

Legislation to Expand Liability Risk Retention Act Introduced into Congress

April 16, 2008

Legislation designed to modernize the federal Liability Risk Retention Act (LRRRA) of 1986 was introduced into Congress yesterday.

H.R. 5792, or the "Increasing Insurance Coverage Options for Consumers Act of 2008," would allow risk retention groups (RRGs) to write property coverage. The bill also addresses several corporate governance standards for risk retention groups that the Government Accountability Office (GAO) recommended in its 2005 study of the RRG industry while concluding that RRGs are a beneficial form of commercial insurance.

Risk retention groups are comprised of businesses or practices that belong to the same industry or profession and become owners-insureds of their own insurance company. Under the existing LRRRA, they may insure against the risks of liabilities such as product failure or medical malpractice.

Supporters say that H.R. 5792 would help to stabilize prices and increase coverage availability in the commercial property insurance marketplace by allowing RRGs and RPGs to expand their insurance offerings to include commercial property coverage. Currently, RRGs and RPGs are limited to offering liability coverage.

The legislation, introduced by Rep. Dennis Moore, D-Kan., and Rep. Deborah Pryce, R-Ohio, is "an important step toward solving the problems of availability and affordability of commercial property insurance through the United States by permitting alternative risk transfer solutions," says Self-Insurance Institute of America President Dick Goff. SIIA is a national trade association serving companies involved in the self-insurance/alternative risk transfer industry.

SIIA's COO Mike Ferguson says the legislation will provides another option for commercial property insurance coverage for businesses. "It provides an opportunity for businesses where their insurance needs are currently being met," he said, especially for businesses in high-risk areas such as coastal property or areas prone to natural catastrophes. Ferguson said that coastal property is a primary reason for the legislation, however, if passed, the expansion could be targeted toward any commercial risk in need of property coverage, including small and mid-sized businesses.

Risk managers also expressed their support of the bill saying such reform is a much-needed step forward in increasing coverage options for commercial property insurance.

"Risk retention groups (RRGs) provide competition in the marketplace, helping to increase coverage availability and keep costs reasonable. RIMS is pleased that the proposed legislation provides the opportunity for these groups to expand their programs to include property coverage," says Terry Fleming, member of Risk and Insurance Management Society (RIMS) board of directors and director of risk management for Montgomery County, Maryland.

H.R. 5792 will be discussed before congressional leaders today at 2 p.m. EST as part of a third in a series of hearings on insurance regulatory reform before the House Financial Services Subcommittee on Capital Markets and Insurance. The hearing will examine a variety of proposals to address the regulation of insurance.