

## Nonprofits Insurance Alliance Group

Nonprofits Insurance Alliance Group (NIA Group), based in Santa Cruz, CA, is a cooperative nonprofit insurance carrier which provides liability insurance for 501(c)(3) nonprofit organizations in 31 states and DC. In the year ending 2012, the NIA Group insured 11,804 nonprofits nationwide, had a total equity of \$163.1 million, with \$331.3 million in assets, and was rated A VIII (Excellent) by A.M. Best Company.<sup>1</sup>

### Mission

NIA Group's mission is to serve 501(c)(3) tax-exempt nonprofit organizations by providing a stable source of reasonably priced liability insurance tailored to the specialized needs of the nonprofit sector and to assist these organizations to develop and implement successful loss control and risk management programs. The slogan for the Group is, "A Head for Insurance, a Heart for Nonprofits."

### History

During the insurance crisis<sup>2</sup> of the 1980s, many nonprofits were forced to close due to insurance costs which rose to 200% or more in the volatile commercial market. Pamela Davis,<sup>3</sup> founder and present Chief Executive Officer, was then a graduate student in Public Policy at the University of California at Berkeley. In her thesis,<sup>4</sup> she examined the causes of the crisis, its impact on nonprofits and the potential solutions to make insurance affordable and available to nonprofits.

In 1987 Ms. Davis testified<sup>5</sup> before the California Assembly regarding the significant loss of human service programs such as foster care, group homes, and health services caused by soaring premiums and widespread policy cancellation.

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<sup>1</sup> A.M.Best <http://www.ambest.com/> Founded in 1899, A.M. Best Company is a full-service credit rating organization dedicated to serving the insurance industry. Policyholders refer to Best's ratings and analysis as a means of assessing the financial strength and creditworthiness of risk-bearing entities and investment vehicles.

<sup>2</sup> Lawrence A. Berger, J. David Cummins, and Sharon Tennyson. "Reinsurance and the Liability Insurance Crisis." *Journal of Risk and Uncertainty*, 5:253-272 (1992)

Insurance-industry accounts of the liability insurance crisis of the mid-1980s often cite disruption of supply in reinsurance markets as an important contributing factor. Economic theories of the crisis have not explored this explanation for the severity of the crisis. This article investigates the extent to which events in reinsurance markets affected liability insurance market outcomes. It documents significant shocks to reinsurance supply in the early 1980s and finds evidence of subsequent disruptions to the price and availability of reinsurance. Regression analysis of liability insurance profitability over the time period supports the hypothesis that problems in reinsurance markets played an important role in the crisis.

<sup>3</sup> Thomas J. Slattery. "Greener Pastures: How Pamela Davis Transformed Her Graduate Thesis into a Viable Business Model to protect Nonprofits from Liability." *Risk & Insurance*, Vol. 17:5, April 15, 2006

<sup>4</sup> Pamela Davis. "Nonprofit and Liability Insurance: Problems, Options, and Prospects." A Publication of the Conrad Hilton Foundation and the California Community Foundation, February 1987

<sup>5</sup> Testimony of Pamela Davis, Graduate Researcher, University of California at Berkeley. Interim Hearing of California Assembly Select Committee on Insurance, Sacramento, October 8, 1986

Two years later, under her leadership, the Nonprofits Insurance Alliance of California (NIAC) opened its doors with low interest loans of \$1.3 million from a consortium of foundations led by the Ford Foundation<sup>6</sup>.

In 1999, a feasibility study underwritten by the David and Lucile Packard Foundation<sup>7</sup>, explored the possibility of expanding the model into other states. The results of this study yielded the Alliance of Nonprofits for Insurance, Risk Retention Group (ANI) and its captive reinsurer, the National Alliance of Nonprofits for Insurance (NANI). In the fall of 2001, ANI was launched in six states and DC.

## Organizational Structure

The organization started providing coverage in California in 1989, and expanded into other states in 2001. The Group is comprised of four distinct 501(c)(3) nonprofit organizations:

- Nonprofits' Insurance Alliance of California (NIAC), which provides liability insurance to 501(c)(3) nonprofits in California
- Alliance of Nonprofits for Insurance, Risk Retention Group (ANI), which provides liability insurance to nonprofits outside California
- National Alliance of Nonprofits for Insurance (NANI), which provides property reinsurance
- Alliance Member Services (AMS), which provides staff, services and support to the other three companies.

Together, these four companies make up the Nonprofits Insurance Alliance Group (NIA Group). All companies in the Group are governed by their member-insured organizations with a board of directors elected by the members.

## Current Operations

NIAC currently insures more than 8,000 nonprofits in California, and ANI insures more than 4,000 nonprofits outside California. The other insurer in the group, NANI, is a captive that reinsures the property provided to NIAC and ANI members through a fronting company, North American Elite, a company wholly owned by SwissRe. The NIA Group actively writes business in the following states: Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Jersey, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Utah, Vermont, Virginia, Washington and Wisconsin.

Additional information about the NIA group can be found at <http://www.insurancefornonprofits.org/>

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<sup>6</sup> Ford Foundation <http://www.fordfoundation.org/>

<sup>7</sup> David and Lucille Packard Foundation <http://www.packard.org/>