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# Risk Retention Reporter

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## **Arizona Med Mal RRG Comes to “Rescue” of Kentucky RRG**

Faced with loss of reinsurance and the inability to find a cost effective replacement in the traditional market, **NetProgen Insurance Co., Inc. A Risk Retention Group**, a Kentucky-domiciled RRG licensed in 2007 to insure physicians in low risk specialties, found its “white knight” in **Applied Medico-Legal Solutions RRG (AMSRRG)**, an Arizona-domiciled RRG that insures physicians in multiple specialties, which provided 100% quota share reinsurance for the NetProgen program.

According to Pat Riley, chief operating officer of AMSRRG, the quid pro quo for providing the reinsurance was two-fold: first, that AMSRRG received adequate premium from NetProgen, and second, that as the NetProgen policies for the two dozen physicians insured in the RRG expire over the next year, AMSRRG hopes that the doctors will stay in the alternative market and become member/insureds of AMSRRG.

Riley says that in reinsuring the NetProgen physicians’ policies, AMSRRG first determined that the doctors met its underwriting criteria. He explains that, “The NetProgen doctors fit into our risk profile from a pricing and coverage standpoint. The insureds qualified for AMSRRG independent of NetProgen.”

In addition, he says, the NetProgen physicians are familiar with the RRG concept, understand the ownership aspect and the focus on risk control. “We saw this as a good opportunity to grow our membership,” he says, explaining that, as the policies for NetProgen physicians expire, AMSRRG hopes to gain them as insureds.

Riley says that the connection between NetProgen and AMSRRG was made through a contact with Becky Smith, owner of **Sterling Smith Insurance Services**, based in Boise, Idaho, with whom he used to work at **Marsh**. Smith, who served as the underwriting manager for NetProgen as an independent contractor, contacted several companies to arrange reinsurance, including AMSRRG. She says that traditional reinsurers offered cost prohibitive terms, based on their belief that small RRGs would have difficulty competing in the current volatile market.

Smith says that while NetProgen “ended up paying more in premium for the reinsurance, they had no gap in coverage.” She adds that, “Both companies went above and beyond to be sure to do the right thing for their members,” adding that, “A letter was sent to members who signed off and agreed to the reinsurance transaction.”

Riley says that he plans to travel to Nevada and Arizona to meet with NetProgen representatives and hopes that AMSRRG can “retain the interest” of the NetProgen physicians when it comes time to renew their policies.

NetProgen ceased writing new business pursuant to a Consent Order to Cease and Desist issued by the **Kentucky Department of Insurance** on April 30, 2009. The RRG has been working with regulators to ensure a smooth transition and has submitted a plan of voluntary run-off currently under review by the DOI.

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