Chapter 1 : Reciprocal Risk Retention Group

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How can I get more information about risk retention groups and purchasing groups? What is the Liability Risk Retention Act? Request a complimentary Guide to the Risk Retention Act. How does the Risk Retention Act work? In passing the Liability Risk Retention Act, Congress provided insurance buyers with a marketplace solution to the "liability crisis," enabling them to have greater control of their liability insurance programs. What is a risk retention group? A risk retention group RRG is a liability insurance company that is owned by its members. Once licensed by its state of domicile, an RRG can insure members in all states. As insurance companies, RRGs retain risk. What is a purchasing group? A purchasing group PG is comprised of insurance buyers who band together, typically on a national basis, to purchase their liability insurance coverage from an insurance company, including a company operating on an admitted basis, a surplus lines basis, or a risk retention group. As the name implies, the PG serves as an insurance purchasing vehicle for its members. What is the difference between risk retention groups and purchasing groups? PGs purchase insurance from an insurer, which issues the policies and serves as the risk bearer. RRGs, as insurers, issue policies to their members and bear risk. Another key difference between the two entities is that RRGs typically require members to capitalize the company whereas PGs require no capital. Other differences derive from the way in which the two entities are regulated, both under the Liability Risk Retention Act LRRA , as well as state laws. Another difference has to do with reinsurance, which almost all RRGs purchase. What are the similarities between risk retention groups and purchasing groups? What kinds of insurance coverage do risk retention groups and purchasing groups provide? The LRRA does not extend to workers compensation, property insurance, or to personal lines insurance, such as homeowners and personal auto insurance coverage. What are the advantages of risk retention groups? As insurance companies owned by their members, some of the key advantages offered by risk retention groups RRGs to their members relate to the control members obtain over their liability programs. What are the advantages of purchasing groups? For insurers, PGs offer the ability to achieve greater profitability. For agents and brokers, PGs offer the ability to add value to transactions and retain business. How many risk retention groups and purchasing groups are there? Total number of RRGs: The Risk Retention Reporter has been monitoring the formation of risk retention groups RRGs and purchasing groups PGs since with the cooperation of state insurance departments. Before offering insurance coverage to state residents, RRGs and PGs must register with state insurance departments in compliance with the Liability Risk Retention Act and state laws. Who forms risk retention groups and purchasing groups? Risk retention groups RRGs are often formed from trade and professional associations, which serve as the sponsor for the RRG liability insurance program. Purchasing groups PGs are most often formed by insurance professionals, including agents, brokers and insurers, based upon an identified need of commercial insurance buyers. Who regulates risk retention groups and purchasing groups? Although the Liability Risk Retention Act is a federal law, it has no enforcement mechanism of its own, and relies wholly on state insurance departments for its implementation. Because of the differences between risk retention groups RRGs and purchasing groups PGs , the regulation differs for each of the entities. For risk retention groups RRGs , the state in which the RRG is domiciled has primary regulatory authority over the entity. As specialists in the Liability Risk Retention Act, we provide professionally written, practical and relevant information that enables you to participate in the development of risk retention group RRG and purchasing group PG programs.

Chapter 2 : Centurion Medical Liability Protective

A risk retention group (RRG) is an alternative risk transfer entity created by the federal Liability Risk Retention Act (LRRA). RRGs must form as liability insurance companies under the laws of at least one stateâ€"its charter state or domicile.

History[edit] Under the McCarran-Ferguson Act , most insurance matters are regulated at the state, rather than federal, level. However, in the late s, Congress faced an unprecedented crisis in insurance markets, during which many businesses were unable to obtain product liability coverage at any cost. Congress was forced to take action, and, after several years of study, enacted the Product Liability Risk Retention Act of , which permitted individuals or businesses with similar or related liability exposure to form "risk retention groups" for the purpose of self-insuring. The Act only applied to product liability and completed operations insurance. When companies faced similar issues obtaining other types of liability insurance in the s, Congress enacted the Liability Risk Retention Act LRRA , which extended the Act to all types of commercial liability insurance. Under the LRRA, a domiciliary state is charged with regulating the formation and operation of a risk retention group. The LRRA pre-empts "any State law, rule regulation, or order to the extent that such law, rule, regulation or order would make unlawful, or regulate, directly or indirectly, the operation of a risk retention group. RRGs must pay state premium taxes, comply with state unfair claim settlement practices statutes and register with and designate the state insurance commissioner as its agent for service of process. However, the bulk of regulation of an RRG is left to the state which licensed it. In response to the act, 44 RRGs were formed by the end of Many of the RRGs formed during this time were domiciled in Vermont, one of the leading captive domiciles in the world. Vermont already had a fully developed captive program by the time the LRRA was passed and could offer assistance in setting up RRGs in a way that other states were unprepared to do. During the mids the insurance market softened, so, in many cases, it was cheaper to purchase liability insurance through traditional insurance carriers. While many RRGs were formed during the decade, many more ceased operating. In the year , the number of RRGs had only grown to 65 in the 14 years since the passage of the Act. After September 11, the insurance market hardened. This led to a period of rapid growth for risk retention groups. Between and the number of RRGs quadrupled to reach Besides the hard insurance market, a number of other factors led to such rapid growth in the industry. Captive insurance really came into its own during the early s with more and more states enacting captive laws and seeking alternative risk transfer vehicles as a steady source of revenue. Many states, including the District of Columbia and Montana, began to develop their captive programs, creating captive departments, and courting potential groups. Another factor that helped spur RRG growth was the increasing challenge for doctors and hospitals in the Northeast to obtain medical malpractice insurance, especially in such states as Pennsylvania and New York. RRGs in the healthcare sector expanded by nearly six times during the decade. The number of groups in this sector, always the leading sector for risk retention groups, grew from 26 to between and December Besides hospitals and physicians, the healthcare sector provides liability insurance to nursing homes, dental practices, and HMOs. There are RRGs for educational institutions, for churches, and for non-profit groups. There are RRGs for agricultural concerns, national associations and state lobbyists. Every year, RRGs are emerging in new business niches responding to the need for affordable and available liability insurance. State regulation[edit] Several states actively seek to license RRGs. Vermont is top among these, having already established its captive department by the time the LRRA was passed. Early on, many states licensed RRGs, but only a handful of states have continued to do so. This distrust stems from the pre-emption provision in the LRRA which prevents state insurance departments regulating non-domiciled RRGs that are conducting business in their state. At the heart of the LRRA is single state regulation of risk retention groups. Pursuant to this unique feature of the Act, the insurance department of one state, which is selected by the RRG, licenses the RRG under its laws and maintains primary regulatory oversight of the group. In its Operations Report to Congress, the Department of Commerce DOC found that although RRGs find the single-state regulatory structure necessary, state insurance regulators wonder whether it pre-empts too much authority, leaving states insufficient authority to adequately regulate RRGs. The report concluded that insolvency problems were primarily caused by fraud, mismanagement, and weak state regulation. Following these reports in the late s, the NAIC, faced with the threat of a federal regulatory system replacing the state system of regulation, announced its adoption of uniform financial regulatory standards to meet the need for a stronger regulatory system. Current issues[edit] Since the LRRA was passed there have been several attempts to amend the act, but nothing has ever come of any of these attempts. While the bill never made it to the Congressional floor, supporters have plans to reintroduce the bill during the next Congressional session. The Risk Retention Modernization Act RRMA includes three specific elementsâ€"the addition of property coverage; improved corporate governance standards, and the establishment of a federal mediator. This long desired amendment is especially important for RRGs that insure institutionsâ€"such as schools, churches, and hospitalsâ€"with multiple locations. Right now RRG insureds must obtain their property coverages separately. Not only would it be more convenient to get their property coverage through their RRG, it could also save a considerable amount in premiums. While many of the new requirements could be burdensome to RRGs, many in the industry feel that the strengthened regulations can only help to legitimize RRGs. With a federal mediator to interpret the LRRA and any amendments, an RRG will have a much stronger position in the states where it conducts business. NRRA operates as an advocate for risk retention groups and purchasing groups and has a long history of successful legal and regulatory representation of the interests of risk retention and purchasing group liability insurance programs. NRRA holds an annual meeting in the fall with programs specifically oriented to those involved in the industry. RRGs are often grouped with captive and other self-insured entities and, therefore, have their interests represented by state captive associations, such as the Vermont Captive Insurance Association, and other captive associations, such as the Captive Insurance Company Association. Founded in April , the RRR is the only information source devoted to this niche sector of the insurance industry. Avoidance of multiple state filing and licensing requirements Member control over risk and litigation management issues Establishment of stable market for coverage and rates Elimination of market residuals Exemption from countersignature laws for agents and brokers No expense for fronting fees Unbundling of services Risks are limited to liability insurance Not permitted to write risks outside its homogenous group No guaranty fund coverage for members May not be able to comply with proof of financial responsibility laws Can be without a financial rating from a rating agency.

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and the definitions of liability, personal risk liability, and insurance under any State law shall not be applied for the purposes of this chapter, including recognition or qualification of risk retention groups or purchasing.

No federal agency, however, is responsible for oversight or regulation of this law. The primary regulatory authority for a risk retention group is its state of domicile. The law curtails the regulatory authority of non-domiciliary states. Over the years, this regulatory approach has caused some issues. As part of this effort, NRRA has been an advocate and a source of information and education for state and federal regulators and legislators. NRRA has attempted to provide clarity on various issues, including: Assessment of premium taxes: What rate of tax is permissible? When and how are taxes paid? Is it applied in a non-discriminatory manner? Registration requirements for risk retention and purchasing groups in non-domiciliary states: Does the state requirement comport with federal law? Types of insurance coverage: What authority does a non-domiciliary state have to require insurance policy filing or review? Risk retention group structure: What requirements can be imposed by statute? Is the state within the exception provided by federal law? Do the activities of the risk retention group violate state law? Over the years since its founding in , NRRA has demonstrated its support for risk retention groups and purchasing groups by participating in several significant lawsuits and informal administrative procedures that protected their rights. NRRA has helped win some major decisions in which the federal and state high courts upheld the preemption provisions of the LRRA, and has otherwise effectively thwarted or redirected prospectively damaging legislation. In doing so, among other actions, NRRA has: Filed Amicus Briefs challenging both regulator overreaching and state laws that violate the LRRA; Effected a carve-out exempting risk retention groups from the effect of Dodd-Frank legislation before the Federal Insurance Office FIO Persuaded the Governor of New Jersey to veto insurance legislation adverse to our members; Reported years of state regulatory violations to the U. Government Accountability Office; Challenged NAIC on regulatory initiatives discriminating against the industry; Assisted in defeating New Mexico legislation banning RRGs from writing medical malpractice insurance in the state; And created a positive program to promote purchasing group advocacy. National Risk Retention Association vs. NRRA successfully challenged excessive capitalization, bond, and filing fees. National Warranty Insurance Company vs. This case successfully overturned an illegal tax, finding that it was a fee barred by the LRRA. Auto Dealers RRG v. NRRA took on California by filing an Amicus Brief that resulted in a preliminary injunction prohibiting the California Department of Insurance from issuing an illegal cease-and-desist order. Association of Non-profits Insurance Co. NRRA coordinated and led the group effort on the Amicus Curiae briefing on the case, spanning several years. Allied Professionals Insurance Co. Allied Professionals Insurance Company and Rathman This case follows a series of favorable decisions overruling direct action and anti-arbitration statutes. The deciding factor in Courville, similar to earlier decisions, was the fact that certain state laws which unfavorably regulate the business of insurance for risk retention groups are preempted. The panel determined that the Alaska statute placed a restriction on Alaska contracts that was not contemplated by the Liability Risk Retention Act. This has sometimes resulted in the insertion of specific language in proposed rules that exempted RRGs from what otherwise would be harsh treatment of RRGs and Purchasing Groups. The act includes amendments to laws that had kept risk retention groups from insuring Wisconsin physicians, nurse anesthetists, hospitals, and other medical entities. When the laws of Pennsylvania challenged the right of a risk retention group insuring limousine companies to operate in that state, NRRA filed an amicus brief supporting the right of the insurance carrier to operate. The court found that NRRA position was correct and held that federal law preempts state law. NRRA filed a brief supporting the proposition that a state could not require a risk retention group to require that a class of business purchase insurance only from a company which participated in the state insurance guaranty fund. NRRA joined with Preferred in challenging this as the group was not licensed in New York thereby, in effect, creating indirect state regulation. In prevailing, NRRA established that federal law did preempt such state requirements. NRRA joined with Opthalmic in challenging a Wisconsin law that required health-care providers to prove financial responsibility by carrying insurance obtained from an insurer licensed in the state. This requirement barred risk retention groups from selling this coverage in the state. Joining with National Warranty, NRRA challenged the law and won a major victory in establishing that such a requirement was discriminatory and in violation of the LRRA and the preemption of federal law. In addition, the court held that employee-related coverage issued by the two risk retention groups are not barred by the Risk Retention Act. NRRA can share a piece of the credit for this victory. The court affirmed without opinion and cited the amicus curiae brief submitted by NRRA in this proceeding. In addition, the court invited the plaintiffs to submit requests for reimbursement of their legal fees pursuant to Sections and of Title 42 of the United States Code. The court relied on the Oregon risk retention litigation, National Warranty Ins. Greenfield, to support this ruling on fee reimbursement. CERRA included representatives from consumer organizations, real estate interests, housing authorities, captive domicile associations, a state legislator organization, and others. Over 30 organizations joined the effort. NRRA members along with counsel developed position papers, drafted legislation, wrote opinion pieces, and made numerous visits to Congressional and Senatorial offices. NRRA was able to obtain support from various insurance trade publications and trade associations. An amendment was proposed to the Terrorism Risk Insurance Act, but was not successful as it was ruled not germane by the Senate. The effort involved numerous meetings and testimony explaining the beneficial role of risk retention groups in the commercial liability market and the relative safety and security of risk retention groups. As a result, NAIC did not take an adversarial position. In , the U. Department of Housing and Urban Development issued a rule which caused healthcare facilities with professional liability insurance from captives not rated at least B-double-plus from A. Best and, in some cases, licensed in each state where risks are covered to be disqualified from obtaining HUD-backed financing. This rule blocked a large number of healthcare facilities, perhaps a majority, from obtaining this desirable federally-backed financing. NRRA worked with a coalition to get HUD to change this rule and filed comments as part of the federal rule making process. The revised rules permitted rating from Demotech, a rating service that was more responsive to captives. NRRA provided information to the GAO, which helped establish the positive impact risk retention groups made on the commercial liability market. NRRA provided extensive documentation regarding problems with numerous states. NRRA provided extensive follow-up information to both federal and state authorities. NRRA also testified at NAIC meetings, prepared position papers, had numerous meetings with state regulators, and continued its advocacy. There was a victory regarding the Kentucky Administrative Costs Assessment. A letter was finalized regarding the Coalition for Competitive Insurance Rates. The Risk Retention Modernization Act of proposed allowing risk retention groups to sell commercial property insurance. Its purpose was creating new uniform, baseline corporate governance standards for risk retention groups and establishing a mechanism resolving disputes between non-domiciliary states and RRGs. The bill was introduced by Rep. Dennis Moore D-Kansas and Rep. NRRA was instrumental in sponsoring the legislation. The bill endeavored to establish a dispute resolution mechanism dealing with state actions that put burdensome requirements on RRGs â€” this time, through the newly formed FIO established under Dodd-Frank. This bill was at the time the most recent legislation cosponsored by NRRA. John Campbell R-California and Rep. Wadsworth â€" New York: In the underlying case, APIC denied renewal of coverage to a chiropractor insured who failed to disclose that he had sexually molested one of his patients. The patient secured a judgment against the chiropractor and then proceeded to file suit against APIC under the New York State direct action statute. The District Court and the Circuit Court of Appeals decisively ruled that under the federal law the direct action statute cannot be applied to a risk retention group. A chiropractor sued Allied Professionals Insurance Company, a risk retention group, claiming that an arbitration provision in the Allied policy was illegal under state law. Allied appealed the district court ruling in favor of the chiropractor. The state law permits RRGs to write health care liability insurance for providers in Wisconsin. The Wisconsin legislature passed the act, effective July 14, , that includes amendments to laws that had kept risk retention groups from insuring Wisconsin physicians, nurse anesthetists, hospitals, and other medical entities. OMIC was unsuccessful challenging the new law in court. Attempts to work with the Office of the Commissioner of Insurance to reinstate risk retention groups had been ineffective. Allied Professionals Insurance Company and Rathman: This case followed a series of favorable decisions overruling direct action and anti-arbitration The deciding factor in Courville, similar to earlier favorable decisions, is the fact that certain state laws which unfavorably attempt to regulate the business of insurance for risk retention groups are preempted by the federal law. The panel determined that the Alaska statute placed a restriction on Alaska contracts that was not contemplated by the Liability Risk Retention Act, and that was not precluded by all other states. The briefing provided the 7th Circuit with years of data supporting claims of systemic discrimination against RRGs in Wisconsin. The anxiously awaited decision in the case was issued on May 7, by the Georgia Supreme Court, as another major judicial venue affirmed in a unanimous decision what NRRA had been advocating for years â€" â€" that the Liability Risk Retention Act LRRA preempts state insurance laws that regulate the business of foreign RRGs in that state. In its Amicus Curiae brief, NRRA provided a legal analysis covering the entire historical key judicial rulings in the many cases in which it assisted in obtaining decisions upholding LRRA preemption involving various state insurance laws. The favorable judicial landscape for RRGs continues to expand. Preferred Contractors Insurance Company, RRG PCIC , upheld a decision by the trial court that PCIC had not violated a state insurance law mandating a timely notice of disclaimer of coverage, on the specific grounds that the statute would have the effect of regulating the business of PCIC, a foreign risk retention group.

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Chapter 4 : Frequently Asked Questions | Resource Center | Risk Retention Reporter

A Risk Retention Group is a corporation or other limited liability association, functioning as a captive insurance company and organized for the primary purpose of assuming and spreading the liability risk exposure(s) of its group members (member-owners).

The purpose of this chapter is to regulate the formation and operation in this state of organizations formed pursuant to the provisions of the Liability Risk Retention Act of As used in this chapter, the words and terms defined in NRS E. The term includes liability for activities that are completed or abandoned before the occurrence giving rise to the liability. For a corporation, the state in which it is incorporated; and 2. Meet obligations to policyholders with respect to known claims and reasonably anticipated claims; or 2. Pay other obligations in the normal course of business. The coverages, deductibles, limits of coverage, rates and systems of rating classification for each line of insurance the group intends to offer; 2. Historical and expected loss experience of the proposed members, and national experience of similar exposures to the extent that this experience is reasonably available; 3. Pro forma financial statements and projections; 4. Appropriate opinions by a qualified, independent casualty actuary, including a determination of minimum premium or participation levels required to commence operations and to prevent a hazardous financial condition; 5. Identification of management, underwriting procedures, policies for investment and methods for managerial oversight; 6. Identification of each state in which the group has obtained, or sought to obtain, a charter and a license, and a description of the status of the group in each of those states; 7. Information that is deemed sufficient by the Commissioner to verify that members of the group are engaged in business activities similar or related with respect to the liability to which they are exposed because of any related, similar or common business, trade, product, service, premise or operation; and 8. Such other matters as are prescribed by the Commissioner for liability insurers authorized by the insurance laws of the state in which the risk retention group is chartered. Has as one of its purposes the purchase of liability insurance on a group basis; 2. Purchases such insurance only for its members and only to cover their similar or related exposure to liability, as described in subsection 3; 3. Is composed of members whose businesses or activities are similar or related with respect to the liability to which they are exposed by virtue of any related, similar or common business, trade, product, services, premises or operations; and 4. Is domiciled in any state. Whose primary activity consists of assuming and spreading all or any portion of the exposure of its corporation or association members to liability; 2. Which is organized primarily to conduct the activity described in subsection 1; 3. Which does not exclude any person from membership in the group solely to provide for members of the group a competitive advantage over an excluded person; 5. Which has as its: Whose members are engaged in businesses or activities similar or related with respect to the liability to which they are exposed by virtue of any related, similar or common business, trade, product, services, premises or operations; 7. Whose activities do not include the provision of insurance other than: A purchasing group that intends to conduct business in this state shall register with the Commissioner and: Furnish notice to the Commissioner that: Appoint the Commissioner as its agent solely to receive service of legal process, and pay the fee for filing a power of attorney required by subsection 4 of NRS B. A purchasing group shall notify the Commissioner of any change in any of the information required pursuant to subsection 1 of NRS E. Except as otherwise provided in chapter A of NRS, a purchasing group shall not purchase insurance from an unauthorized insurer or a risk retention group that is not chartered or registered in this state. A purchasing group is exempt from any law of this state that relates to the formation or prohibition of groups for the purchase of insurance, and any law that would discriminate against a purchasing group or its members. An insurer is exempt from any law of this state that prohibits providing, or offering to provide, to a purchasing group or its members advantages based on their loss and expense experiences not afforded to other persons with respect to rates, policy forms, coverages or other matters. A purchasing group that obtains liability insurance from a surplus lines insurer or a risk retention group shall inform each of the members of the purchasing group which have a risk resident or located in this state that the risk is not protected by an insurance insolvency guaranty fund in this state, and that the risk retention group or insurer may not be subject to all insurance laws and regulations of this state. No purchasing group may purchase insurance providing for a deductible or self-insured retention applicable to the group as a whole, but the coverage may provide for a deductible or self-insured retention applicable to individual members of the group. Purchases of insurance by purchasing groups are subject to the same standards regarding aggregate limits which are applicable to all purchases of group insurance. All premiums paid by a purchasing group or any member of the purchasing group for insurance on risks resident, located or to be performed in this state are subject to the payment of premium taxes and any related fines or penalties pursuant to chapters A , B and A of NRS. To the extent that premiums are paid by a purchasing group or any member of the purchasing group: To an authorized insurer, the insurer shall pay the premium taxes and any related fines or penalties pursuant to chapters A and B of NRS; 2. To a surplus lines broker for insurance procured as surplus lines coverage, the surplus lines broker shall pay the premium taxes and any related fines or penalties pursuant to chapter A of NRS; or 3. To an unauthorized insurer for insurance independently procured by the purchasing group or any member of the group, premium taxes and any related fines and penalties are payable first by the purchasing group, and if not paid by the purchasing group, then by each of its members, pursuant to NRS B. A risk retention group seeking to be chartered in this State must obtain a certificate of authority pursuant to chapter C of NRS to transact liability insurance and, except as otherwise provided in this chapter, must comply with: A risk retention group applying to be chartered in this State must submit to the Commissioner an application for licensure as an association captive insurer in accordance with NRS C. A risk retention group chartered in a state other than Nevada that is seeking to transact insurance as a risk retention group in this State must comply with the provisions of NRS C. Before transacting insurance in this state, a risk retention group must submit to the Commissioner: The Commissioner shall, upon receipt of any revisions of a plan of operation provided by a risk retention group pursuant to paragraph b of subsection 1, transmit a copy of those revisions to the National Association of Insurance Commissioners. A risk retention group transacting insurance in this state shall submit to the Commissioner: A copy of each examination of the risk retention group, certified by the Commissioner or other public officer conducting the examination; 3. Upon the request of the Commissioner, a copy of any audit performed with respect to the risk retention group; and 4. Such other information as the Commissioner requires to verify its continuing qualification as a risk retention group. A risk retention group and its agents and representatives are subject to the provisions of NRS A. Any injunction obtained pursuant to those sections must be obtained from a court of competent jurisdiction. All premiums paid for coverages within this state to a risk retention group are subject to the provisions of chapter B of NRS. Each risk retention group shall report all premiums paid to it and shall pay the taxes on premiums and any related fines or penalties for risks resident, located or to be performed in the state. Any person acting as an agent or a broker for a risk retention group pursuant to NRS E. Each record maintained pursuant to this subsection must be made available upon request by the Commissioner for examination pursuant to NRS B. The term does not include any premium for reinsurance or for a contract between members of a risk retention group. A policy issued by a risk retention group must contain in point type on the front page and the declaration page, the following notice: Your risk retention group may not be subject to all of the insurance laws and regulations of your state. State insolvency guaranty funds are not available for your risk retention group. A risk retention group shall submit to an examination by the Commissioner to determine its financial condition if the commissioner of insurance of the jurisdiction in which the group is chartered does not initiate such an examination within 60 days after a request by the Commissioner of Insurance of this state. The examination must be coordinated to avoid unjustified repetition and conducted in an expeditious manner. The Commissioner shall give due consideration to the procedure outlined in the handbook for examiners sponsored by the National Association of Insurance Commissioners. A risk retention group not chartered in this state and doing business in this state shall comply with a lawful order issued in a proceeding for voluntary dissolution or in a delinquency proceeding commenced by a commissioner of insurance of any state if there has been a finding of financial impairment after an examination conducted pursuant to subsection 1. An order issued by a District Court of the United States, entered upon a finding that a risk retention group is in a hazardous financial condition, that enjoins the group from conducting operations or transacting insurance in any state, must be enforced by the district courts of this state. A risk retention group shall not: Transact insurance with any person who is not eligible for membership in the risk retention group; 2. Conduct any business in this state if an insurer is directly or indirectly a member or owner of the group, unless all the members of the group are insurers; 3. Transact insurance or otherwise operate while financially impaired or in a hazardous financial condition; 4. Issue any insurance policy with terms providing, or which have been construed as providing, coverage prohibited by a specific statute of this state or declared unlawful by the highest court of this state which has rendered a judgment concerning the legality of that coverage; or 5. Join or contribute financially to the Nevada Insurance Guaranty Association, or to any similar organization or fund in this state, and the provisions of chapter A of NRS do not apply to a risk retention group. A risk retention group and its insureds shall not accept any benefit from such an organization or fund for claims arising out of the operation of the risk retention group. Any person acting, or offering to act, as an agent or broker for a purchasing group, a member of a purchasing group under the group policy, or a risk retention group transacting insurance in this state is subject to the provisions of chapters A and A of NRS. Except as otherwise provided in this chapter, the provisions of chapter B of NRS apply to purchasing groups and risk retention groups, and to the provisions of this chapter, to the extent that the provisions of chapter B of NRS are not specifically preempted by the Product Liability Risk Retention Act of , as amended by the Risk Retention Amendments of A risk retention group that violates any provision of this chapter is subject to the fines and penalties, including revocation of its right to do business in this state, applicable to licensed insurers under this title. On or before March 1 of each year, a purchasing group and a risk retention group shall submit to the Commissioner a written notice of its intention to continue doing business in Nevada.

Chapter 5 : Federal Risk Retention Act Explained

A risk retention group is a state-chartered insurance company that insures commercial businesses and government entities against liability risks.

Since its enactment, this federal law has been the subject of numerous interpretations by various legal bodies, groups, and individuals. It was presumed that this expansion would reduce costs, provide alternative mechanisms for coverage, and promote greater premium competition among general liability insurers. It was believed that this expansion would encourage insurers to set premiums that would compete with the new formations created under the revised law. To accomplish these goals, the Congressional history is very clear on the absolute need of preemption from certain state laws which would hinder or oppose the formation and interstate operation of association captive insurance companies or Risk Retention Groups RRG. The record also reflects the need for preemption of prohibitive or restrictive state laws that would preclude insurers from giving preferential rates, terms, and conditions to groups seeking liability insurance coverage. Legislation provides the following definitions to aid in gaining an understanding of RRGs. It must be chartered and licensed as a liability insurance company in one of the fifty states or the District of Columbia. It can also charter as an industrial or association captive under special state captive laws such as Vermont, Delaware, Colorado, Illinois, etc. RRGs chartered or licensed under the laws of Bermuda or the Cayman Islands that have met the capitalization requirements of one state prior to January 1, , can continue to operate as RRGs. These are the only off-shore formations permitted. Structuring of the RRG will conform to the laws of the chartering state and can include formation as a stock or mutual company, or as a reciprocal exchange. Members of an RRG must be engaged in businesses or activities which are similar or related in regards to the liability exposures created by virtue of common business or trade practices, products, services, premises or operations. In addition, an individual or firm that meets this criteria cannot be excluded from the group if the intent of the exclusion is to provide the group with a competitive advantage. Owners of RRGs must be both members of and insured by the group. Insurance companies cannot have an ownership interest in an RRG unless all members of the group are insurance companies. However, in line with the anti-fraud provisions of applicable State and Federal laws, any solicitation for funds must disclose all material facts regarding the RRG and its insurance operations. Except for the chartering state, an RRG is exempt from any state law, rule or regulation that regulates or makes an RRG unlawful except, any state can require an RRG to: The non-chartering state has no approval authority over rates, coverages, forms, insurance-related services, management, operation, investment activities, or loss control and claims administration. In addition, the Act prohibits states from otherwise discriminating against RRGs. Each RRG must submit a feasibility study or plan of operation for approval to the chartering state before offering insurance. Under the Federal Act, the plan or study must include coverages, deductibles, coverage limits, rates, and rating classification systems. The NAIC Model Act defines the feasibility study as an "analysis which presents the expected activities and results of a risk retention group. In addition, the NAIC also requires that the RRG provide information identifying the initial members, the organizers, the administrator and anyone else who will otherwise influence or control the RRG. In each state in which the RRG is or plans to do business, the RRG is required to submit a copy of the feasibility study including revisions and a copy of the annual financial statement. The statement must be certified be an independent accountant and include an opinion of loss and loss adjustment expense reserves by an actuary or a qualified loss reserve specialist. An RRG cannot write coverage which is prohibited by state statute or by the highest court in the state ex: This is not the same as coverage which is prohibited by the state insurance department. However, the states do have broad discretionary powers in deciding whether coverage from an RRG is acceptable where proof of financial responsibility is needed to obtain a license to engage in certain activities i. If an RRG is found to be "in hazardous financial condition," any state or U. District Court may issue an order enjoining a RRG from soliciting, selling insurance, or continuing operations. Unlike an RRG, a PG is not an insurance company and its members do not underwrite their own coverage. However, like RRGs, PGs are subject to the same, similar, or related tests pertaining to membership, exposures, and types of coverage s offered. A PG is exempt from any state law, rule, regulation or order that would: Prohibit the establishment of a PG Make it unlawful for an insurer to provide or offer insurance to, or to discriminate in favor of the PG based on loss experience Prohibit a PG or its members from purchasing insurance on a group basis, regardless of a minimum time in operation, the number of members or member participation level, or otherwise discriminate against a PG or its members. Apart from these specified exemptions, a PG must comply with all other state laws and regulations regarding its operation and procurement of insurance. The notice must identify the state of domicile and principal place of business for the PG, categorize the lines and classifications of liability insurance to be purchased and provide the name and domicile of the insurance company from which insurance is to be purchased. In addition, the PG must designate the commissioner of each state as its agent of process. In addition, it makes no reference to individual state authority regarding approval of rates, forms, or coverages. On the other hand, the NAIC Model Act gives individual states the right of prior approval on rates, forms, and coverages which are specifically designed for PG members. The Federal Act does not contain any provisions regarding deductibles or aggregate limits for PGs. Group deductibles are excluded. The NAIC Act maintains that the purchase of aggregate limits is subject to the same standards as all other group insurance purchases within a state. For example, the Illinois Captive Law does not allow for a group aggregate coverage level, only individual aggregate coverage limits. However, states cannot impose residency requirements for licensing, nor can they require that the policy be countersigned by a resident agent or broker.

Chapter 6 : NRS: CHAPTER E - LIABILITY RISK RETENTION

The purpose of this chapter is to regulate the formation and operation of risk retention groups and purchasing groups in this state formed pursuant to the provisions of the federal Liability Risk Retention Act of

Chapter 7 : [USC10] 15 USC Ch. LIABILITY RISK RETENTION

Risk Retention Act (RRA) of Definition Federal legislation passed in that authorized the formation of purchasing groups and group self-insurance programs for certain types of liability exposures.

Chapter 8 : NAMIC - Our Position | Risk Retention Act

General liability and products/completed operations policies have either deductible or self insurance retentions (SIR), both of which are forms of risk retention. Businesses that select self-insured reserves do so in order to gain more control over the risk(s) that they have retained.

Chapter 9 : Home - CARE Professional Liability Association, LLC

A risk retention group chartered in a state other than Nevada that is seeking to transact insurance as a risk retention group in this State must comply with the provisions of NRS C and E to E, inclusive.