
The

Risk Retention Reporter

New RRG Offers Coverage to General and Artisan Contractors

American Builders Insurance Co. Risk Retention Group, Inc., a Montana-domiciled RRG licensed on August 22, 2006, will provide general liability insurance for general and artisan contractors engaged in residential and commercial construction, including new home building and remodels.

The RRG was capitalized with a \$1 million letter of credit posted by Clinton, Tennessee-based **Appalachian Underwriters**, a managing general agency that will serve as the RRG's program manager. Membership in the **American Builders Association**, a Montana-domiciled association established at the same time as the RRG, is required for membership in the RRG. Robert Arowood, president of Appalachian Underwriters who also serves as president of the RRG, explains that RRG members "are not buying stock in the RRG but paying dues to the association which then flow back to the RRG as contributions to capital and surplus." Capital contributions equal to 10% of the first year's premium are payable by new members at the time they join the RRG.

Arowood says that the RRG's target market is the "smaller end of the spectrum," noting that the typical general contractor suitable for membership in the RRG is one with less than \$2 million in annual gross receipts, who builds five to ten houses a year. Artisan contractors suitable for the RRG are those with one to two employees working in a range of subclasses, including roofing, framing, excavation, plumbing, carpentry, and dry wall. Contractors engaged in both new home construction and remodels are candidates for the RRG, with those engaged in condo construction also considered.

The RRG will offer both occurrence and claims made policies, with limits of \$1 million per occurrence and \$1 million in the aggregate. The RRG has a quota share reinsurance arrangement with Bermuda-based **Imagine Re**, with Imagine Re taking 80% of each claim and the RRG 20%. Arowood explains that for a \$100,000 claim, Imagine Re pays \$80,000, and the RRG pays \$20,000.

RRG rates, says Arowood, are "very competitive," noting that rates are more in line with the admitted market rather than the surplus lines market, which, he says, "have very high minimum premiums." The minimum

RRG premium for general contractors is \$1,500 and for the artisan contractor is \$750.

Arowood explains that Appalachian, which currently serves as the MGA on a contractors book of business underwritten by **Accident Insurance Co.**, a South Carolina-domiciled insurer not yet admitted in other states, sees the RRG as part of the "Appalachian family of companies." He notes that the RRG provides the 6,000 retail agents who distribute Appalachian products a "cafeteria of choices," adding that "some will see the value of the RRG, while others will want more of a traditional approach."

Arowood estimates the RRG's first year premium at \$7.5 million, increasing to \$10 million in the second year, and \$12 million by the third year. The RRG will operate primarily in the Southeastern United States, offering coverage in Alabama, Georgia, Kentucky, Ohio, Tennessee, Arkansas, Illinois, Mississippi, Oklahoma, Virginia, Florida, Indiana, North Carolina, South Carolina, and Texas. Arowood says that the RRG's principle competitor on the east coast is **Probuilders Specialty Insurance Co. RRG**, DC-domiciled RRG that insures contractors.

Risk management and loss prevention for the RRG will be provided through existing Appalachian programs. Underwriting will also be done by Appalachian who will keep binding authority in-house. Arowood says that member input is important, particularly in providing responsive coverage that meets the needs of members.

In addition to Appalachian Underwriters, other service providers include: **Risk Services, LLC**, from its Sarasota, Florida office, which is providing captive management services; **Ratner Mackenzie**, based in Bermuda, which is providing reinsurance intermediary services; and **Moulton, Bellingham, Longo & Mather, P.C.**, based in Billings, Montana, which is providing legal services.

*Reprinted from the October 2006 Risk Retention Reporter —
Volume 20, Number 10
<http://www.rrr.com>*