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VERMONT CAPTIVE ASSOCIATION BACKS RISK RETENTION GROUP COVERAGE EXPANSION

By Jerry Geisel

The Vermont Captive Insurance Association is backing newly introduced federal legislation to expand coverages that can be written by risk retention groups.

Under the measure, H.R. 3794, RRGs could write property coverages for policyholders that are nonprofit organizations with tax-exempt status or educational institutions and educational-related institutions that are nonprofit organizations or governmental entities.

Under a 1986 federal law — the Liability Risk Retention Act — RRGs, which can do business nationwide after meeting the licensing requirements of one state, can only write casualty coverages — except workers compensation risks — for policyholder owners.

While the VCIA believes the ability to provide property coverage should be extended to all RRGs — not just to those whose members are nonprofit organizations — "We think this is a necessary first step to move the issue forward," the Burlington, Vermont-based VCIA said in a statement Monday.

Limited expansion, the VCIA said, may increase the bill's chances of winning congressional approval,

"The bill is a more limited extension to the LRRA in an attempt to move the property addition forward without raising opposition, which has stymied these efforts in the past," the VCIA said.

The measure also contains other provisions that would limit the availability of the coverage expansion.

For example, the ability to offer property coverage only would be available to RRGs that have been operating for at least 10 years, while the RRG would have to maintain capital and surplus of at least $10 million.

The legislation also only would allow adding property coverage as long as the total insured value of risks of any individual policyholder insured by the RRG does not exceed $50 million.

Backers of the legislation say the expansion is needed because small to medium sized nonprofit organizations often cannot obtain property coverage on a standalone basis.