

## Risk Retention Group (RRG) Fact Sheet

- RRGs is a member-owned business association formed for pooling and sharing similar business risks.
- RRGs became authorized by federal law under the Liability Risk Retention Act of 1986. They must be licensed in at least one state and once licensed are allowed to insure the risks of members nationwide.
- A RRG is required to follow insurance laws in its domiciled state. State insurance laws can vary widely.
- Due to lack of regulatory oversight in some states, a RRG can have inadequate capital and charge inadequate premiums resulting in insolvency. As a result of insolvency, your financial assets could be at risk to pay your claims.
- If an RRG is adequately capitalized and well managed, it can be a viable insurance alternative.
- A key benefit to the use of RRGs is that insurance company profits are eliminated and overhead costs are reduced.
- Insured are owners resulting in an incentive for its members to engage in proactive risk management.
- When first joining an RRG a physician is typically required to pay a capital contribution in addition to the insurance premium.
- RRGs must file annual financial statements in its domiciled state and in all states it operates.
- Physicians considering purchasing insurance from an RRG should review its financial statements. You should also carefully evaluate the management of the RRG's and domiciled state's financial standards to ensure the RRG is able to fulfill its insurance obligations.

## **Questions to Ask a Risk Retention Group (RRG)**

### General Questions

- Is the RRG endorsed or sponsored by any medical associations?
- Will I be financially responsible (assessable) for the liabilities of the RRG in the event of bankruptcy?
- What is the cost of capitalization?
- Will I get my capital back in the event I cancel the policy?
- Does the RRG have any risk management requirements?

### Company Structure and Operations

- How long has the RRG been in business?
- What state is the RRG domiciled?
- Who are the Board of Directors and how are they elected?
- In what state(s) is the RRG writing policies?
- How many physicians are in the program, what are their specialties?
- What is the total annual written premium?

### Financial Information

- Who is the RRG's financial auditor? CPA? Actuary?
- Are they experienced in insurance and actuarial matters?
- What is the ratio of premium to surplus? (industry standard 3:1 or better)
- What is the ratio of reserves to surplus? (industry standard 4:1 or better)
- Does the RRG have reinsurance?
  - If yes, at what limits? (each claim and aggregate)
  - Is the reinsurance company rated by A.M. Best or Moodys?
  - If yes, what is the rating? (a minimum rating of A- is recommended)

### Underwriting

- Does the RRG have underwriting criteria?
- What type of policy is written by the RRG? (occurrence, claims made, claims paid)
- Is the policy assessable? Can I be assessed in later years for premiums deficits?
- In the event my coverage is cancelled or not renewed is there an appeals process?
- What factors determine non-renewal or cancellation of a policy?
- Is there an extended reporting endorsement (Tail Coverage)?
- How is tail premium calculated?
- Does the RRG offer free death, disability and retirement tail coverage?
  - If yes, what are the terms?
- What determines my premium? How are increases determined?
- What are the limits of coverage offered by the RRG?
  - Do expenses erode the policy limits or are they separate?
- Do you offer group policies or a group discount?
- Will my PC be covered at no additional cost?
- Will I get separate limits for my PC or LLP, if so is there additional premium cost?
- Will the RRG provide coverage for para-professional, RNs, NPs, PAs, CRNAs, CNWs?
  - If yes, is a separate policy issued?
- Are administrative actions and other non professional liability claims covered?

### Claims Management

- Can the RRG settle a claim without my consent?
- Who handles claims for the RRG and where are they located?
- What is the process for filing a claim?
- Do I get to choose my defense counsel?
  - Is there a maximum hourly rate for defense attorney and expert fees?

**It is recommended that you obtain copies of the RRGs financial statements, underwriting guidelines, bylaws and policy. Review of the documents by your legal and financial advisors is strongly recommended.**