiums written	\$ -	\$ -	\$ -	\$ -	\$ -
Premiums earned	\$ 1,440,418	\$ 1,749,828	\$ 1,946,715	\$ 1,827,503	\$ 1,889,168
Net underwriting gain	\$ 118,470	\$ 129,966	\$ 98,535	\$ 335,457	\$ 255,222
Net investment income	\$ 176,990	\$ 152,118	\$ 113,726	\$ 31,009	\$ 59,156
Net realized capital gains (losses)	\$ 49,671	\$ 92,698	\$ 53,334	\$ (138,665)	\$ 45,769
Net income	\$ 290,126	\$ 263,267	\$ 168,779	\$ 157,137	\$ 224,998
Net underwriting gain to PHS	3.4%	4.2%	3.3%	11.3%	9.9%
Net written premium to PHS	41.9%	49.9%	62.8%	67.2%	69.6%
Losses and LAE incurred	\$ 633,160	\$ 781,896	\$ 967,029	\$ 670,142	\$ 829,631
Other underwriting expenses incurred	\$ 688,788	\$ 837,966	\$ 881,150	\$ 821,904	\$ 791,512
Net loss ratio	44.0%	44.7%	49.7%	36.7%	43.9%
Expense ratio	47.8%	47.9%	45.3%	45.0%	41.9%

\*During the period under examination, the Company experienced a steady decline in premiums written. According to management, the decline in premiums was due primarily to non-renewals resulting from a soft market for professional and general liability coverage for nursing homes.

### **REINSURANCE**

The Company did not cede or assume any reinsurance during the examination period.

### **ACCOUNTS AND RECORDS**

The primary location of the Company's books and records is at the offices of its captive manager, Venture, in Norcross, Georgia.

The Company's general accounting records consisted of an automated general ledger and various subsidiary ledgers. Our examination did not disclose any significant issues with these records.

### **STATUTORY DEPOSITS**

As of December 31, 2012, the Company did not have any statutory deposits in the District of Columbia and was not required to maintain any such deposits. In addition, the Company was not required to maintain statutory deposits with any other jurisdictions.

## FINANCIAL STATEMENTS

The following financial statements, prepared in accordance with accounting practices generally accepted in the United States (“GAAP”), except as discussed in **NOTE 3** in the “Notes to Financial Statements,” reflect the financial condition of the Company as of December 31, 2012, as determined by this examination:

<u>STATEMENT</u>	<u>PAGE</u>
Balance Sheet:	
Assets	11
Liabilities, Surplus and Other Funds	12
Statement of Income	13
Capital and Surplus Account	14
Analysis of Examination Changes to Surplus	15

The accompanying Notes to Financial Statements are an integral part of these Financial Statements.

**BALANCE SHEET**

**ASSETS**

	<i>December 31, 2012</i>
Bonds	\$ 899,405
Common stocks <b>(NOTE 1)</b>	5,870,216
Cash (\$369,821), cash equivalents (\$0) and short-term investments (\$169,405) <b>(NOTE 1)</b>	<u>539,226</u>
Subtotals, cash and invested assets	\$ 7,308,847
Investment income due and accrued	\$ 25,228
Uncollected premiums and agents' balances in the course of collection	\$ 76,414
Net deferred tax asset	\$ 28,246
Aggregate write-ins for other than invested assets:	
Deferred acquisition costs – commissions	\$ 70,730
Deferred acquisition costs – management fees	53,048
Deferred acquisition costs – premium taxes	35,365
Prepaid expenses	<u>6,229</u>
Total Aggregate write-ins for other than invested assets	\$ 165,372
 Total	 <u><u>\$ 7,604,107</u></u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	<i>December 31, 2012</i>
Losses <b>(NOTE 2)</b>	\$ 2,243,244
Loss adjustment expenses <b>(NOTE 2)</b>	672,756
Other expenses (excluding taxes, licenses and fees)	82,997
Taxes, licenses and fees (excluding federal and foreign income taxes)	36,958
Current federal and foreign income taxes	7,279
Unearned premiums	707,300
Advance premium	1,878
Amounts withheld or retained by company for account of others	17,500
Aggregate write-ins for liabilities: Promissory notes	<u>340,862</u>
Total Liabilities	<u>\$ 4,110,774</u>
Common capital stock	\$ 2,501,970
Surplus notes <b>(NOTE 3)</b>	30,000
Unassigned funds (surplus)	1,472,656
Less treasury stock, at cost	<u>(511,293)</u>
Surplus as regards policyholders	<u>\$ 3,493,333</u>
Total	<u><u>\$ 7,604,107</u></u>

**STATEMENT OF INCOME**

	<i>2012</i>
UNDERWRITING INCOME	
Premiums earned	\$ 1,440,418
DEDUCTIONS	
Losses incurred	\$ 405,949
Loss expenses incurred	227,211
Other underwriting expenses incurred	688,788
Total underwriting deductions	\$ 1,321,948
Net underwriting gain	\$ 118,470
INVESTMENT INCOME	
Net investment income earned	\$ 176,990
Net realized capital gains	49,671
Net investment gain	\$ 226,661
Net income after dividends to policyholders, after capital gains and before all other federal and foreign income taxes	\$ 345,131
Federal and foreign income taxes incurred	55,005
Net income	\$ 290,126

### CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2007	\$	2,618,718
Net income, 2008	\$	224,998
Change in net unrealized capital losses		(341,678)
Change in surplus notes		(100,000)
Capital changes: paid in		164,814
Net change in surplus as regards policyholders, 2008		(51,866)
Surplus as regards policyholders, December 31, 2008	\$	2,566,852
Net income, 2009	\$	157,137
Change in net unrealized capital gains		325,663
Change in surplus notes		(160,000)
Capital changes: Paid in		88,446
Net change in surplus as regards policyholders, 2009		411,246
Surplus as regards policyholders, December 31, 2009	\$	2,978,098
Net income, 2010	\$	168,779
Change in net unrealized capital gains		82,776
Change in net deferred income tax		38,306
Capital changes: Paid in		91,175
Change in treasury stock		(378,335)
Net change in surplus as regards policyholders, 2010		2,701
Surplus as regards policyholders, December 31, 2010	\$	2,980,799
Net income, 2011	\$	263,267
Change in net unrealized capital losses		(161,236)
Change in net deferred income tax		50,605
Capital changes: Paid in		33,530
Change in treasury stock		(79,350)
Net change in surplus as regards policyholders, 2011		106,816
Surplus as regards policyholders, December 31, 2011	\$	3,087,615
Net income, 2012	\$	290,126
Change in net unrealized capital gains		194,969
Change in net deferred income tax		(74,209)
Capital changes: Paid in		48,440
Change in treasury stock		(53,608)
Net change in surplus as regards policyholders, 2012		405,718
Surplus as regards policyholders, December 31, 2012	\$	3,493,333

## **ANALYSIS OF EXAMINATION CHANGES TO SURPLUS**

There were no changes to the Company's surplus as a result of our examination.

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: Common Stocks, Cash and Short-Term Investments**

As of December 31, 2012, the Company reported "Common Stocks" totaling \$5,870,216 and "Cash and Short-Term Investments" totaling \$539,226. Included in these amounts were assets with a market value of \$527,311 (common stock of \$300,840 and cash/short-term investments of \$226,471) which were held in a custodial account established in 2009 upon request of the Department. Under terms of an "Institutional Custody Agreement" executed with a third-party custodian, the custodian serves as custodian of the funds which are held for the benefit of the Department. Except upon written direction of the Commissioner, withdrawals from the account may not be made if as a result of a withdrawal the balance in the account would fall below \$500,000. Funds in the account must be comprised of cash and conservative fixed income investments. The Company has discretion over the investments in the account within guidelines established by the Department, and is entitled to receive investment income on the funds.

#### **NOTE 2 – Loss and Loss Adjustment Expense Reserves:**

The Company reported "Losses" and "Loss adjustment expenses" reserves totaling \$2,243,244 and \$672,756, respectively. These reserves represent management's best estimate of the net amounts necessary to pay all claims and related claims adjustment expenses that have been incurred but are still unpaid as of December 31, 2012. The Company does not discount its reserves.

The methodologies utilized by the Company to compute reserves, and the adequacy of the losses and loss adjustment expenses reserves as of December 31, 2012, were reviewed as part of our examination. As part of our review, we relied on the work performed by the Company's independent actuary, who concluded that the Company's reserves appeared to be sufficient. In addition, as part of our examination of the Company's reserves, we engaged an examination actuary to review the methods employed, assumptions relied upon, and conclusions reached by the Company's independent actuary. The examination actuary utilized concluded that the methods employed, assumptions relied upon, and conclusions reached by the Company's independent actuary appeared sufficient and that reserves as reported in the Company's financial statements are reasonable and adequate.

#### **NOTE 3 – Surplus Note:**

At December 31, 2012, the Company's surplus as regards policyholders included a \$30,000 non-interest bearing surplus note. The surplus note may not be paid without approval of the Department. Inclusion of surplus notes in surplus as regards policyholders is not in accordance

with GAAP, however surplus notes approved by the Department are allowed as surplus as regards policyholders.

### COMMENTS AND RECOMMENDATIONS

During the examination, no issues warranting comments or recommendations in this examination report were noted.

### CONCLUSION

Our examination disclosed that as of December 31, 2012 the Company had:

Admitted Assets	\$	7,604,107
Liabilities and Reserves		4,110,774
Common Capital Stock		2,501,970
Surplus Notes		30,000
Unassigned Funds (Surplus)		1,472,656
Less: Treasury Stock		(511,293)
Total Surplus		3,493,333
Total Liabilities, Capital and Surplus	\$	7,604,107

Based on our examination, the accompanying balance sheet properly presents the financial position of the Company at December 31, 2012, and the accompanying statement of income properly presents the results of operations for the period then ended.

Chapter 39 (“CAPTIVE INSURANCE COMPANIES”) of Title 31 (“Insurance and Securities”) of the D.C. Official Code specifies the level of capital and surplus required for the Company. We concluded that the Company’s capital and surplus funds exceeded the minimum requirements during the period under examination.

**SIGNATURES**

In addition to the undersigned, the following examiners representing the District of Columbia Department of Insurance, Securities and Banking participated in certain phases of this examination:

Amy Carter, Lewis & Ellis, Inc.  
Lisa Marteney, Lewis & Ellis, Inc.

The actuarial portion of this examination was completed by Kristine M. Fitzgerald, ACAS, MAAA, FCA and Steven P. Lattanzio, FCAS, MAAA, FCA of Actuarial & Technical Solutions, Inc.

Respectfully submitted,

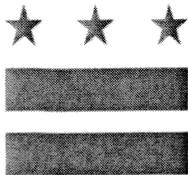


Sarah Lucibello, CFE  
Examiner-In-Charge  
Lewis & Ellis, Inc.

Under the Supervision of,



Xiangchun (Jessie) Li, CFE  
Supervising Examiner  
District of Columbia Department of Insurance,  
Securities and Banking



Government of the District of Columbia  
Vincent C. Gray, Mayor  
Department of Insurance, Securities and Banking



Chester A. McPherson  
Interim Commissioner

November 21, 2013

Guy Pierce  
President  
National Assisted Living Risk Retention Group, Inc.  
c/o Venture Captive Management, LLC  
3740 Davinci Court, Suite 130  
Norcross, GA 30092

RE: Examination of **National Assisted Living Risk Retention Group, Inc.**, as of December 31, 2012

Dear Mr. Pierce:

Pursuant to the provisions of Section 31-1404 of the D.C. Official Code, enclosed is a draft copy of the Report on Examination ("Report") of the affairs and financial condition of Examination of National Assisted Living Risk Retention Group, Inc. ("Company") as of December 31, 2012.

Please submit, to my attention, a written response calling attention to any errors or omissions. In addition, if this Report on Examination contains a section entitled "Comments and Recommendations" that discloses certain areas requiring action, the Company shall submit a statement covering the corrective measures which will be taken. If the Company's position on any of these points is contrary to the Examiner's findings, an explanation should be submitted covering each contested comment and/or recommendation.

If there are no errors or omissions to be brought to our attention, and there are no "Comments and Recommendations" requiring a response, please submit a statement that the Company accepts the Report.

The response must be in writing and shall be furnished to this Department by December 20, 2013. In addition to a hard-copy response, please also furnish the response electronically via e-mail to me, in a Microsoft "Word" format, to [sean.odonnell@dc.gov](mailto:sean.odonnell@dc.gov).

Sincerely,

Sean O'Donnell  
Director of Financial Examination,  
Risk Finance Bureau

Enclosure



**National Assisted Living  
Risk Retention Group**

December 13, 2013

Mr. Sean O'Donnell  
Director of Financial Examination  
Risk Finance Bureau  
D. C. Department of Insurance, Securities and Banking  
810 First Street, NE, Suite 701  
Washington, DC 20002

**Re: Examination of National Assisted Living Risk Retention Group, Inc as of December 31, 2012**

Dear Mr. O'Donnell,

I refer to your letter dated November 21, 2013.

I have perused the draft Report on Examination of the affairs and financial condition of National Assisted Living Risk Retention Group as of December 31, 2012, and have found no errors or omissions. I therefore, on behalf of National Assisted Living Risk Retention Group, accept the Report.

Yours truly,

Guy Pierce  
President



Government of the District of Columbia  
Vincent C. Gray, Mayor  
Department of Insurance, Securities and Banking



Chester A. McPherson  
Interim Commissioner

December 18, 2013

Guy Pierce  
President  
National Assisted Living Risk Retention Group, Inc.  
c/o Venture Captive Management, LLC  
3740 Davinci Court, Suite 130  
Norcross, GA 30092

RE: Examination of **National Assisted Living Risk Retention Group, Inc.**, as of December 31, 2012

Dear Mr. Pierce:

We are in receipt of your response dated December 13, 2013, regarding the Report on Examination of National Assisted Living Risk Retention Group, Inc. ("Company") as of December 31, 2012. The response is deemed adequate.

The adopted Report (which includes a copy of this letter), and the Order evidencing such adoption are enclosed. Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the adopted Report will be held private and confidential for a period of 10 days from the date of the Order evidencing such adoption. After this 10 day period has passed, the Report will be publicly available. The Department of Insurance, Securities and Banking will forward the adopted Report electronically to each jurisdiction in which the Company is registered and to the National Association of Insurance Commissioners.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the date of the above-mentioned Order, affidavits executed by each Company director stating under oath that he or she has received a copy of the adopted examination Report and related Order shall be filed with this Department. Please send these affidavits to my attention at the Department.

Please contact me at 202-442-8153 if you have any questions.

Sincerely,

Sean O'Donnell  
Director of Financial Examination  
Risk Finance Bureau

Enclosures