

Association Leaders Join Coalition to Save RRGs

By Dick Goff

For some people, protection of the risk retention group (RRG) concept of self-insurance is more than a necessary business effort – it could be a matter of life or death.

- “The risk retention group we established for private specialist physicians helps us to provide the medical services that support our mission of saving lives,” says Larry Smith, vice president of risk management for MedStar Health, a \$2.7 billion network of seven hospitals in the Baltimore-Washington region.

- “Prior to the liability coverage of our RRG the ability of our physicians to obtain insurance to provide emergency medical care was in jeopardy, and thus the survival of our physician-owned group was at stake,” says Dr. Michael Gerardi, president of Superior Insurance Company of Livingston, NJ, which covers the 250-provider Emergency Medical Associates, Inc.

Both Smith and Gerardi are members of the Steering Committee of the American Risk Retention Coalition, a stand-alone unit of SIIA that was launched last month in a widely covered Washington DC press conference. I am proud and pleased to serve as the chair of that committee. An interesting note – and a telling difference between coalitions and associations – is that Larry and Dr. Mike already serve as chairmen of captive associations serving their home domiciles. Larry is chair of the Captive Insurance Council of the District of Columbia and Dr. Mike is chair of the South Carolina Captive Insurance Association.

Neither of them needed another volunteer job to fill out their resumes. They both put in long hours in their professional positions and give generously of their time for their domiciliary associations. So why is it important to them to join ARRC?

“I believe in the coalition idea because they serve more than a single point of view and bring together resources to serve broad unified interests,” said Dr. Mike. Believe me, he didn’t have to add another round of meetings to his already-jammed travel schedule between New Jersey and South Carolina where Superior Insurance Company is domiciled. MedStar already had an existing captive that is licensed in Cayman Islands to cover the liabilities of its employed and contracted physicians as well as in-training providers. But last year it added an RRG licensed in the District of Columbia to cover private practice physicians in many high-risk specialties that treat patients at MedStar hospitals. “There was no other practical solution,” Larry said. “Risk retention groups are a wonderful vehicle for cooperation between medical institutions and doctors who need to work together for the benefit of both.”

But that “wonderful vehicle” may have its engine damaged and its wheels fall off if the National Association of Insurance Commissioners (NAIC) is successful in forcing RRG domiciles to adopt regulatory standards that are closer to those of traditional commercial insurance companies. One proposed standard would be to allow RRG reinsurance only by rated commercial

reinsurance companies.

“In our case it only makes sense for our captive to provide reinsurance for our RRG,” Larry says. “We have no reason to worry about ratings. Commercial grade reinsurance would inhibit what we’re doing.

“It would be unrealistic for anyone to be concerned about our captive not being able to reinsure the RRG. Look at our track record – it beats the commercial market,” Larry added.

Dr. Mike said that in three and a half years of operations by Superior Insurance Company, loss ratios for its population of health care providers are only a fraction of those for earlier similar physician groups covered by commercial policies.

Both Larry and Dr. Mike agree that a vital benefit of self-insuring medical liability through a self-owned RRG is placement of responsibility on the shoulders of the physicians. “We have a very intense effort to reduce risk and improve patient outcomes,” said Dr. Mike.

While these two leaders of associations that are already engaged in defending RRGs were anxious to join the coalition, members of other associations have questioned ARRC’s mission. To help clarify the coalition concept, ARRC provides this comparison:

- Associations are organized to be permanent resources for their members while coalitions are purpose-structured and are intended to dissolve when their objectives are met.
- Associations customarily provide a wide range of services in addition to advocacy such as education, professional development, and business networking. Coalitions exist only to pursue their members’ objectives in the political arena.
- Associations retain their right to speak to all levels of government on behalf of their members, but by joining coalitions they leverage those efforts more effectively. Through coalitions, associations can pursue their political objectives with uniformity and strength for a fraction of the cost of working alone.

ARRC is a true coalition that invites the participation of all associations of similar interests. Formed specifically to defend the federal preemption of RRGs against state regulatory interference, ARRC will lobby Congress vigorously to strengthen and expand the RRG structure. Response to the launch of ARRC has been gratifying both among insurance news media and those who are joining our effort. Membership is open to associations, risk retention groups, professional service providers and others who believe in the RRG concept. You can learn more about ARRC at www.arrcoalition.org.

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