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Client Alert

Novia Underwriters: A Client from A to Z

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One of the goals of the founders of our firm was not only to represent clients but to create clients. A number of clients have been created by the firm over the years. A successful example is Novia Underwriters, Inc., which made profits every year of its existence and was sold for a handsome gain for its shareholders this summer.

The founders of Novia were Eric Olson, John Retz, Lanny Green, and Dave Hooper, all of whom had worked with me while I was the in-house General Counsel of VASA North America, Inc. In early 1997, Olson, Retz, Green, and Hooper left VASA to form Novia. VASA had been one of the premier writers of a niche insurance product called medical stop-loss insurance, a form of catastrophe cover for self-funded medical benefit plans. It was the goal of Novia's founders to turn their new company into a similarly successful stop-loss company.

To form and do the legal work for the new company, the founders contacted me. They worked with me and with other contacts we had made at VASA to raise capital for Novia's start-up. After creating a business plan and offering memorandum, Novia Underwriters was incorporated on July 2, 1997. More than 30 people originally invested in Novia, including partners at Plews Shadley Racher & Braun LLP. Novia's original business plan called for building the company for five years with the intention of selling it at the end of that time.

In 1999, Novia acquired the VASA book of small group medical stop-loss business from The Centris Group of California, which had purchased VASA. The next few years were filled with challenges as the insurance industry in general and the health insurance industry in particular were rocked by rising health care costs, shrinking reinsurance capacity, and a number of insurance company and agency insolvencies. Despite the upheavals in the industry,

Novia made a profit each year after its incorporation. One of the business strategies Novia developed that kept it in business while other agencies failed was to become a risk-taker itself. In 2000, Novia formed a Bermuda-domiciled reinsurance company in order to be able to take risk on the business it was placing with other insurance carriers. In 2004, Novia's Board of Directors decided to dissolve the Bermuda company and form a reinsurance company in the Turks & Caicos Islands, which offered certain advantages over Bermuda. Later that year, Novia dividended the Turks & Caicos operations to its shareholders as a separate company. The investors in Novia then owned two companies. Novia also sought to diversify into other businesses. In 2005, Novia began work with CareHere, LLC, a company in Tennessee that created and managed health care clinics for employers on the employers' worksites. Novia entered into a contractual arrangement with CareHere and organized Novia CareClinics, LLC.



By the end of 2005, Novia had become one of the most successful writers of medical stop-loss insurance for small groups in the country. The largest writer of medical stop-loss insurance in the U.S., HCC Insurance Holdings, Inc. of Houston, Texas, contacted Novia early in 2006 about HCC possibly acquiring Novia. After several months of negotiation, HCC and Novia closed its acquisition on June 30. Plews Shadley Racher & Braun LLP handled the legal work on the transaction, as it had the other legal work required by Novia in the previous nine years. Novia was sold in nine years, not the originally projected five. The company, however, was in an optimum condition for sale in 2006, so the timing was quite good.

One of the aspects of the HCC acquisition of Novia was that the shareholders of Novia were allowed to keep Novia CareClinics, which was also dividended to them. Eric Olson and Lanny Green are still in charge of Novia CareClinics, and Plews Shadley Racher & Braun LLP is still doing the legal work for that company.

The firm has been privileged to work with Novia since its inception and to be able to work with its officers and directors right through its sale to HCC. We wish Novia CareClinics all the success enjoyed by its predecessor.