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# Risk Retention

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## Member Retention Tips From Leading RRG Managers

A key component to a successful risk retention group is member retention—even more so than in the traditional market as a RRG's members are also its owners. To get a better understanding of what is involved in successful member retention, the *Risk Retention Reporter* talked to three long-time RRG managers to determine key elements they use to keep their members satisfied year after year.

The three RRG managers who were interviewed all manage well-established RRGs. Janice Abraham is the president and CEO of United Educators Insurance, A Reciprocal RRG (UE), which has just celebrated its 25<sup>th</sup> anniversary and which has a member retention rate of 98%. Michael Bemi is the president and CEO of The National Catholic RRG, Inc. (TNC), which began writing business in 1988 and has a retention rate of 99.1%. Brian Donovan is the president of STICO Mutual Insurance Co. RRG, originally licensed as a captive in 1988, it was converted to a RRG in 2002 and has a 98% member retention rate.

The initial question asked of each person was: what are the most important factors in your view that help you achieve a high retention rate? While their answers varied, everyone indicated that a close understanding of the needs of their insureds was key to keeping their members.

"Our excellent retention is primarily the result of four factors: 1) much broader than industry coverage; 2) competitive but stable pricing; 3) great claims service; and 4) knowledge of and identification with the Church's mission," said Michael Bemi.

According to Brian Donovan, "There are a number of factors that contributed to our retention success including fair premium rates, fair claims handling, active involvement with our insureds, dividend payments, and reminding our insureds that we are a mutual and they are all owners of the company."

UE has actually asked their members this question. "We completed a member research study in 2011," said Janice Abraham, "Which indicated that our education-specific expertise coupled with our risk management services, including online courses, podcasts, checklists, white papers, webinars, and one-on-one technical advice were the principal factors in our high retention."

Playing a major role in maintaining a high member retention rate is member selection and screening. According to Abraham, UE really looks for a commitment

from its new members, "Our prospecting and underwriting definitely looks for schools, colleges, and universities that want to make investments in risk management best practices, don't shop their insurance every year, and articulate a commitment to being part of a member-owned company."

TNC, as a religious-oriented insurer, is available, "to any institution of the Church that meets our underwriting standards, accepts the initial three year required participation, and injects the required ownership capital. Consequently, the hurdles we establish to participate probably do help us achieve a better risk profile overall."

"Initially, at our formation, we accepted all companies within our niche for membership," said Donovan. "Over the years we have refined our focus and learned what makes for a loyal, long-term insured. While we have slightly expanded our niche over the last 25 years, we continue to be selective as to our prospects."

In recent years the soft market has increased competitiveness among traditional insurers and captive insurers. RRGs often find that their members have "short memories" concerning market trends and are liable to switch to a traditional insurer when rates are low. How can a RRG deal with those market forces?

"At this time, most of our insureds have 'tribal memory' and do not need to be reminded of the beneficial aspects of staying with us," said Donovan, "The insureds that we have lost have been short-term insureds who came to us without intentions to stay for the long term. Over the past five years our dividends have averaged 10%, which often exceeds any savings that the traditional market offers."

On the other hand, UE concentrates on offering the best possible coverage. "We simply stay focused on being the experts on education's risks, putting out risk management materials that are practical and help them do their jobs, and have the best claims staff in the business for when claims occur," said Abraham.

For Bemi and TNC, "We have never found this to be a problem. Most of our members remember—or at least know of—how badly the market has treated the Church in prior hard markets. They are generally disinclined to reward prior industry 'offenders.' They also recognize and appreciate the long range stability we provide."

Education can play a vital role in keeping members engaged, but how big a role does, or should, it play?

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As UE insures education institutions, continuing education is a major factor for its members. "Education, or in our world, risk management, is huge and the clearest differentiator for our members."

For Donovan, "Member education is very important both to retain members as well as to upgrade members understanding of their insurance purchase. We have at least two opportunities per year to present important information to our insureds as a group. Furthermore we have a number of one-on-one discussions with individual insureds throughout the year, without the filter of a broker or agent. We publish an annual report each year with a strong educational component, and we have a dedicated website that we use to both educate and communicate with our members."

TNC also offers educational opportunities for members. According to Bemis, "We think member education plays a significant role. Besides our quarterly newsletters (which are largely educational in format) we offer an annual winter meeting with multiple risk management workshops presented by bona fide experts in their disciplines. We also offer two annual workshops that are devoted to claims management and litigation management education. All of our educational tools are provided free of charge to members. We believe all this raises our company profile very positively and generates much good will. It also demonstrates the quality of our service to members."

One benefit of being a member of a RRG is that the insureds are also owners. However, there are other valuable take-aways that these RRGs provide their member owners.

As is fitting for an educational-related risk retention group, UE concentrates on educational programs available only to members. "Our risk management products and services, including our superb online courses, are only available to members. This can save them thousands and thousands of dollars each year as they use our free materials in lieu of the courses or training they could buy off the shelf or develop in house if they were not UE members," said Abraham. "We have 25,000 faculty and staff at our member institutions using our online Preventing Workplace Harassment and Discrimination course. We just launched a 30-minute interactive online course for college students that meets a college's compliance requirement to train its students on sexual assault prevention. And it is free and only available to members."

For STICO, they tailor their policy specifically to their industry niche as well as offering personal consulting and, often, dividends. "First, our policy form is unique to

our industry and has a number of features that provide additional coverage. The form has been evolving over our 25 year history and the changes reflect unique claims experiences within our industry. Second, we are available 24/7 to discuss various issues with our insureds regardless of whether or not a claim has been presented. Finally, we have told our insureds that our surplus is more than necessary to meet our obligations and that we will return unneeded pre-tax profits to them."

As for TNC, "We offer no special incentives or value added options other than our high quality claims management and risk control and our excellent coverage and stable, fair pricing. We have occasionally paid out cash and/or share dividends," said Bemis.

The final question asked of each of the three RRG managers was: Do you have any unique strategies for keeping members?

According to Abraham, it is a great working relationship with their brokers, "The brokers who work with our members and UE are great advocates for keeping members. They know the superior services that our members get and how we help brokers deliver value added services to their clients, our members."

For both Bemis and Donovan, they don't believe their strategies are all that unique. Bemis said, "We have a distinct strategy, but we don't think it is necessarily unique. We provide excellent coverage; with very high available limits; at reasonable, fair and stable premium levels; with great service. We think that all of this, rather than some 'flash and dash' options, is what our insureds really need and desire."

According to Donovan, "Our strategy is not really unique, but maybe it is in the insurance business. We develop fair, stable rates. We are honest with our insureds. We provide a clear and easily understood policy form. We tend to interpret the gray areas of the insurance contract for the benefit of our insureds. We return profits in the form of dividends to our insured owners."

For UE, TNC, and STICO it is not just about keeping members, but keeping members satisfied with their liability coverage. These groups use their RRG not only as an insurer, but also as a sort of 'club' that keeps their insureds up-to-date and educated. According to Donovan, "Member retention is a key element in the success of our RRG. How many traditional insurers can claim that over 90% of their insured customers from 1988 are still with them?"

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