

RRGs representing nursing home owners and operators also testified at the hearing, with their concerns focused primarily on the proposed rule change that increased the per bed surcharge rates for each comprehensive nursing care bed and for each residential nursing care bed. The following story covers this aspect of the rule.

## Nursing Homes Express Praise & Protest For Indiana Fund Increase

A representative of a risk retention group who testified at the November 21, 2006 public hearing on a proposed rule change contained in LSA Doc.#06-32 (see previous story) increasing per bed rates for nursing home owners and operators who participate in the **Indiana Patient Compensation Fund (IPCF)** found fault with the proposal while an insurance agent testifying at the hearing praised it.

For nursing home owners and operators who contribute on a voluntary basis to the IPCF, the IPCF provides \$1 million of coverage, excess of \$250,000. Under IPCF rules, the surcharge is set by an actuary and must be sufficient to cover the actuarial risk posed. Prior to the proposed rule change, which proposed rates for each comprehensive nursing care bed of \$199.70 and \$62.10 for each residential nursing care bed, the nursing home insurers contributed 110% of the cost for the primary layer of professional liability insurance.

In order to determine the proposed surcharge rates, the **Indiana Department of Insurance (IDOI)** retained the services of **Milliman USA** to perform the actuarial analysis. According to an IDOI press release, "Milliman USA utilized the principles of actuarial practice in developing its opinion."

The practice of determining the surcharge in this manner has come under criticism, which was expressed at the hearing by David J. Hutchinson, president of Lafayette, Indiana-based **Spiris, Inc.**, a licensed insurance agent. Hutchinson testified that, "the existing system basically created an honor system which some insurance companies used to set PCF rates and which some believe were artificially low and not actuarially sound." Since insurers, including RRGs, typically cover both the general and professional liability exposures of nursing homes, it is possible for the insurer to allocate the lion's share of premium to general liability, thus reducing the amount of the IPCF contribution, which is based on the professional liability primary layer.

Noting that the IPCF has worked with hospitals to develop a uniform, per bed rate, Hutchinson stated, "I support the Department developing a consistent regulatory approach by applying a regulatory and rate making process for nursing homes that is already used for hospitals. A uniform, per bed, actuarially sound rate, which is revised annually is a good approach."

Finding fault with the actuarial process which was used to determine the nursing home per bed surcharge rate was Sean Murray, speaking as the representative for **Midwest Insurance Group, A RRG**, an Arizona-domiciled RRG insuring nursing home owners and operators. Murray testified that, "...we feel that the surcharge has come to be too high." He also questioned "the process in which only one actuary would review that information," suggesting that, "it would be prudent to possibly have independent actuaries with independent information all from a point of view that can give the Department confidence that not just one group thinks it's right but multiple groups think the numbers are right." He further found fault with Milliman which "refused to provide a confidence level on their rate."

Asserting that the increased rate would have a detrimental "economic impact" on nursing homes, Murray testified that, in the case of Midwest RRG, it would result in "having to pay more than over \$2.25 million in premium ... having to pull that money out of either staffing or patient care...".

In adopting the final rule on December 18, 2006, which becomes effective 30 days after approval by the **Office of the Attorney General** and the Governor, the proposed comprehensive nursing care bed of \$199.70 was reduced to \$136.28 and the proposed \$62.10 for each residential nursing care bed was increased to \$63.10. Other factors considered in determining the surcharge "are the existence or absence of a risk management program and other risk related factors."

## ICCIE Electives Accepted for NAIC, Other Organization Designations

Several courses available through the **International Center for Captive Insurance Education (ICCIE)**, a comprehensive education program launched in 2004 to serve the needs of the captive/RRG industry (see RRR, Mar.'04), will be accepted by the **National Association of Insurance Commissioners (NAIC)** as valid electives for two NAIC regulator designations — the Mid-Level for Professional in Insurance Regulation (PIR) and the Senior Professional in Insurance Regulation (SPIR).

ICCIE, which awards graduates of its two year program the Associate in Captive Insurance (ACI) designation, has designed its program to provide a solid understanding of how captives and risk retention groups fit in the risk management landscape.

In addition to the NAIC, Mitch Cantor, ICCIE's executive director, in an ongoing effort to extend understanding of the captive/RRG industry to others in the insurance industry, has teamed with several insurance associations that now offer ICCIE elective courses to their members for credit.

The Risk & Insurance Management Society recently announced that it now accepts as electives ICCIE online core courses in its RIMS Fellow program. In some cases, the arrangements between ICCIE and other organizations are reciprocal. For example, Dana Sheppard, the associate commissioner of insurance who oversees regulation of RRGs and captives for the District of Columbia Department of Insurance, Securities and Banking (DISB) Risk Finance Bureau, and is nearing completion of ICCIE courses leading to his ACI designation, is also studying for his CPCU designation. Sheppard explains that the CPCU electives he plans to take this year will satisfy requirements for both the CPCU and ACI designations.

ICCIE also has a reciprocal arrangement with the American Society for Healthcare Risk Management (ASHRM). Under the terms of the arrangement, ASHRM members who enroll in an ICCIE course can also earn ASHRM credits toward two ASHRM designations — the "Fellow" (FASHRM) and "Distinguished Fellow" (DFASHRM). Similarly, ICCIE designation students may count ASHRM courses toward their ACI elective requirement.

In addition to Sheppard, several regulators from the Vermont Department of Banking, Insurance, Securities and Healthcare Administration, are also working towards their ACI designations. Nicole Spence, captive administrative assistant in the Vermont department, says that the ICCIE captive courses have really helped her to clarify the differences between the types of captive entities. She says that she has found the online conference calls particularly enlightening, with students from around the world participating. She recalls an amusing incident when, during one online call, she thought she heard a rooster crowing. The mystery was finally solved when the Cayman participant explained that his pet rooster was making a lot of noise. Another Vermont department participant working for her ACI designation is Kathleen Pembroke.

Recent ICCIE graduates who serve as account executives for RRGs managed by USA Risk Group from their Montpelier, Vermont office are Cindy Lyford and Paula Audibert, both of whom received their ACI designations in 2006.

ICCIE's enrollment includes students from 40 states, plus Canada, Bermuda, Cayman Islands, U.S. Virgin Islands, Nevis and St. Kitts, Switzerland, England, and Dubai, with approximately 60% of students working towards their ACI designation and 40% enrolled in individual courses. By the end of 2006, ICCIE had recorded more than 225 student enrollments. An ICCIE course specifically focused on RRGs will be given via three web sessions beginning on January 31, 2007. For more information, visit <[www.iccie.org](http://www.iccie.org)>.

---

## DC RRG, Agency Captive Change Names, Restructure Operations

---

Capitol Specialty Insurance Risk Retention Group, Inc. (CSIR), a District of Columbia-domiciled RRG licensed in 2004 which had been issued a "Summary Order to Cease and Desist" by the Commissioner of the District of Columbia Department of Insurance, Securities and Banking (DISB) on April 14, 2006 (see RRR, May'06) has changed its name and satisfied requirements imposed on it by the DISB under a restructuring plan.

The RRG, licensed on June 16, 2004 to provide liability coverages to various segments of the entertainment industry, has been renamed Indemnity Insurance Corporation of DC, RRG. An affiliated DC-domiciled agency captive — Capitol Specialty Insurance, Ltd. (CSIL), was also renamed as Indemnity Reinsurance Corporation of DC.

Pursuant to the change of business plan worked out with the DISB for both the RRG and the agency captive, the agency captive now operates under a fronting arrangement with American Safety Indemnity Co., an A.M. Best "A" rated Oklahoma-domiciled insurer in those states where American Safety is an authorized surplus lines carrier. In states where American Safety is not yet authorized to operate as a surplus lines carrier, the RRG will continue to provide liability coverages to insureds. However, as American Safety becomes authorized as a surplus lines insurer in additional states, the plan is for the RRG to cease operating and eventually dissolve.

---

## CICA To Hold Annual Conference in Tucson, AZ from March 11-13

---

The 2007 Captive Insurance Companies Association (CICA) will hold its annual international conference March 11-13, 2007 at the Westin La Paloma in Tucson, Arizona. The conference offers education sessions and networking venues that attract more than 450 captive and risk retention group professionals from the U.S. and around the world.

During two full days, the conference will feature intensive education sessions, as well as a comprehensive tradeshow where captive owners and risk managers can learn about and evaluate business solutions and ideas with service providers and domiciles.

This year's keynote address will be given by Helen Thomas, former White House Bureau Chief. Well-known as "the First Lady of the Press," Thomas, who has covered every president since John F. Kennedy, will speak on her experience "In the Front Row at the White House."