The New York healthcare malpractice insurance marketplace is changing, with more alternatives and
new choices available. Physicians in the Empire State should take the opportunity to carefully
evaluate new and existing insurance alternatives in order to decide which is best for them. While
Risk Retention Groups (RRGs) are not a new concept, they are different in structure and operation
from other types of insurance companies and, it’s important to note, they are not all alike.

In the past, many RRGs competed with admitted insurance carriers by offering low rates. This gave
physicians a choice between the more traditional market and the attractiveness of the RRG’s
pricing. MedPro RRG is different. It was created first and foremost to provide healthcare providers
with the peace of mind that comes from being insured by a financially stable carrier. The flexibility
afforded by MedPro RRG’s structure means that premiums are sometimes less than the traditional
market, sometimes more, but for New York physicians, MedPro RRG represents another credible
choice, contributing to a healthy marketplace.

Why MedPro RRG is Different

- Rated A++ (Superior) by A.M. Best – its highest Financial Strength Rating – and the highest
  rated healthcare malpractice insurer operating in New York.


- No capitalization costs – no membership fees, surplus contributions or capitalization
  assessments ever required.

- No possibility of premium assessments – ever.

- Full consent-to-settle provisions – claims will not be settled without your consent.

- Reinsured by Berkshire Hathaway’s Medical Protective – the nation’s oldest and strongest
  healthcare malpractice insurer.

- “Cut-through” endorsement added to every policy – in the event of MedPro RRG’s insolvency,
  Medical Protective will become liable for any loss payable under the policy.

- Occurrence or claims-made coverage available – never “claims-paid” coverage. Your coverage,
  your choice.

- Higher limits available – MedPro RRG’s total premium for higher limits coverage may be less
  than traditional premium with Section 18 “free” excess.

- Serviced locally by Berkshire/MedPro's Princeton Insurance Company – known for superior,
  personalized customer service.

- Expert local defense counsel specializing in New York healthcare malpractice claims – the best
  New York defense counsel supported by Medical Protective’s national claims expertise.

(See reverse for Understanding Risk Retention Groups Q&A)
Understanding Risk Retention Groups Q&A

1. What is a Risk Retention Group (RRG)? An RRG is a corporation or other limited liability association, functioning as an insurance company and organized for the primary purpose of assuming and spreading the liability risk exposure(s) of its members. It must be domiciled and licensed as a liability insurance company in one of the fifty states or the District of Columbia. It can also be formed as an industrial or association captive under special captive laws in states such as Vermont, Delaware, Colorado, Illinois, etc. An RRG is subject to the rules and regulations of the insurance regulatory body of its domiciliary state. Except for in the domiciliary state, an RRG is exempt from any state law, rule or regulation that regulates or makes an RRG unlawful. A Risk Retention Group, like any insurance carrier, typically bears risk and may purchase reinsurance.

2. What makes RRGs possible and how long have they been in existence? In 1986, the US Congress passed the Federal Liability Risk Retention Act (LRRA), which was signed into law by President Reagan in October of that year. The LRRA allows for the creation of Risk Retention Groups and Risk Purchasing Groups. The LRRA is intended, among other things, to help businesses, professionals and municipalities group together to obtain insurance coverage from companies properly organized as RRGs.

3. How does an RRG operate? The LRRA requires that an RRG must be domiciled in one state or the District of Columbia. Once licensed by its state of domicile, the RRG can register to do business in other states. The LRRA further requires that members of an RRG be homogeneous in nature, i.e. engaged in similar business or activities that expose them to similar liabilities.

4. What are the primary differences between an RRG and an admitted insurance company? An RRG files its rates, rating plans, rating rules and coverage forms with its domiciliary state or district and may also be required to do so as part of its registration in other states. An admitted insurance company files an application for, and receives, a Certificate of Authority to operate in a given state and must follow the proscribed state regulations for rates, rules and forms as established by that state.

5. What are the potential advantages of an RRG? Congress designed RRGs to facilitate group insurance programs, reduce costs, provide alternative mechanisms for coverage, and promote greater premium competition among liability insurers. To accomplish these goals, the LRRA allows for the formation of insurance entities that are exempt from certain state laws. Further, the LRRA specifically allows for flexible rates, terms, and conditions to groups seeking liability insurance coverage.

6. What are the potential disadvantages of an RRG? Insureds in an RRG must also be members of the RRG. Some RRG memberships require capitalization assessments in addition to annual premiums along with the possibility of future premium assessments based upon the loss experience of the RRG. Further, state laws regarding premium rates, rating rules and policy terms and conditions typically do not apply to RRGs. Guaranty funds or similar insolvency protections afforded to policyholders of admitted companies are often not available to RRG members.

7. Can an RRG overcome these potential disadvantages? While an RRG may not be subject to certain state-specific regulatory oversight, the capital adequacy of the RRG itself, its rules regarding capital contributions and assessments, its relationships with strong, established reinsurers (as well as the contractual terms in place with reinsurers, see #8) and the claims and service expertise of its service providers can lessen or overcome the potential disadvantages. Based on these and other factors, it is entirely possible for an RRG to receive higher financial strength and/or claims paying ability ratings from independent insurance industry rating agencies than many admitted companies.

8. Does the purchase of reinsurance by the RRG contribute to overcoming these disadvantages? Typically, the contractual relationship that a healthcare provider has with an RRG is separate and distinct from any contractual relationship the RRG may have with its reinsurer(s). If, however, through the addition of specific contractual arrangements (usually referred to as a “cut-through” provision in the reinsurance agreement, and set forth in a “cut-through” endorsement attached to an insured’s policy) the reinsurer agrees that in the event of the RRG’s insolvency it will become liable for any loss payable by the RRG, then one can consider the relative strength and reputation of the reinsurer in making a proper evaluation of the viability of the RRG.


MedPro RRG Risk Retention Group
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