
RRG

Industry Indicators

Overview

With 18 new formations and a number of dormant domiciles coming back to life, 2012 was a good year for the industry. For the second year in a row, the number of operating RRGs has increased and is now only one shy of the all time high of 262 which was achieved in 2008. The industry appears poised for further growth in 2013.

2012 Year-End Review

Risk retention group formations well out-paced retirements in 2012, matching 2008's 18 formations and reaching 261 active groups, only one shy of the high of 262 reached in 2008. After the large drop off in RRGs in 2009, retirements have held steady over the last three years. In 2012, all thirteen retirements occurred during the first two quarters, with no retirements at all in the last two quarters.

In looking at RRG year-end totals since the early 1990s, the ups-and-downs of the number of RRGs during the last five years is really put into perspective. As shown in this issue's special Quarterly Focus, the burst of growth that RRGs saw in the early 2000's has held, without any drastic drops in the numbers of operating RRGs. Between 2001 and 2008 (when RRGs reached their highest numbers), there was a 74% growth in the number of RRGs. During the last five years, when retirements outpaced formations, the total number of RRGs dropped by only 5% and has now almost made up for that decline.

Domiciles

Nevada had the most formations in 2012 with five new formations, however the domicile also lost three groups, for a net gain of only two. Hawaii netted three RRGs last year, licensing three new RRGs and retiring none. South Carolina formed two new RRGs after three years without any new formations. Delaware also netted one new risk retention group. Tennessee, which last licensed a new RRG in the early 1990s, and Oklahoma, which licensed its only other RRG in 2005, each added a RRG in 2012.

Losing groups this year were the District of Columbia, which formed three RRGs, but retired five. Montana and Vermont both had net losses in RRGs, down one each. Arizona gained one RRG and lost one.

Business Areas

Healthcare once again led RRG formations in 2012 with eleven, forming nearly twice as many RRGs as the other business sectors combined. However, the sector also lost nine groups, for a net of two groups. Healthcare RRG formations and retirements will likely remain volatile in the next two or three years as the *Affordable Care Act* is implemented throughout the U.S. The very small Financial sector also gained two groups—going from one RRG to three. Environmental and Manufacturing & Commerce both netted one new RRG each. The Leisure sector was the only area to lose any ground, it retired one group.

Captive Managers

Risk Services and Strategic Risk Solutions both formed four new RRGs in 2012. Risk Services has been steadily expanding its portfolio of RRGs over the past several years and has now gained the lead as the captive manager with the most RRGs. Strategic Risk Solutions, one of the newest captive managers in the game, really began to grow its RRG portfolio in 2012 and has moved into sixth position in terms of numbers of RRGs managed. Marsh, the long-time leader is now in second place, followed closely by Aon.

Quarterly Focus

This issue's special section focuses on some longer ranged statistic regarding RRGs. The first set of pages has charts comparing the year-end numbers of operating RRGs and comparing RRG formations versus retirements over the same time periods. The second set of pages show RRG formations and retirements by business area, with a chart comparing formations in 2008 and 2012 and a chart comparing RRG retirements from 1993 to 2012.

Outlook

2013 is looking to be a growth year for the risk retention industry marketplace. RRG advocacy groups are hoping to introduce the long hoped for legislation that would create a federal arbiter and allow RRGs to cover property. Changes in the healthcare and health insurance marketplace could have wide-ranging effects on risk retention groups. All-in-all, the upcoming year as the potential to see a great many changes for the industry, many of those changes beneficial.

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