



Neighborhood Risk Management
CORPORATION
NWOs working to insure safer communities



NRMC MEMBER PERFORMANCE REPORT

August 2012

The information contained in this report is personal and confidential, and pertains exclusively to your organization. It is being provided to you as a member of Neighborhood Risk Management Corporation (NRMC). Please use all proper safeguards to ensure the continued confidentiality of the information contained in this report.

For further information about this report, please contact

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SAVE THE DATE: NRMC ANNUAL MEMBERSHIP MEETING

Tuesday February 19, 2013 in Atlanta, GA (NWA – NTI)



Neighborhood Risk Management
C O R P O R A T I O N
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NRMC PERFORMANCE REPORT

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Dear NRMC Member:

As a member of the Neighborhood Risk Management Corporation (NRMC) insurance program for Property and Liability insurance, we are pleased to present you with your organization's personalized performance report for the 2011 Policy Year (April 1, 2011 through March 31, 2012) as well as the first quarter of the existing 2012 Policy Year (April 1, 2012 through June 30, 2012). We hope this report will be helpful in developing and implementing your organization's risk management plan. Going forward, we will supplement each Member's information every six months so that our Members know how they and NRMC are performing. To supplement this report, your individual loss information is stored in your folder on the NRMC Web-Portal each quarter. (If you require information on how to access your folder, please contact Debra Beaver – debra.beaver@willis.com.)

There are many benefits of membership in the group insurance program offered to you by NRMC. Some of those benefits include:

- Higher limits and broader coverage, including catastrophic cover, as needed
- Lower deductibles
- Access to the global insurance and reinsurance marketplace
- Program size provides group purchasing power
- Minimization or smoothing of swings in volatile insurance market
- Risk Management tools to protect
 - Your property
 - Human Capital
 - Your Retention Fund Contribution!
- NRMC Program Web-Portal
- Automated Certificate of Insurance issuance
- Claim Hotline available 24/7/365
- Multi-disciplined team of insurance experts at your disposal

The information in this report is divided into three sections: (I) Introduction; (II) the NRMC Group Performance Report and (III) your organization's own NRMC Member Performance Report.



HOLD THE DATE

The Annual Meeting of NRMC Members is scheduled for Tuesday, February 19, 2013 from 5:00 to 7:00 PM at the NWA NTI in Atlanta, GA. Details will be following in the coming months.

Please make every effort to join us for this very important event.

I. INTRODUCTION

A. History

NRMC was formed in 2005 by NeighborWorks America (NWA) in response to the challenges that many NeighborWorks organizations (NWOs) were facing in obtaining property and general liability insurance in the traditional insurance market. NRMC was organized as a group insurance program specifically to address the risk management needs of NWOs by providing risk reduction and loss mitigation and related educational programs and training.

Since its formation, NRMC has been able to provide its members with broader insurance coverages than those offered in traditional markets, and at rates that are lower than those offered in the traditional market. Simply put, NRMC is able to provide insurance coverage which surpasses those which its members could otherwise obtain on their own in the market.

B. The Program Structure: The Insurance and the Retention

The Program is structured in a way that provides broad limits to cover many of the types of risks our members are exposed to every day. In order to achieve this structure, many insurances carriers participate on a series of layers, as shown in Tables 1 and 2. In addition, our insurers are able to reduce their rates with the utilization of retentions. The retentions pay for initial portions of covered claims, effectively pushing off the carrier obligation to pay until claims reach a certain threshold. These retentions are determined at each

renewal by the insurers, and are negotiated by NRMC and Willis. Each member funds the retention as a component of their premiums. Once the retention is exhausted, the insurance carrier is responsible for the payment of covered claims.

In the Liability program there is a per occurrence self-insured retention (SIR) of \$100,000 and an aggregate retention of \$1,100,000. This means that the first \$100,000 of each covered claim is paid from the group retention fund. Any covered claim in excess of the \$100,000 SIR is paid by the insurance carrier. Once the \$1,100,000 aggregate retention has been exhausted, the insurance carrier is responsible for the payment of covered claims.

The Property program in the current policy term has a Retention Aggregate of \$3,500,000. That means that all covered property claims are paid from this amount before the insurers contribute or pay from their funds (there is no per occurrence retention). It should be noted that covered catastrophe claims, such as earthquakes or hurricanes, are not paid from the retention, and are paid by the insurer. This is because one catastrophic claim could deplete the retention in its entirety.

When the NRMC program was renewed April 1, 2012, the program expanded to include several additional carriers. Following is an illustration of the current program structure.

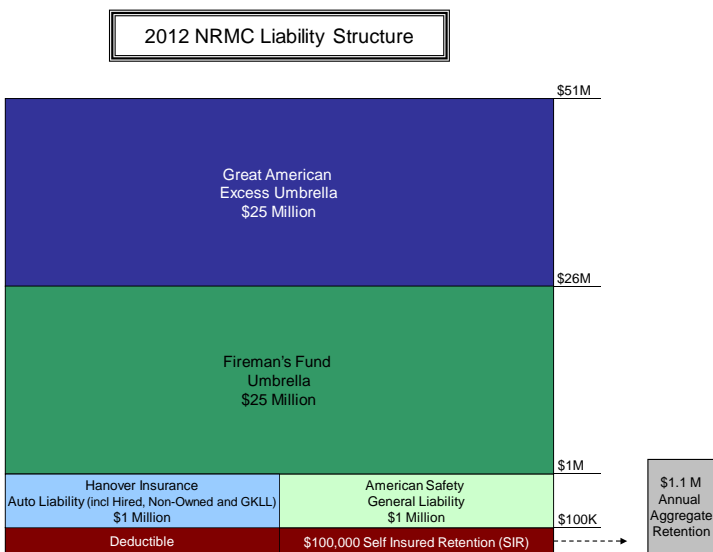


Table 1

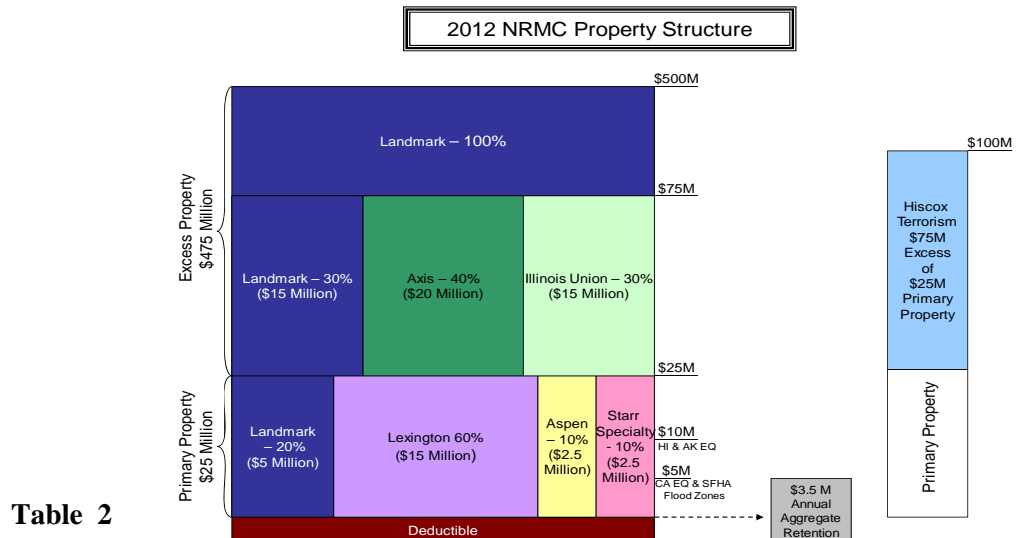


Table 2

C. Our members

Members of NRMC must be members of NeighborWorks America (NWA) and must also qualify for membership in NRMC as a provider of multi-family habitational properties. As of June 30, 2012:

Total Number of Members in the Program:	50
Total Insured Value in the Program:	\$3.5 Billion
Total Units Insured in the Program:	30,714
Total Number of Properties in the Program:	2,657

NRMC is a national insurance program. This means that insurers potentially benefit from “spread of risk” by virtue of geographic diversity, enabling them to consider more favorable terms and pricing. Should the likelihood of a property catastrophe or the legal environment in a particular state deteriorate, the portfolio is more balanced to help them absorb that shock.

NRMC insures Members and their properties in 28 states, as shown in Table 3.

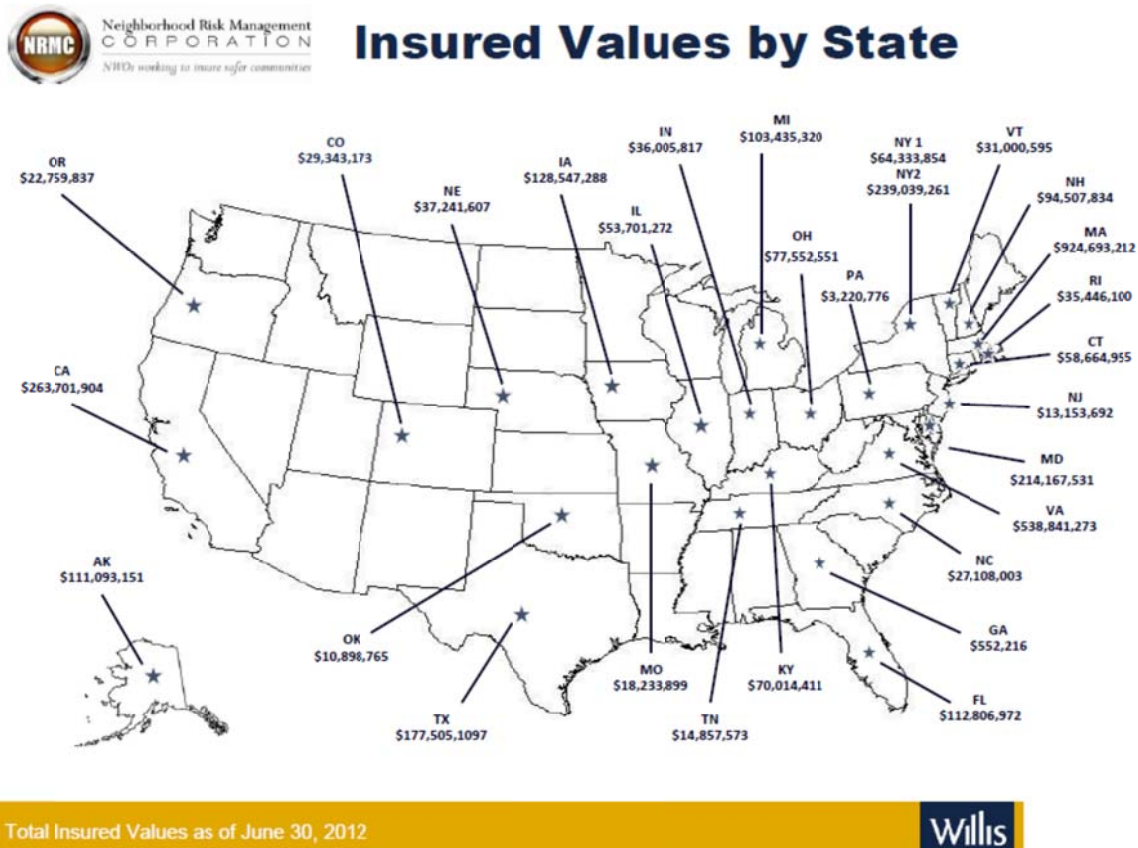


Table 3

D. Glossary of Insurance Terms

Before we review the data, we thought it would be helpful to review some insurance terms which are included in this Report:

- **AGGREGATE RETENTION:** Funds which are provided by the insured and are used to pay claims up to a pre-determined amount.
- **CLAIM (LOSS):** A formal request for investigation and/or payment related to an occurrence that may be covered under an insurance policy.
- **FREQUENCY:** The number of claims during a Policy Year.
- **(TOTAL) INCURRED LOSSES:** The total dollar amount of losses associated with insured claims during a given time period. This includes the portion of claims that have been paid out, as well as the insurance carrier estimate of the remaining portion to be paid (“reserved”).
- **LIMITED LOSSES:** The total dollar amount of losses which are paid or reserved within the retentions.
- **LOSS RATIO:** The ratio of (x) incurred losses including the costs relating to those losses (known as “loss adjustment expense”) to (y) premiums.
- **PAID LOSSES:** The actual amount(s) paid to claimants as insurance claim settlements and related expense.
- **RESERVED LOSSES:** The estimated or expected amount to be paid in the future of a claim.
- **POLICY YEAR:** The period covered by an insurance policy. For the NRMC Program, the policy years run from April 1 to April 1.
- **SEVERITY:** The cost of claims.

II. NRMC GROUP PERFORMANCE REPORT

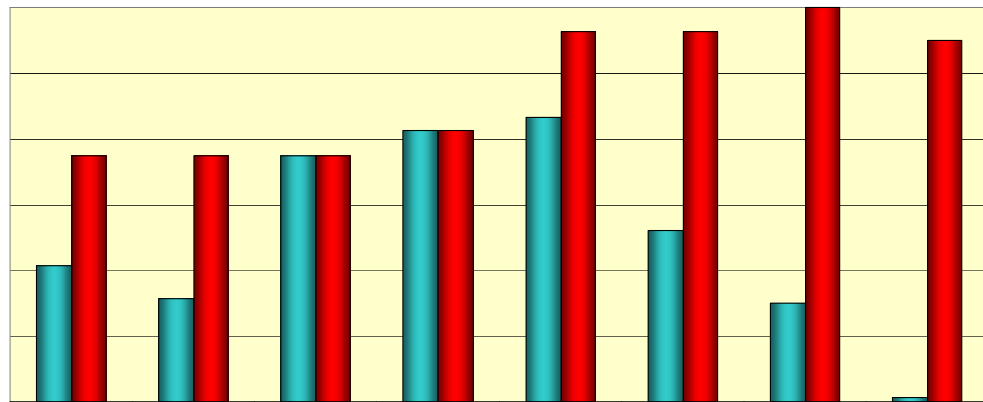
Below is historical data pertaining to the NRMC Program since its inception in 2005. In reviewing this data please bear in mind that property claims are first party claims, which means that our members are paid for covered property losses relatively soon after the loss occurs. General Liability (GL) claims are third party claims and cover a member’s liabilities to third parties, such as residents and members of the public. As a general rule, GL claims take longer to resolve - sometimes many years after the Policy Year ends.

Performance in insurance reflects two key factors: **Frequency** and **Severity**. Frequency tells us how often and the number of claims that occur, and begs the question: What can be done to prevent the incident from happening *again*? (For example, if falls reoccur in a stairway, the steps need to be inspected and may need repair.) Severity tells us the extent of the damage: Severity raises the question: What can be done to prevent the incidents from being *so costly*? For example, fire suppression equipment may reduce the damage caused by stove top kitchen fires.

The historical data for the program in this Report includes information for all 53 NRMC members during Policy Year 2011, which ended at 3/31/12 (which includes 3 members that left the program at the 2012 renewal.)

The aggregate performance of the Program since its inception in 2005 is shown in Tables 4-7 on the following pages.

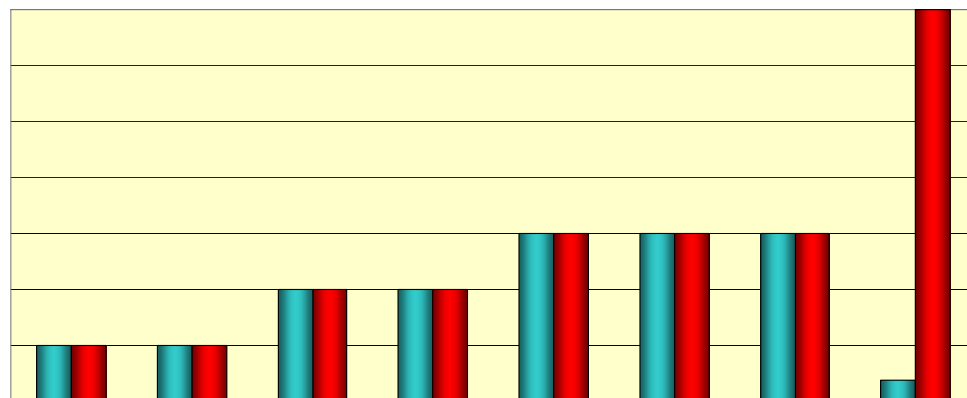
NRMC General Liability Loss and Retention as of 6/30/2012



■ Limited Losses	\$414,910	\$313,139	\$750,000	\$825,000	\$867,409	\$522,491	\$299,720	\$13,951
■ Aggregate Retention	\$750,000	\$750,000	\$750,000	\$825,000	\$1,125,000	\$1,125,000	\$1,200,000	\$1,100,000

Table 4 (above) This Table shows the General Liability Losses for the NRMC Program relative to the Aggregate Retention, and what remains of the Annual Retention for that Policy Year. For 2011, the Aggregate Retention for the Program was \$1,200,000, and as of June 30, 2012, \$299,720 of Limited Losses had been incurred. Unlike Property claims which are paid fairly quickly, General Liability claims take longer to develop and close out.

NRMC Property Loss and Retention as of 7/2/2012



■ Limited Losses	\$500,000	\$500,000	\$1,000,000	\$1,000,000	\$1,500,000	\$1,500,000	\$1,500,000	\$186,133
■ Aggregate Retention	\$500,000	\$500,000	\$1,000,000	\$1,000,000	\$1,500,000	\$1,500,000	\$1,500,000	\$3,500,000

Table 5 (above) This Table shows the Property Losses for the NRMC Program relative to the Aggregate Retention, and what remains of the Annual Retention for that Policy Year. For every year of the Program through 2011, NRMC has exhausted the entire retention.

NRMC General Liability Losses valued 6/30/2012

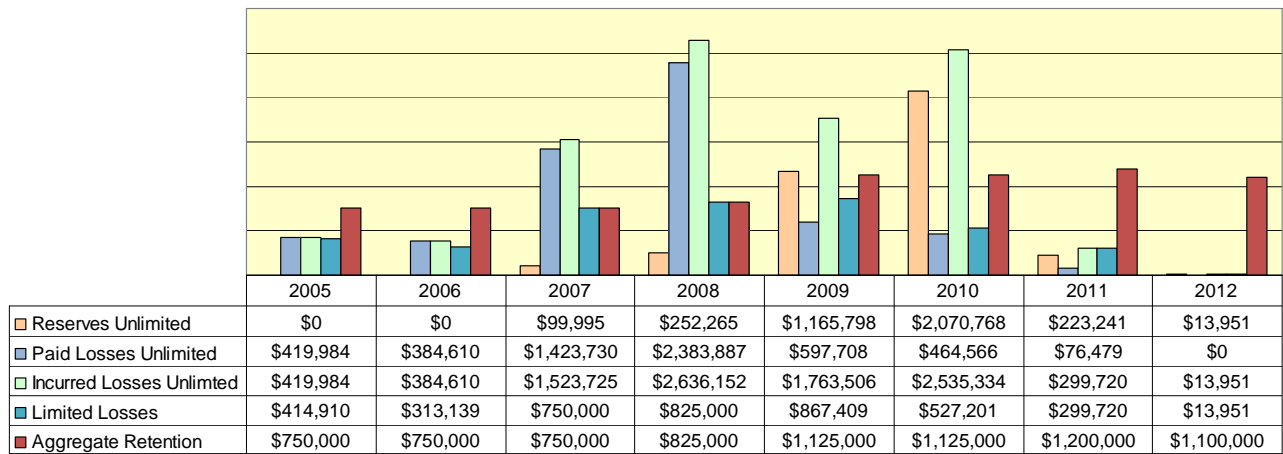


Table 6 (above) This table shows how the GL program performed relative to the NRMC retention (which are NRMC funds) and also through the insurance layers. After the retention layer is exhausted, losses are paid from the insurance layers. While this means that NRMC has benefited by the purchase of insurance, the insurance carriers' Paid Losses and Incurred Losses are factored into its pricing for subsequent years.

NRMC Property Losses valued 7/2/2012

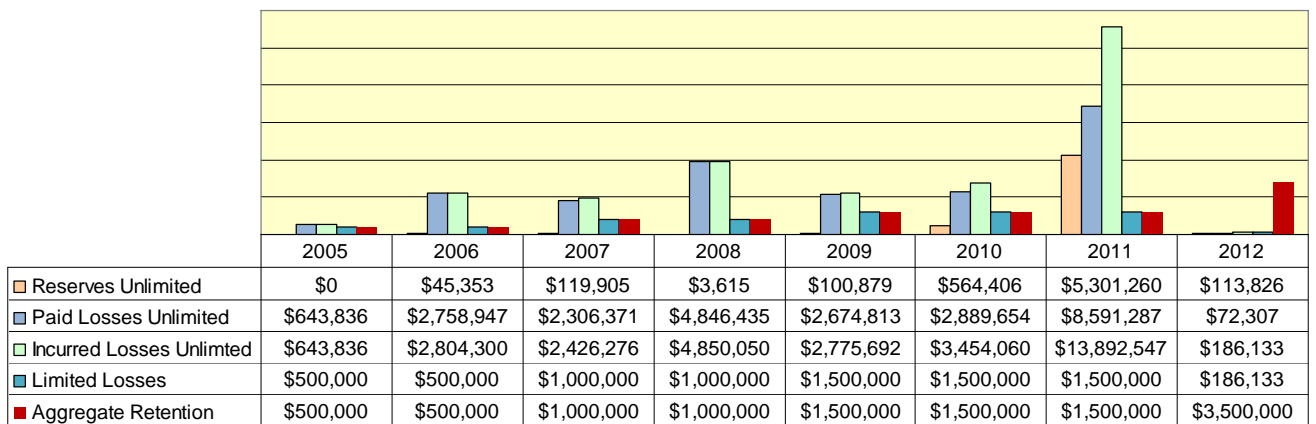


Table 7 (above). This table shows how the Property program performed relative to the NRMC retention (which are NRMC funds) and also through the insurance layers. After the retention layer is exhausted, losses are paid from the insurance layers. While this means that NRMC has benefited by the purchase of insurance, the insurance carriers' Paid Losses and Incurred Losses are factored into its pricing for subsequent years.

The following is a summary of the NRMC Program Performance:

	Policy Year 2011	Policy Year 2012 1st Quarter	
Total Number of Units in the Program:	33,985	30,714	
Total Insured Value of Property in the Program:	\$3,762,176,416	\$3,512,427,950	
Total Number of GL Claims:	138	23	(Frequency)
Total Number of Property Claims:	170	19	(Frequency)
Total Amount of Incurred Losses:	\$14,165,561	\$200,084	(Severity)
General Liability:	\$299,720	\$13,951	(Severity)
Property:	\$13,865,841	\$186,133	(Severity)

Please join us in congratulating the following 23 Members that have filed NO Claims (Property or Liability) for the 5 quarters from April 1, 2011 through June 30, 2012:

Avenue CDC
 Brand New Day, Inc.
 Chattanooga Neighborhood Enterprise, Inc.
 Chelsea Neighborhood Developers, Inc.
 Coalition for a Better Acre
 Corvallis NHS dba Willamette Neighborhood Housing Services
 Housing Resources of Columbia County, Inc.
 Housing Resources of Western Colorado
 Hudson River Housing, Inc.
 Ithaca Neighborhood Housing Services, Inc.
 Little Dixie Community Action Agency, Inc.
 Neighborhood Housing Services of Kansas City, Inc.
 Neighborhood Housing Services of Oklahoma City, Inc.
 Neighborhood Housing Services of the South Shore, Inc.
 Neighborhood Rental Services of Baltimore, Inc.
 NHS of Orange County, Inc.
 Rural Ulster Preservation Co.
 South Bend Heritage Foundation, Inc.
 The IMPACT! Group
 Troy Rehabilitation & Improvement Program, Inc.; Rensselaer County Housing
 Resources
 Twin Cities Community Development Corp
 West Elmwood Housing Development Corporation
 Westside Housing Organization

III. YOUR ORGANIZATION'S PERFORMANCE REPORT

Your organization's performance for both Policy Year 2011 and the first quarter of Policy Year 2012 is reported in the Supplement to this Report.

NRMC's Executive Director, Deb Aschheim and Loss Control Committee along with Willis, will be working very closely with members whose losses and performance are deemed to be particularly "high". We understand that there may be circumstances that drive losses up to and beyond that threshold that are completely beyond the control of the member, and will be taking into consideration. But, a high frequency of claims strongly suggests room for improvement. We will be discussing these and other factors with you when we contact you about your organization's performance. **Remember: The premiums charged by our program are based largely on two factors: (1) the state of the market and (2) the loss performance of our members. We only have control over the latter. We can and will control and improve performance!**

CONCLUSIONS:

Please review the information contained in this report very carefully and with your staff and key stakeholders. NRMC's success in reducing the insurance expenses for the Program and for each of our members depends on the success of the risk management programs implemented by each member. The first step in that process is *understanding* the performance of your organization. We hope that this report helps you in that understanding. Our Goal for Policy Year 2012 is to improve the performance of the NRMC Program – and the performance of each member – by reducing the Program's Losses. That is achieved by learning from the Program's history and developing risk management programs that will effectively help our Members reduce the risks they each face.

To that end, we urge all of our members -- and especially those who have sustained losses -- to attend "**Risk Management for Multi-Family: Managing Your Total Cost of Risk**", a one-day workshop that will be held at the December 2012 NWA Training Institute on **Wednesday December 12, 2012 in Washington D.C.** In addition, NRMC and Willis have been providing Risk Management Webinars and Risk Management tools in the NRMC Web-Portal for your use and integration into your organization.

Previous Webinars:

- Claim Reporting and Accident Investigation
- Bed Bug Infestation – Small Bug, Big Bite!
- Slip, Trip and Fall Prevention
- Navigating the NRMC Web-Portal
- NRMC Risk Management Initiatives

Future Webinars:

- The Fine Art of Transferring Risk – September 24 and 27, 2012
- Focus on Loss Mitigation Tools (Property Related) – October 15 and 23, 2012

- Focus on Loss Mitigation Tools (Liability Related) – December 3 and 17, 2012
- Disaster Preparedness and Responses – February, 2013
- Other Matters including Environmental Issues – April, 2013

The NRMC Web-Portal also contains a plethora of tools including:

- Bulletins and Alerts on issues faced in the multi-family and habitational sector
- Sample contracts to use with contractors and vendors, with language to help insulate your organization from liability
- Inspection Checklists that can be modified for your properties
- Your organization's property schedule and loss data
- Your Organization's Policy Register, including all Program policies as well as those placed for you by Willis, outside of the core program
- NRMC 's Program Highlights of Coverage

The regular use of these tools can assist each of our members take control of their Risk Management destiny!

Deborah Aschheim and our Willis Team will be contacting each member soon to assist in planning a personalized risk management program for each Member.

In the interim, we welcome you to contact us.

Cordially,

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