
The

Risk Retention Reporter

Single Product Focus Spells Success for Mental Health Risk Retention Group

*Featuring Nicholas Bozzo, President, Mental Health Risk Retention Group, Inc.
and Managing Director Negley Associates-Underwriting Managers*

Unwavering dedication to a single goal — providing liability protection that mental healthcare organizations can count on — has spelled success for Mental Health Risk Retention Group, Inc. (MHRRG) from its formation in 1987. CEO Nicholas Bozzo is sticking strictly to that basic strategy today.

Since taking over two years ago, he has worked closely with the board of directors to be sure MHRRG covers changing exposures that face mental health practitioners and provides risk management programs tailored to current claims trends. Tactics change as needed to deal with changing risks, but MHRRG won't change strategic direction. "We stick to our knitting," says Bozzo.

The RRG has been a financial success from year one. Its shareholders are primarily not-for-profit community mental healthcare centers. It may sound idealistic, but MHRRG is not motivated by profit. Yet, since 1991, the RRG has paid dividends to its members adding up to \$7 million over the years.

Two national trade associations, Mental Health Corporations of America and the National Council for Community Behavioral Healthcare, worked with Negley Associates, a respected managing general underwriter, to form the RRG. The associations faced a liability insurance crisis, and member companies sought to control their own destiny in the volatile insurance market.

Goal: Sustainable Insurance

"Our goal is insurance that is sustainable over the long term. Our premiums are determined by loss experience. When we collect more premiums than we need to cover losses, we dividend them back to shareholders, but we retain enough earnings to build capital and sustain growth," Bozzo says. While the RRG has been paying dividends, its surplus has grown 600 percent.

When the two national associations decided to help their members take control in the insurance arena, they turned to Dr. Edward Negley, President of Negley Associates, a managing general underwriter widely respected in the mental healthcare profession. Negley

Associates, located in Cedar Grove, New Jersey, works exclusively in the mental healthcare field and has managed MHRRG from the beginning.

After deciding to retire, Dr. Negley worked with the MHRRG board to find a seasoned insurance executive who could steer Negley and MHRRG through difficult times.

Bozzo, a veteran insurance executive, who had advanced through the underwriting ranks at traditional insurance companies, was selected. "It seemed a natural step for me. I was eager to head an organization where my underwriting skills would be a major key to success and I would be challenged to build on MHRRG's track record," Bozzo explains.

Nicholas Bozzo, President

RRG: Mental Health Risk Retention Group, Inc.

Organizational structure: Stock company owned by policyholders

RRG member/insureds: Community mental healthcare centers

Education: B.S. in Finance, Fairfield University

Experience: Twenty-one years in insurance moving from underwriting at Chubb, Kemper, and Axis to senior management at Beazley, PLC, and MHRRG

Proudest achievement: "Taking on the leadership role of an organization with a 20-year track record of success — that's considered by many to be the gold standard of risk retention groups — and continuing to maintain the RRGs success without missing a beat."

Greatest challenge: To build on the past, and to adapt to changing exposures, new technology, and the insurance marketplace.

In his words: "I was given the opportunity to take the helm of a strong organization with a record of leadership second to none. My challenge is to maintain MHRRG as the leader. So far, we're staying ahead of the curve, but I'll leave it to the board to judge."

From Insurance Career to RRG CEO

How did he decide on insurance career? In 1987 fresh out of Fairfield University with a degree in finance, "insurance found me, and it's been a good marriage," Bozzo says. A Chubb campus recruiter sold him on the Company. He joined the Executive Protection Department where he researched companies for E & O liability issues and became excited about the insurance business. This led to years of underwriting experience at Chubb, Kemper, and Axis.

Just before joining Negley, he gained senior management experience as founder and head of the Specialty Lines Business at Beazley, PLC, in the U.S. What prepared him to be a CEO? Maybe it was his passion for Lacrosse. As a member of the team at Fairfield, he developed a competitive drive that has kept him on the fast track for 21 years.

Managing an RRG was a whole new experience for Bozzo. So, how has MHRRG been able to compete in soft markets where traditional carriers cut prices to gain market share? "Basically, we don't compete on price," he answers. "Our members know MHRRG provides a stable source of insurance. Sometimes, we give credits in competitive markets, but when traditional carriers bid for business to help subsidize losing lines our steady pricing keeps policyholders satisfied," Bozzo explains.

The RRG does not insure individual physicians or mental healthcare workers. Its shareholders are community centers that depend on local, state, or federal funding. The centers grew many years ago when social policy changed, and the mentally ill were no longer institutionalized. Centers insured by MHRRG include facilities that serve the mentally ill, battered family shelters, and treatment centers for depression. The RRG writes general and professional liability insurance that covers all center employees. It also writes directors and officers insurance and employment practices liability insurance for the centers.

What about the plaintiffs' bar? "Going after organizations that serve the poor on low budgets doesn't create an economic payday for trial lawyers," Bozzo notes.

Corporate Governance by Peers

The board is composed of leaders in the profession who are committed to providing shareholders with stable, affordable liability coverage. It meets at least four times a year. "We have a track record of staying ahead of the curve on regulatory issues," he points out. Bozzo reports to the board as president but is not a board member.

Bozzo is managing director of Negley. Claims handling is outsourced to Scottsdale Insurance Company. He disputes any suggestion that MHRRG is a "virtual company." As president, Bozzo is accountable to a hands-on board of directors for underwriting, claims, administration, and all other company functions.

Bozzo is proud of his team. The average tenure of underwriters is 10 years. MHRRG's claims people build relationships with clients. Through these relationships, they gain deep knowledge of mental healthcare issues and become better qualified to handle difficult claims.

Bozzo could not identify a single claim that was the most daunting in his experience at MHRRG. However, he explains that the claims the RRG deals with from time to time are different from claims that face many organizations. For instance, sexual abuse of children and misdiagnosis leading to suicide. "We need to keep premiums affordable, but we do not dismiss genuine claims. People's lives are affected. Sometimes, we learn from claims that identify exposures that help us design future coverage."

Every Aspect of Job Challenging

As for challenging issues, he cites "fiduciary responsibility" as number one. "Every aspect of the job is challenging," Bozzo declares, "but I must manage to serve the shareholders recognizing it's their money. Non-profits operating on slim budgets, expect prudent stewardship of their insurance dollars." That's why he places high priority on loss control and claims management. The RRG's website, www.mhrrg.com, offers videotapes, case studies, and a hotline.

There is some competition from traditional insurers like AIG. "I guess you could say that competition keeps us focused on providing the best products and services, but our client base has been stable over the years," says Bozzo.

MHRRG conducts a sophisticated marketing program. It includes advertising, video, direct mail, Internet exposure, and an active presence at industry conferences. Most important, however, according to Bozzo, are the RRG's endorsement by the two industry trade groups and referrals by the board of directors to their peers.

Is MHRRG rated by A.M. Best? "No, we see no reason to pay to get a rating when our financial structure is sound," Bozzo explains. He points out that financial information on the RRG is available to shareholders and brokers so, "we don't need somebody else to validate our financial strength."

Running a RRG today does not leave Bozzo a lot of time for outside activities or recreation. He is devoted to his wife, Beth, and two children. His son, Connor, is an avid Lacrosse player. Bozzo coaches the team. They also play golf together and Connor is challenging dad as he learns the game. Daughter, Olivia, is in her freshman year in high school. He cheers as she plays tennis, piano, and flute.

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