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Press Statement March 26, 2012

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Primex agrees to Return Minimum of \$16 Million to Members

The Secretary of State and Primex have entered into a Risk Pool Practices Agreement that will result in the return of at least \$16 million to Primex members beginning no later than September 30, 2012. As much as \$21 million may be returned to members under the agreement depending upon future loss and contingent reserve needs of the pool.

The agreement was reached after the completion of an on-site examination by the Bureau of Securities, in which Primex was completely cooperative. The process that resulted in this first Risk Pool Practices Agreement began when Primex accepted the Bureau's request to meet and provide input regarding risk pool industry best practices and evolved as Primex offered the Bureau complete access to its records and operations. Primex was respectful and sensitive to the regulatory objectives of the Bureau and provided valuable input regarding operational and reserving practices. This process was not part of a formal investigation or enforcement action against Primex.

The Risk Pool Practices Agreement promotes continued transparency in the operation of the Primex risk pool, achieves the Bureau's preferred methodology of returning surpluses, moves to a more conservative investment model for reserves based on municipal finance laws, and allows Primex to hold reasonable amounts of capital to conduct its operations without destabilizing rates. While Primex has returned surpluses in the past, it used a process of offering rate credits rather than premium holidays in specific amounts against member invoices. The agreement also

confirms good governance practices, most of which were previously adopted by Primex.

The Secretary of State and the Bureau of Securities Regulation acknowledges the time, effort and cooperative attitude of Primex throughout this process. Primex provided valuable input regarding operational and reserving practices, methodologies for surplus return, the interests of risk pool members, and the need to achieve adequate loss and contingent reserves in a highly competitive market.

A copy of the complete Risk Pool Practices Agreement is attached to this Press Statement.

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