

For immediate release January 11, 2012

GAO Confirms the Need for Uniformity and Clarity with RRG Governance

Burlington, VT— Following a request from Congress to examine the differences among states' treatment of risk retention groups, the U.S. Government Accountability Office not surprisingly confirmed the need for clarification and consistent standards among states.

The GAO complied, recently releasing the report, *Clarifications Could Facilitate States' Implementation of the Liability Risk Retention Act*. Industry groups have dealt almost constantly with regulatory differences among states, which they contend leads to violation of the federal LRRRA law. A link to the report is at <http://www.gao.gov/assets/590/587531.pdf>.

"This confirms what we have known for quite some time," says Len Crouse, Partner for Towner Management in the U.S., a member of the Government Affairs Committee of the National Risk Retention Association and a former, long-time captive insurance director for Vermont. "Some states take liberties with risk retention groups doing business in their states that are contrary to the intent and purpose of LRRRA. Hopefully, this will be a catalyst to modernize the Act and stop this practice."

Last June, the U.S. House of Representatives introduced HR 2126, which was referred to the House Committee on Financial Services. The bill would modernize the Liability Risk Retention Act of 1986 and provide a federal dispute resolution mechanism when properly licensed RRGs believe they have been discriminated against by states outside their home domicile.

The GAO's report cited the many differences governing RRGs and the sometimes discriminatory practices they often have to endure. The agency also suggested that the National Association of Insurance Commissioners develop more uniform regulatory standards that states would have to follow.

With a federal election around the corner we're not hopeful that a solution will occur soon, but we are encouraged by this support for the industry's concerns. In any event, the professionals of Towner Management will keep you informed about any developments.

About The Towner Management Group

Towner Management (TMG) is an independent, full-service captive insurance and international business entity management company with a multi-domicile reach. TMG, a partner of Hanover Stone Partners, LLC, is dedicated to providing alternative risk solutions to meet diverse needs.