



Addiction Treatment

PROVIDERS INSURANCE PROGRAM

A New Insurance Player Hits the Treatment Scene
A Strong Backer of Recovery, NSM Sees Opportunity in Addictions Marketplace

By Patricia Devaney

A big booster of the renowned Caron Foundation, insurance executive Geoffrey McKernan has been an advocate for recovery in the Philadelphia area for years, and whose efforts were recognized at an awards dinner hosted in late 2005 by Caron, on whose Philadelphia Leadership Council McKernan sits.

As CEO of NSM Insurance Group, based near Philadelphia, McKernan over nearly 20 years has been a pioneer in developing the insurance program administration business, in which insurance carriers essentially outsource the underwriting function to brokers, who target specialty business niches in which they have

acquired informational expertise around which the agency can build a specialty program. Over the years, NSM Insurance has built over 15 programs, as premiums collected have grown to more than \$350 million annually. Through his association with Caron, McKernan began to get the idea that there might be a good business opportunity for his agency in establishing a specialty insurance program for addiction treatment providers, and he directed his staff to look into the possibilities. The result is that, in October of last year, NSM launched its Addiction Treatment Providers Insurance Program, whose aim is to attract a

a growing share of the \$150 million a year the agency estimates that addiction treatment providers spend every year on insurance premiums, not counting workers compensation insurance and coverages for employee health insurance.

To spearhead the program, McKernan has brought in Rich Willetts, who developed a well regarded specialty addiction treatment provider program for Westport Insurance, which Willetts built into a \$17 million a year in premiums business.

Willetts has helped conduct an exhaustive search for an appropriate carrier partner for NSM's

specialty addiction treatment provider program. "We definitely left no stone unturned as we examined the market for the right carrier partner," he says. Willetts did not wish to identify the other carriers NSM interviewed, but carriers

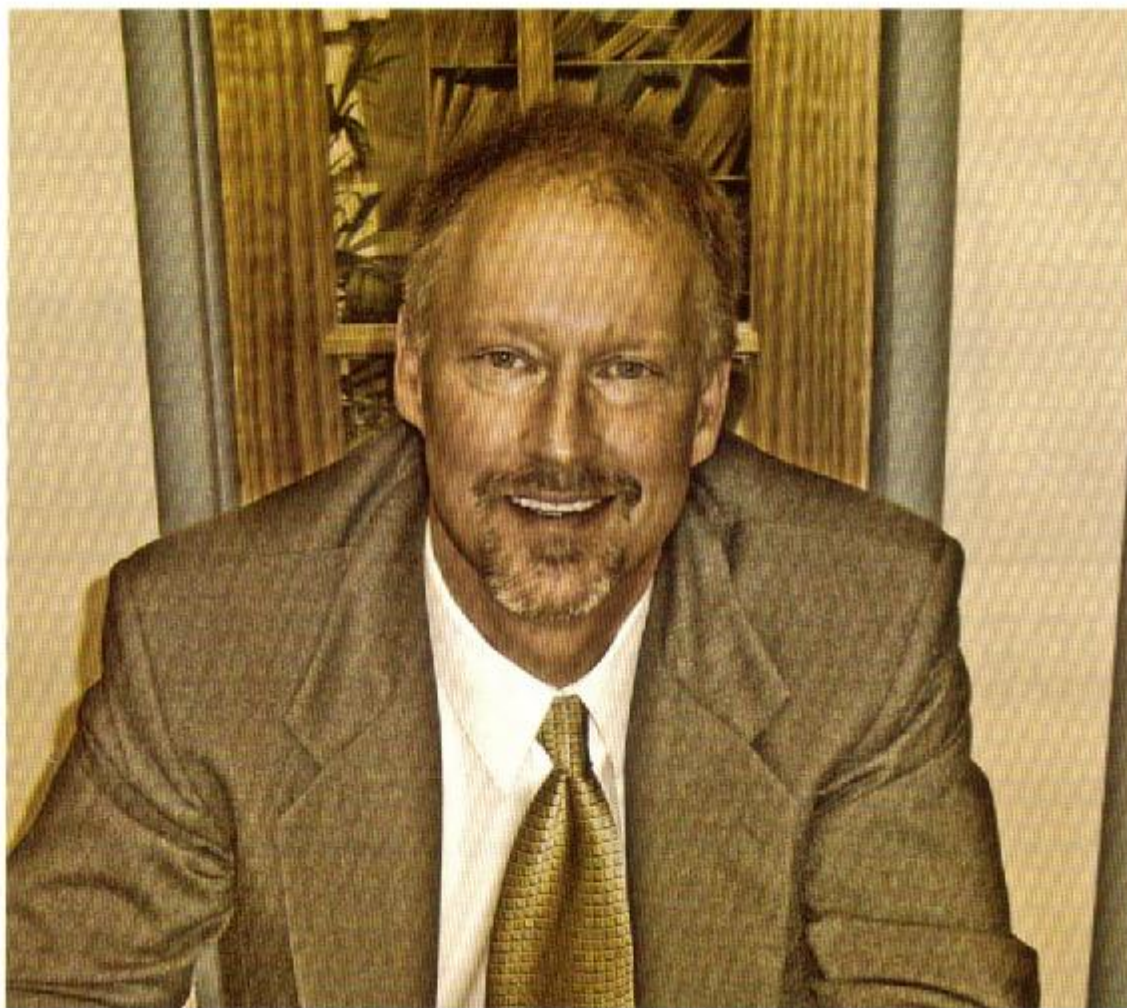
with strong profiles in the market for underwriting addiction treatment insurance coverages in recent years include AIG, Philadelphia Insurance and Safeco.

"The carrier that was head and shoulders above all the rest was Arch Insurance, which is now our exclusive carrier partner in the addiction treatment program," says Willetts, adding that Arch has a strong focus on specialty program insurance lines, as well as being a big player in underwriting health-care risk generally. Arch also has substantial experience underwriting addiction treatment coverages, being the insurance carrier for the nation's largest addiction treatment provider, CRC Health Corp.

Being an industry that is dominated by relatively small players, about 60 percent of which are non-profit foundations, the politics of brokering insurance to addiction treatment centers are often difficult. Many of the non-profit players have as board members the local insurance broker, who sells the policy to the center. Insurance brokers have typically complained about how difficult the treatment industry is to sell into.

But as a program administrator, Willetts says that NSM more often than not is working with the local brokerages, the ones that already have the relationships

with the centers. Perhaps this explains the seemingly rapid pace that NSM is signing up centers for its new program, with 50 centers already enrolled and annual premiums worth \$2 million. NSM certainly isn't the



Rich Willetts, Manager, Addiction Treatment Providers Insurance Program, NSM Insurance Group

the only large insurance brokerage concern to spy opportunity in the addiction treatment marketplace in recent years. David Sterling of Sterling & Sterling Insurance, based in Woodbury, NY, 4 years ago bought the Van Wagner Group, an addictions lines brokerage that recovering broker Tom Van Wagner built into the nation's largest brokerage serving the addiction treatment industry. David Sterling is equally a pioneer with special industry insurance programs and often wields the underwriting "power of the pen" for his carrier partners. Sterling has built on Van Wagner's leading market position, signing an exclusive deal with Therapeutic Communities of America. PD