

ARRC Launched by Self-Insurance Institute of America

New Coalition Will Protect Federal Rights of Risk Retention by Professional, Trade Groups

WASHINGTON, D.C., Feb. 6, 2006 – The American Risk Retention Coalition (ARRC) was launched today as a function of the Self-Insurance Institute of America, Inc. (SIIA), it was announced by James A. Kinder, SIIA chief executive officer.

ARRC will serve as the advocate of risk retention groups (RRG) that represent an economical and efficient way for professions or trade groups to manage a variety of risk exposures.

Federal laws passed by Congress in 1981 and 1986 established RRGs to provide insurance coverage for the liability risks of homogeneous groups at times when there was a lack of available or affordable coverage from the traditional insurance markets. For example, most doctors who have malpractice insurance are members of risk retention groups to cover their professional liability.

The major differences between RRGs and traditional commercial insurance companies are that RRGs are owned by their policy holders who are members of specific professions or trade groups, and the policies are not offered to the public at large.

Under federal law, RRGs that are licensed by any state or the District of Columbia must be accepted for operation in all other states. Other kinds of insurance companies must be licensed in each state in which they operate.

“The genius of Congress in establishing RRGs was that licensing in any state would make them acceptable in all states,” said ARRC Steering Committee Chairman Richard C. Goff who said that the status of RRGs is now threatened by erosion of their federal protection.

“Congress did not establish a federal bureaucracy to govern and protect RRGs, so it is left up to the industry to fill that void,” Goff said.

As Congress considers any changes to laws governing risk retention groups, ARRC will focus lawmakers’ attention on the important benefits RRGs have provided to the overall insurance market and on the need to strengthen and expand the federal preemption provisions of the law.

In addition to medical malpractice insurance, RRGs provide additional forms of liability insurance for groups including government institutions, property developers, transportation companies, manufacturers, distributors and environmental remediation companies to name a few examples.

Even though established by Congress with preemption of state-by-state licensing, RRGs have encountered resistance among many states that have not adopted or do not understand alternative risk transfer practices. The state regulators' trade association, the National Association of Insurance Commissioners, has claimed the role of arbiter of RRG standards and is expected to recommend changes to Congress this year.

ARRC will work with a variety of organizations to tell the positive story about RRGs at every level of government. At the same time, it will defend against movements to restrict or inhibit the operation of RRGs such as standards that would require them to operate under the same rules that govern traditional insurance companies.

The Government Accountability Office recommended nationwide standards for RRGs, but GAO assistant director and co-author of the RRG report Larry Cluff said that the "unique characteristics" of RRGs should be preserved. "We're suggesting that NAIC and Congress do this without damaging what is a pretty good system," he told a meeting of the Captive Insurance Council of the District of Columbia.

ARRC is a coalition of national and state-based industry and trade organizations as well as organizations that sponsor RRGs and providers of professional services to them.

The new coalition reflects the stature and 25-year history of SIIA, which is the largest national organization dedicated to the protection and promotion of self-insurance and alternative risk transfer (ART).

ARRC will be governed by the Steering Committee initially comprised of:

Dr. Michael Gerardi, President/CEO, Superior Insurance Company, Livingston NY.

Richard C. Goff, CEO, The Taft Companies, Baltimore MD, Chairman.

R. Ray Pate, Executive Vice President, BMS Vision Re, Birmingham AL.

Larry Smith, CEO, MedStar Liability Limited Insurance Company, an RRG, Columbia MD.

Stan Smith, President, Self-Insurance Institute of America, Inc.

Erica M. Massey (Ex Officio), Executive Director, American Risk Retention Coalition.