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GAO Directed to Enforce RRG Rights

Burlington, VT— In the wake of Kansas Representative Dennis Moore's order to the Government Accountability Office to investigate the obstruction of the federal rights of risk retention groups to conduct business, The Towner Management Group is hopeful that states will soon regulate RRGs uniformly.

"We believe both this development and eventual passage of the Risk Retention Modernization Act will give long-sought relief to RRGs that write business across the country," says Len Crouse, principal of The Towner Management Group's U.S. operations and a member of the Government Affairs Committee of the National Risk Retention Association. "Too often, some states have treated RRGs as if they were an insurance gimmick, when in fact federal law has allowed RRGs to write some lines of insurance for almost 30 years. If the GAO acts on this directive, it would enforce the Liability Risk Retention Act of 1981 when states try to sidestep it."

On paper, existing law allows an RRG to write business in other states once licensed in its home state. To date, there has been no federal enforcement if a state imposes undue burdens on an RRG. While passage of the Risk Retention Modernization Act would, as it is presently constructed, provides an enforcement mechanism in the new law, quick passage of this law is questionable as the mid-term elections near. However, the GAO's involvement in these disputes and the potential for the federal agency to provide a dispute resolution mechanism may address this problem separately from the proposed new law.

"Presently, an RRG's only recourse has been to file a suit against an offending state," says Crouse. "Only the largest groups can afford this action. We hope the GAO's involvement provides the relief that RRGs need."

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