When Are Risk Retention Groups the Right Option for Medical Professional Liability?

The U.S. medical professional liability (MPL) marketplace has hardened substantially over the last few years due to a decade of soft market conditions with inadequate rating, social inflation, and the sustained low interest rate environment. As a result, carriers protected their balance sheets by making double-digit rate increases, reducing capacity, and tightening coverage terms and conditions.

With rates on the rise and adequate coverage difficult to secure for challenging risks or those with a history of losses, some insureds moved from the traditional insurance marketplace to alternative risk transfer vehicles, including risk retention groups (RRG) for MPL coverage.

While an RRG can be an excellent choice for certain insureds, it isn't necessarily the right fit for all. This article will help retail brokers understand how RRGs function, the benefits they can offer insureds, and how to help choose the right RRG to meet their clients' specific needs.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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What is a Risk Retention Group (RRG)?

An RRG is a liability insurance company owned by its members that operates under state regulated guidelines for the purpose of assuming and spreading risk for the commercial liability exposure of its members. RRGs allow similar businesses with similar insurance needs to pool their risks and self-insure. They are often used for industries that face cyclical or distressed liability insurance issues—such as long-term care facilities, physician and medical practitioners, and hospitals.

Unlike other captives, RRGs may write directly in states where they are registered without obtaining a license and are subject to National Association of Insurance Commissioners (NAIC) accreditation standards. Newly formed RRGs do not have the capitalization levels or operating history to initially secure an AM Best rating and many secure a rating from alternative agencies, such as Demotech.

Which Clients Benefit Most from an RRG?

RRGs are an effective risk transfer vehicle for many insureds, but not for all. It's important to ensure that an RRG is the right fit for your client before joining. Typical insureds that find the most value in an RRG, include:

Operators with strong risk mitigation controls. RRG's can provide flexibility in policy structure, utilizing various retentions, sub-limits, inner aggregates, or other levers that can save money up front in premium if the insured feels confident in their risk mitigation and would like to take on more risk themselves.

Coverage is difficult to secure or cost prohibitive in the standard market. This is often the case for insureds in difficult venues or jurisdictions (such as Florida; Cook County, Illinois; and West Virginia), with loss history, or poor state inspection survey results. RRG members often see a cost reduction after the initial capital contribution period.

Which Clients Benefit More from Traditional Insurance?

Some insureds may just feel more comfortable with the financial security of the standard market, or they might want to stick with the traditional insurance marketplace if they:

- Need traditional insurance with certain ratings to meet contractual requirements.
- Need limits that require excess over the RRG. Some commercial carriers are now offering excess liability coverage, but many refuse to offer this coverage.
- Don't have aligning long-term goals. Not all carriers provide prior acts coverage when moving back to the commercial market.

How to Choose the Right RRG

Since all RRGs are not created equally, it's important to choose the right one upfront. When selecting an RRG, look for the following attributes.

Flexibility in program customization. A key benefit of RRGs over traditional carriers is the flexibility in designing coverage that meets the individual insured's needs and budget, while complementing their risk mitigation strategies. This is achieved through varying retentions, inner aggregates, sub-limits, etc.

Experienced underwriting partner focused on long-term profitability. Some RRGs are in it to make money fast, then fold, leaving insureds back to square one after the initial investment. To ensure the RRG is poised for long-term sustainability, ask questions and do research on the expertise and tenure of the underwriters employed as well as the overall mindset and business philosophy of the RRG.

Backed by financially stable and reputable reinsurance. By nature, self-insurance is risky. That's why a strong reinsurance partner can provide long-term security in the event of a major loss by the RRG's members.

Strong risk management and third-party administration (TPA) partners. The best defense is a good offense, and the benefits of tools and resources that improve patient safety and mitigate risks cannot be understated—both for the individual operator and the RRG as a whole. When an incident does occur, hands-on support and guidance throughout the claims process is critical to achieve the best result possible.

Takeaway

The insurance marketplace for medical professional liability has been challenging. While alternative risk vehicles, such as RRGs, can be a great choice for certain insureds, it's important to make sure they meet your clients' needs.

The specialists in Amwins national healthcare practice have expertise across a wide range of industry segments and work collaboratively with our retail partners to secure coverage for your clients' unique needs through our relationships with top-tier, specialty carriers and exclusive products.

Amwins has teamed up with Notting Hill Risk Retention Group to offer an exclusive product that delivers a customized approach to professional and general liability coverage for long-term care facilities. The RRG is underwritten through Amwins Specialty Casualty Solutions (ASCS), an MGA that writes $750 million in annual premium for various specialty niche industries.

Backed by Lloyd's of London reinsurance with Chaucer as the lead, the Amwins/Notting Hill RRG can tailor its policies with varying retentions, corridor deductibles and sublimits for long-term care facilities with a broad range of risk tolerances. **Learn more here** or contact your Amwins broker.

This article was authored by Tim Walter and Georgetta Corona, underwriters with Amwins Specialty Casualty Solutions.