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# Risk Retention Reporter

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## **Tennessee RRG Insuring Physicians Cell Captives**

In late 2012, **Med Mal Risk Retention Group, Inc.** was licensed in Tennessee, the first new RRG licensed in the state since 1996. The RRG is writing medical professional liability for physicians groups organized as incorporated protected cells under **Physicians RE Captive Insurance Company**.

The new RRG was formed, and is being managed by, **Total Captive Solutions (TCS)**, a Thomasville, Georgia-based captive management company. Two of the new cell companies were formerly Georgia-domiciled RRGs—**Joliet Area RRG Captive Insurance Co.** and **Chattahoochee RRG Captive Insurance Co.** The other two cell companies were formerly pure captives also domiciled in Georgia. All four existing companies reorganized as incorporated protected cell captives and redomiciled to Tennessee in 2012. On January 1, 2013, the RRG began writing business for Physicians RE Captive Insurance Co., which issued policies to its four incorporated protected cell captives.

The RRG was formed by its members to give them more control and stability in the med mal marketplace. “[The RRG] allows forward-thinking, like-minded physicians to maintain control over their malpractice destiny and can do so more economically and more efficiently,” said Michele Matthews, chief operating officer with TCS. The members of the original four companies have a successful history going back more than twenty years. They were interested in creating a new business model that could easily accommodate more physician practices.

“We went with this structure,” said Cory Brown, TCS’s chief financial officer, “because there are efficiencies doing it this way. There is one large book of business, rather than four or more smaller books of business. For example, there is a much larger book of business to shop with for reinsurers. Additional efficiencies can also be found in the audit and actuarial work.”

“It also allows for us to start an incorporated protected cell easier than it does an independent captive or RRG,” said Matthews. TCS plans to use many of the same forms and processes already created to more easily set-up new cell captives which will help keep start-up costs to a minimum. Matthews added, “It allows for a smaller group of physicians to come together and then grow the cell, rather than one hundred physicians that

all have to agree at one time to start a RRG or captive. It allows for smaller groups of physicians to get started and then grow.”

The RRG plans to add more doctors, and reach farther geographically, by starting new cell captives. “The cell structure allows for some natural segregation so that the doctors would have their same board of directors and same underwriting committees,” said Brown. “Even though it’s merged together on the front-end with Med Mal RRG, on the back-end [the cell captive is] still segregated.”

However, the RRG plans to develop slowly by making sure to only take “good risk” insureds and expand geographically as opportunities arise. As has been set up with the original four captives, new cell captives will be organized by region.

“We need to have a nucleus of doctors in a specific geographic region, so that underwriting can occur and risk management can be efficient and make sense,” said Brown. “We’re interested in forming new cells, but at the same time we are still trying to grow the four existing cells and those companies were always separated geographically.”

Risk management has always played an important part in the incorporated protected cell captives, even when they operated under a different business structure, as has being particular about who the member physicians are. “We’ve always used that philosophy in that we consider it a country club environment,” said Matthews. “These doctors are investing their money so they want a good risk pool, so they do risk management and peer review amongst themselves.”

William Thompson, M.D., president of **Physician Captives**, a risk management company, is managing risk for the RRG and its insureds. As a founding member of one of the original captives and a former practicing physician, Thompson has over twenty years of risk management experience. Prior to their reorganization, risk management was a key component for the cell captives and was fundamental to their management philosophy and success as insurance companies. That philosophy has been continued with Med Mal RRG.

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Brown added, “Bill [Thompson] does surveys of offices on location. Every single insured gets underwritten every single year, with input by us and Bill, by an underwriting committee that is made-up of practicing physicians that are also insureds. There’s a lot of risk management that continuously goes on every single year.”

According to Matthews, “These doctors believe their participation in the alternative risk market leads to better physicians and better healthcare delivery. Both the physicians and the patients are benefiting from this structure—resulting in better patient-doctor relationships and better communities.”

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