

## **Professional Liability Insurance Update February 2, 2005**

MBA has been informed by HUD that Demotech, Inc. has been approved to supplement AM Best as a rating service provider for professional liability insurance required under HUD Notice H 04-15. This should allow well-capitalized and well-run captives and risk retention groups to meet HUD's requirements.

The Office of Multifamily Development began a process late last year to identify additional insurance rating services firms comparable to AM Best that would be able to provide rating services to smaller and alternative providers of professional liability insurance required by HUD Notice H 04-15. Demotech, Inc., a firm that has experience in rating smaller insurance providers and is approved by HUD, Fannie Mae and Freddie Mac as a rating provider of property and casualty liability insurance and title insurance, requested the Department approve their rating services for professional liability insurance. The Department recently completed a review process and concluded that Demotech, Inc. was qualified to provide rating services comparable to AM Best for smaller professional liability insurance providers. The rating service of Demotech, Inc. will include captives, risk retention groups, smaller licensed regional insurance carriers and other risk sharing entities.

The Department approved Demotech's rating process for professional liability insurance on January 31, 2005 for a provisional one year period. Demotech has assured HUD that it will undertake a conservative and comprehensive rating approach to issuing ratings for professional liability insurance providers and will continually monitor and follow-up their review to insure that entities rated by Demotech continue to meet high standards in order to achieve and maintain an "A" rating. The Demotech "A" rating is comparable to a rating of "B++" from AM Best. Demotech's rating process will include a comprehensive financial stability analysis, a review of the operations and claims processing procedures of the insurer, a test of the quality of the insured policyholders, and a comprehensive review of risk management procedures and policies as well as other important industry wide standard measures of stability and operations. Demotech officials can be contacted by calling 1-800-354-7207 or by accessing their website at <http://www.demotech.com>.

Should you have any questions contact C. Mark Williams, of the Policy Division of the Office of Multifamily Housing Development, at (202) 708-0614 x 4173 or [Curtis\\_M.\\_Williams@hud.gov](mailto:Curtis_M._Williams@hud.gov).