

NASW Assurance Services

Questions and Answers Regarding APA Letter to NASW PLI Policyholders

1. **I received another letter from American Professional Agency (APA) that has me confused and concerned. How can a NASW member make a decision about the right professional liability insurance policy?**

Our purpose is to represent social work values and that includes advocating for NASW members with professional liability insurance. Here's the proof: our enhanced NASW-endorsed program is now less expensive, has considerably more benefits, and is easier to obtain.

Insurance companies like American Home Assurance (a subsidiary of AIG) and insurance agents such as APA focus primarily on creating profits for corporate shareholders and their owners.

2. **Why is NASW making changes to its program after so many years?**

The NASW Insurance Trust, which became NASW Assurance Services, faithfully and effectively managed its partner companies across all of its insurance programs for over 40 years, including, eventually, the NASW professional liability insurance (PLI) program.

Then, in 2008, we established the NASW Insurance Company to ensure better control of the liability insurance program and to expand advocacy for insured members. This also helped us understand where expenses could be reduced and benefits could be added and expanded.

In 2009, AIG, through which the professional liability insurance was provided to our members, came very close to bankruptcy – saved only by a **\$184 billion federal government bailout**. Concerned about the security of the program, NASW Assurance Services reviewed the program and decided that major improvements could be made to benefit NASW members. And that's exactly what NASW Assurance Services did when it developed the enhanced NASW-endorsed program.

3. **Does NASW Assurance Services have enough experience in managing insurance programs?**

Yes, NASW Assurance Services has substantial experience in managing insurance programs, and has been managing the professional liability insurance program's partners, including APA, for many years. In addition to professional liability, we manage auto, home, life, disability, and accident insurance programs.

We made major improvements to the PLI program including a reduced premium for part-time practice, offering tail coverage at no cost to retired members, advocating for members whose coverage was dropped, and taking out unnecessary questions from applications, to name a few.

NASW Assurance Services is a licensed insurance agency for casualty, life, property, variable life and variable annuity insurance products, and it employs licensed insurance professionals.

NASW Assurance Services' new program partners also bring a wealth of experience:

- CPH and Associates, our new program administrator, has over 25 years of experience and specializes in serving social workers and mental health professionals.
- Lloyd's, London, with over 300 years of experience, provides financial backing to assure the program's financial stability.
- Western Litigation, a litigation and risk management company, provides legal defense, claims management, and our Risk Management Helpline.

4. What is the NASW RRG? Is it subject to government regulation?

A Risk Retention Group (RRG) is a liability insurance company ***owned by its members*** – so it doesn't need to cater to the needs of Wall Street investors. It is ***not*** self-insurance.

The NASW RRG ***is*** subject to government regulation; it is an insurance company authorized by federal law. The NASW RRG meets all of the regulatory requirements of insurance regulators, just like any other insurance company. The NASW RRG is registered in all 50 states.

RRGs have been in place for over 25 years and were authorized by an act of Congress. In fact, there are hundreds of RRGs providing liability coverage to doctors, lawyers, educators, and other professionals.

5. Does the NASW RRG have sufficient assets to pay potential claims?

Yes, the NASW RRG was required to have sufficient capital before it could be authorized to write insurance by the regulators that oversee it. These requirements apply to all insurance companies, not just the ones that APA represents.

The NASW RRG is also extensively reinsured by Lloyd's, London, known worldwide for its excellence in insurance and rated "A" for its financial security and stability, with assets in excess of \$123 billion dollars.

6. Should I be concerned that the NASW RRG isn't protected by state guarantee funds?

No, there is no need for concern. Because the NASW RRG is a federally authorized program, it is exempt from state guarantee funds. The program sets aside all of the necessary monies to pay all potential future claims and has capital above and beyond those requirements.

NASW RRG also has strong, stable backing from Lloyd's, London, known for its 324-year track record of paying every valid policyholder claim. Lloyd's, London is bound by contract to this program.

Even when insurance policies are covered by state guarantee funds, policyholders who find themselves under those limited guarantees wouldn't necessarily be made whole if their insurance company failed. **States have per-policyholder caps on state guarantee funds.** So the backing of Lloyd's, London is very important since its ability to pay claims extends beyond the state guarantee funds.

7. Why did NASW and NASW Assurance Services choose a Risk Retention Group (RRG) for its liability insurance?

The RRG allows us to be transparent to insured members. The governing board is made up of social workers who will ensure that costs are reasonable and benefits continually address the unique needs of the social work profession. They will also make sure that you are treated fairly.

The RRG doesn't invest in risky ventures which caused some major insurance companies such as AIG to get into financial trouble.

While our competition focuses on creating profits that they keep, our program pays expenses and then invests in initiatives that benefit NASW members and advance the profession.

8. What was APA's role in the previous NASW liability program? Is APA an insurance company?

APA is **not** an insurance company, it is an insurance broker – similar to the insurance agents you may use to purchase your auto or home insurance. APA is simply the agency that represents the insurance company American Home Assurance, a subsidiary of AIG. Going forward, these two companies will agree between themselves how much APA will be paid. We can no longer represent your interests regarding APA's program.

Unlike APA, NASW Assurance Services doesn't represent insurance companies – it only represents the needs and interests of NASW members.

9. Was APA involved in the development of the NASW RRG?

Yes, NASW Assurance Services and APA met frequently to discuss the design of the RRG and talk with new partners such as Lloyd's, London. In fact, APA was the registered agent for the RRG and was involved in completing the application to regulatory authorities.

NASW Assurance Services was surprised when APA abruptly ended the relationship after more than 40 years.

10. What about the amount that NASW Assurance Services received from APA?

NASW Assurance Services did not receive **any** underwriting profit from APA. It received an allowance of \$389,353 from APA, which it used solely for promoting the program and educating NASW members about it.

In contrast, APA received 20% every year in commissions directly from the insurance company AIG – more than \$3,100,000 last year alone. And, APA didn't pay out any claims or premium taxes from this amount.

11. Why is NASW Assurance Services no longer working with APA?

At 20%, APA's annual commission was already higher than the average industry commission. Earlier this year, APA requested a 50% increase in its commission – to 30% – which would have meant commissions of \$4,700,000. Then, APA suddenly terminated its relationship with NASW Assurance Services in order to offer the program on its own, without any oversight by NASW Assurance Services.

By comparison, the new program administrator, CPH and Associates, will receive a commission of about one-half of what APA was getting to administer the program. This will save the program over a million dollars, resulting in better benefits and premium savings.

CPH and Associates also offers NASW members greatly improved customer service, with personal service from knowledgeable, insurance licensed representatives, as well as a state-of-the-art, 24-hour online system, and expanded service hours including several weeknights and Saturdays.

Why should NASW members pay so much more for less service and fewer benefits?

12. Did APA have anything to do with the stability of prices in the Professional Liability Insurance program?

We believe the major reasons NASW members haven't seen an increase in their premiums for 16 years are NASW Assurance Services' advocacy on their behalf and its management of the program's partners.

Need an example? Simply compare the NASW program with **other** APA-administered programs that don't benefit from NASW Assurance Services' oversight. The annual premium for APA's first year policy for mental health counselors is \$96. Contrast that with a \$67 premium for the NASW program – a difference of over 40% for the same level of claims-made coverage (\$1 million/\$3 million).

Additionally, NASW's knowledge of social work, combined with NASW Assurance Services' risk management expertise, provides one-of-a-kind expert education to help members identify the reasons for malpractice and provide management tools to avoid it.

13. Why does the APA program have fewer exclusions than the NASW-endorsed program?

For every benefit provided in a professional liability insurance program, there is also a limit or exclusion. Because our NASW-endorsed program now has more new benefits, we also have a corresponding number of new exclusions. ***APA's program has fewer exclusions because it has fewer benefits to begin with.***

NASW Assurance Services built the enhanced NASW-Endorsed Professional Liability Insurance Program on the foundation of the previous PLI program, but made it much better by adding new benefits, improved customer service, more discounts, and reduced premium costs.

14. What about the differences in the sexual misconduct provisions in the policies?

The NASW-endorsed program will pay for all defense costs whatever they are and will cover up to \$25,000 for sexual misconduct claims. Additionally, you have a board of social workers looking out for your best interests, unlike the AIG companies.

15. What if I have more questions?

NASW and NASW Assurance Services are very proud to offer the enhanced professional liability insurance program. As the only program endorsed by NASW, it provides members with the best coverage and value at the most competitive group rates.

If you have any questions, we urge you find out more to help you make the right decision. Over the coming months, when your renewal time approaches, NASW Assurance Services will send you more information about the program, including how you can enroll.

In the meantime, you can find a wealth of program information on the NASW Assurance Services' website (<http://www.naswassurance.org/pli/professionals.php>). Or, you can talk to a licensed insurance agent who can address your specific situation and provide you with more details by calling 855-385-2160.