

Risk Retention Groups Forming at Six Times the Rate of 2001

Risk retention groups are forming at more than six times the rate they did in 2001 when just seven RRGs formed during the entire year compared to 45 RRG formations in the first ten months of 2004. After a decade-long soft market, the pace of RRG formation picked up in 2002, when 21 RRGs formed, more than doubling in 2003 with 58 RRG formations.

Comparing the first ten months of 2003 with the same period this year, the number of RRG formations is virtually tied, with 45 formations this year versus 46 last year. According to regulators and captive managers many more RRGs are currently in the formative stages. Unavailability and unaffordability of liability coverages continue to drive commercial insureds into alternative markets, with RRGs serving as one of the most viable options for insurance buyers. With the addition of four new RRGs to *RRR* listings this month, the total number of operating RRGs now stands at 177.

The business areas accounting for the greatest number of RRG formations in 2003 and 2004 are **Healthcare** (75 RRGs), followed by **Property Development** (8 RRGs), and **Transportation** (6 RRGs). The leading states in which RRGs have formed during 2003 and 2004 are Vermont, South Carolina, and the District of Columbia.