Risk retention groups hope for a boost from newly introduced legislation to allow them to write commercial property coverage, among other changes.

The Risk Retention Modernization Act, introduced by **Rep. John Campbell, R-Calif**., would also revise the Liability Risk Retention Act to create a new federal dispute resolution process and a set of federal corporate governance standards. The new process would provide an efficient alternative to costly regulation and litigation delays in times of disputes with non-domiciliary state regulators, said Jay Fahrer, director of government relations for the Self-Insurance Institute of America.

RRGs are now limited to writing liability insurance. **Campbell**, a member of the House Budget and Financial Services committees, sponsored unsuccessful legislation in the last Congress to allow RRGs into the commercial property insurance market (BestWire, March 21, 2011).

"Right now, their insureds go elsewhere for those types of coverages," said John Andre, group vice president for A.M. Best.

The Liability Risk Retention Act of 1986 was created to permit the creation of risk-retention groups to address what at the time was a crisis in liability markets. Under the legislation, once licensed in its domiciliary state, a risk-retention group may operate in all states once it registers and files required paperwork. The 1986 law effectively took the regulation of risk-retention groups away from state regulators, prompting some confusion among the states as to regulatory roles. RRGs are treated as a type of captive insurer and thus are domiciled only in states with captive legislation on their books (BestWire, Feb. 7, 2006).

"The alternative market grows when the standard market doesn't provide coverage, or is too steeply priced," A.M. Best Senior Financial analyst Thomas Herriger said.

The new legislation would correct the discrepancy of having a federal statute without federal authority, said Robert "Skip" Myers, general counsel for the National Risk Retention Society. "The industry across the board will benefit," he said.

It is important to supporters of reforms, including the NRRA and the Risk and Insurance Management Society, that the legislative push be bipartisan from the start, Fahrer said. Rep. Peter Welch, D-Vt., signed on to the House bill as the first co-sponsor. Sen. Jon Tester, D-Mont., has also been working with industry representatives on a version. With bipartisan backers in a divided Congress and the Dodd-Frank financial reform law in the rear-view mirror, there may be a better opportunity for success this term, he said.

"It's not controversial. It's common sense. And it's necessary," Fahrer said. "In some markets, [commercial coverage] is just not affordable."

The political prospects of HR 2126 are still uncertain, **Campbell** spokesman Christopher Bognanno said. Campbell's previous Democratic co-sponsor, Rep. Dennis Moore of Kansas, retired from Congress at the end of 2010. The **Campbell/Moore** bill cleared the Financial Services Subcommittee on Capital Markets and Insurance, but didn't advance to final passage.

"I wouldn't say it's got a significantly better chance," he said, adding, "This is something that we've got to do to promote small business growth."

Bognanno cited a need to act on 2005 U.S. Government Accountability Office recommendations to improve corporate governance and financial accountability. The GAO called for uniform, baseline standards that would include filing financial reports on a regular basis via the use of a uniform accounting method. RRGs should meet National Association of Insurance Commissioners-designated risk-based capital standards (BestWire, Oct. 19, 2005).

Traditional insurers opposed last year's bill on the grounds that small insurance companies can be dangerous to consumers (BestWire, Aug. 2, 2010). The Independent Insurance Agents & Brokers of America called a dispute mechanism built into the bill an unnecessary intrusion on state insurance regulation (BestWire, March 11, 2010).