

The TMPAA State of Program Business Study 2021

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TODAY'S HOST



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EVP of Client Solutions, *Advisen*



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President & CEO, *DOXA Insurance Holdings*

ABOUT THE PROGRAM BUSINESS STUDY

- The TMPAA launched the study in 2011 to gain insights into:

Size and scale of the market

Trends in the program space

PA and carrier alignment on key issues

SWOT

Outlook

Who participated the
2021 TMPAA Program
Business Study?



144 Program
Administrators
representing

1,041 Programs

51 Insurers

representing

1,322 Programs

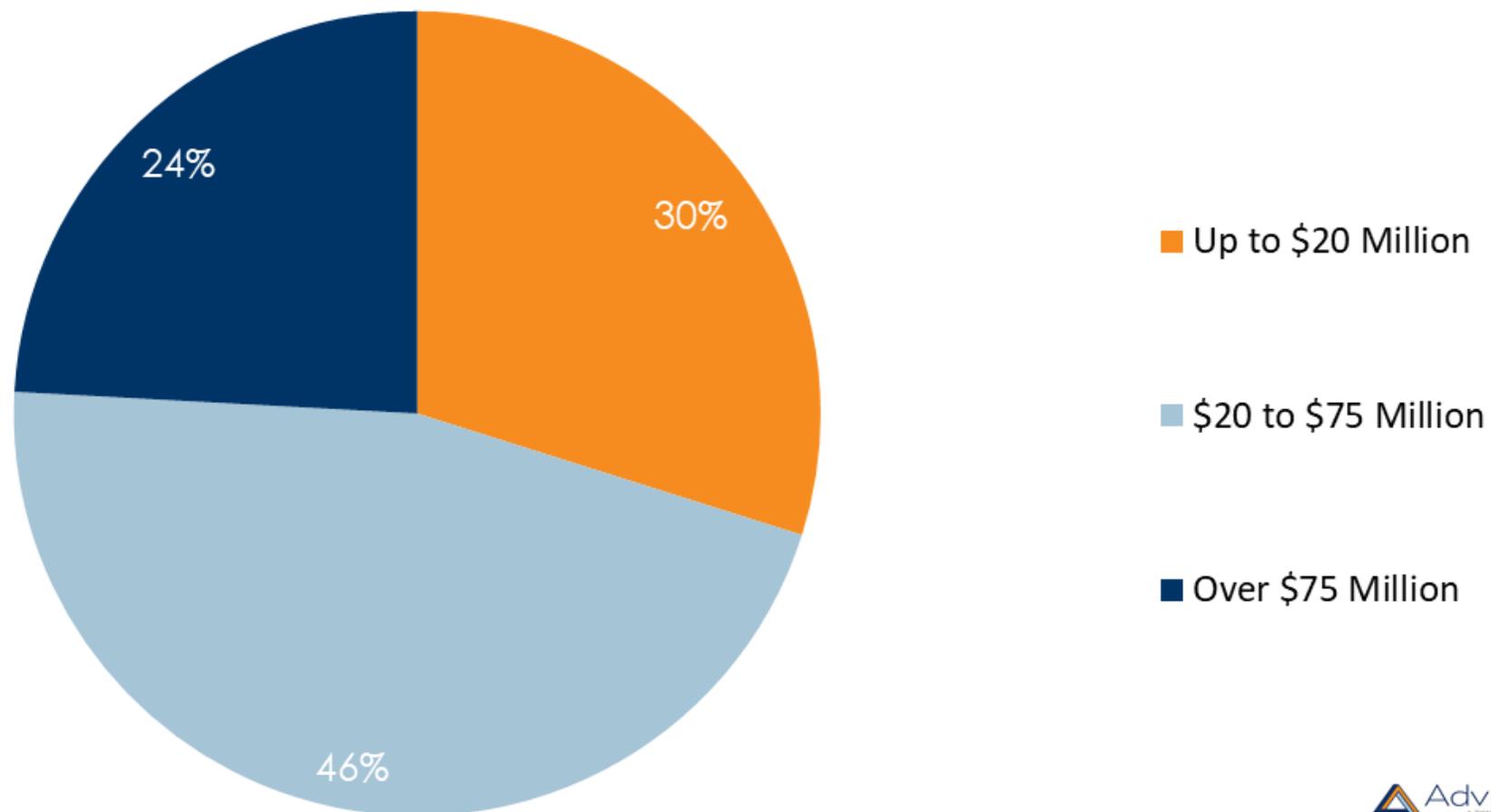




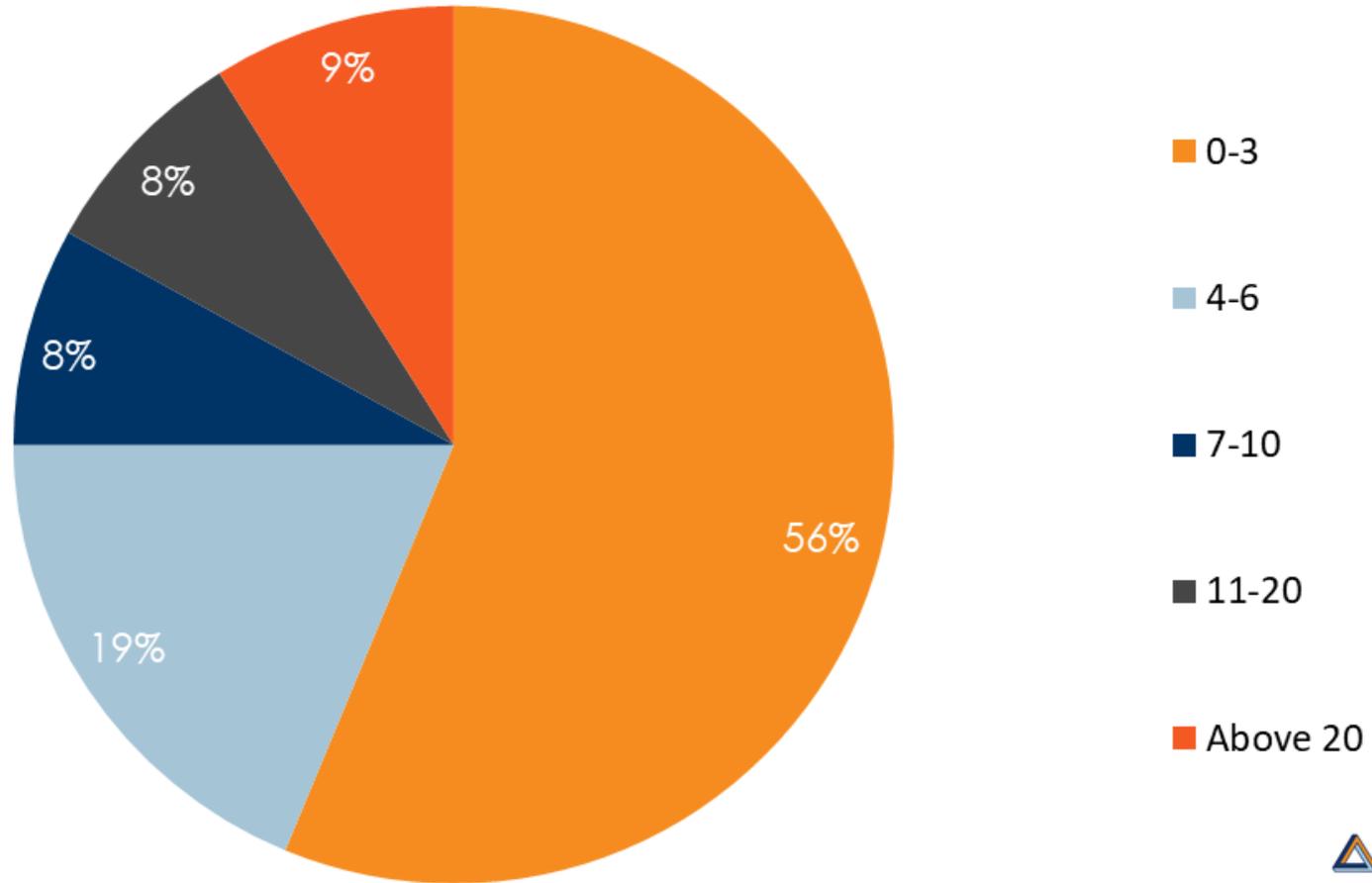
KEY FINDINGS ON ADMINISTRATORS



Gross Written Premiums Administered

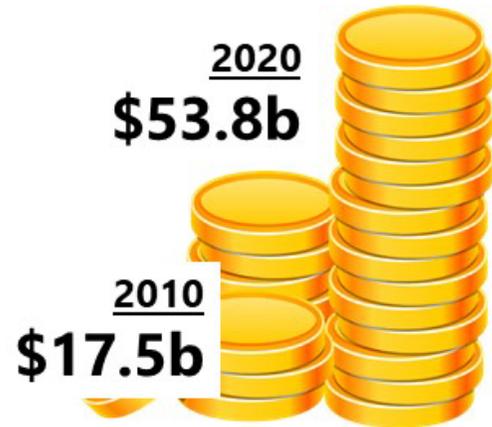


Number of Distinct Programs Administered



207%

increase in program revenues from \$17.5 billion in 2010 when TMPAA inaugurated the market study



We're still growing!



\$53.8 billion
in premiums in 2020

\$40.5 billion

2018

\$53.8 billion

2020

32.8%
increase in
estimated size
of the
program
business

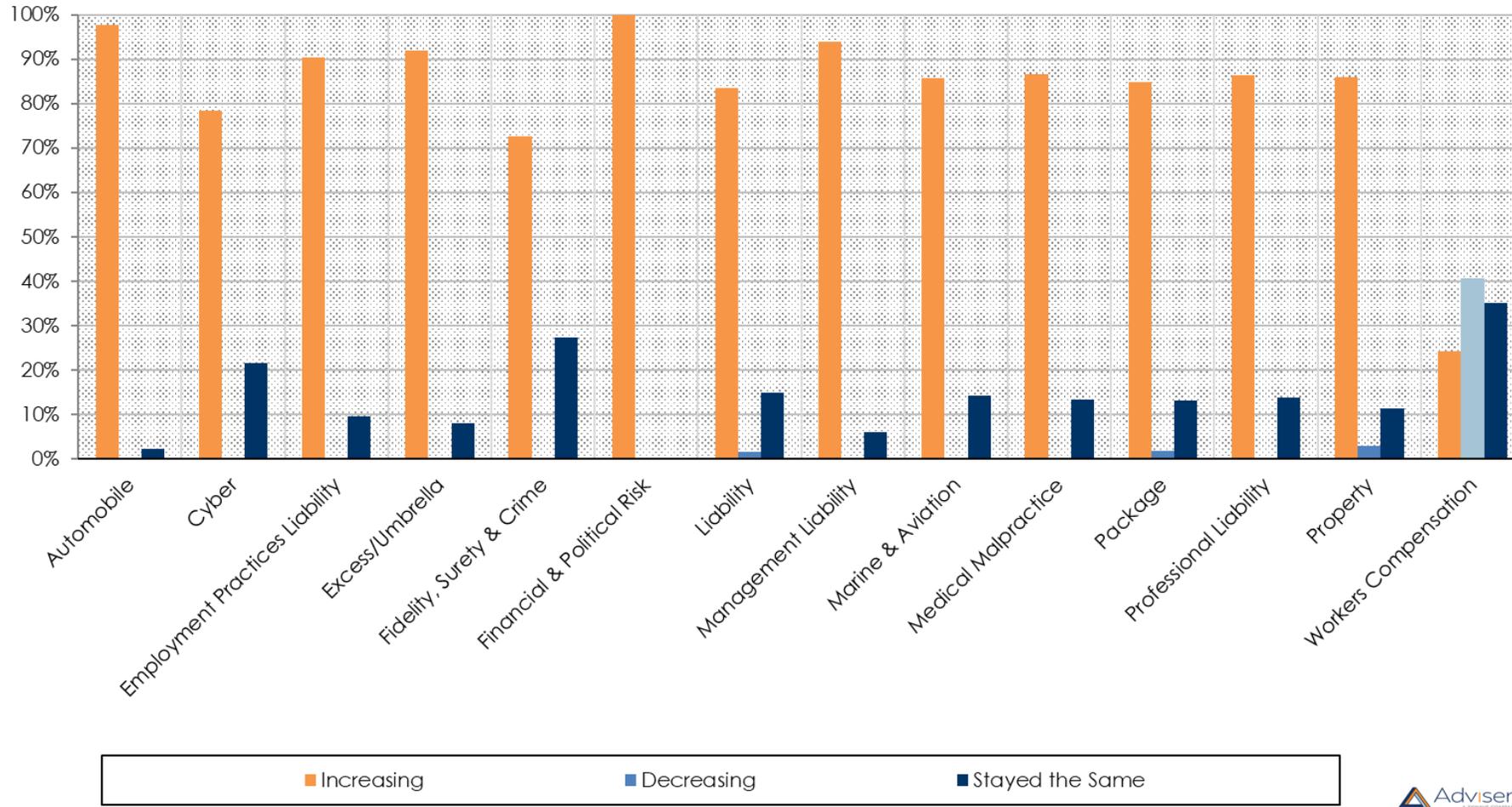


**Program business
continues to
outperform the overall
commercial insurance
marketplace.**

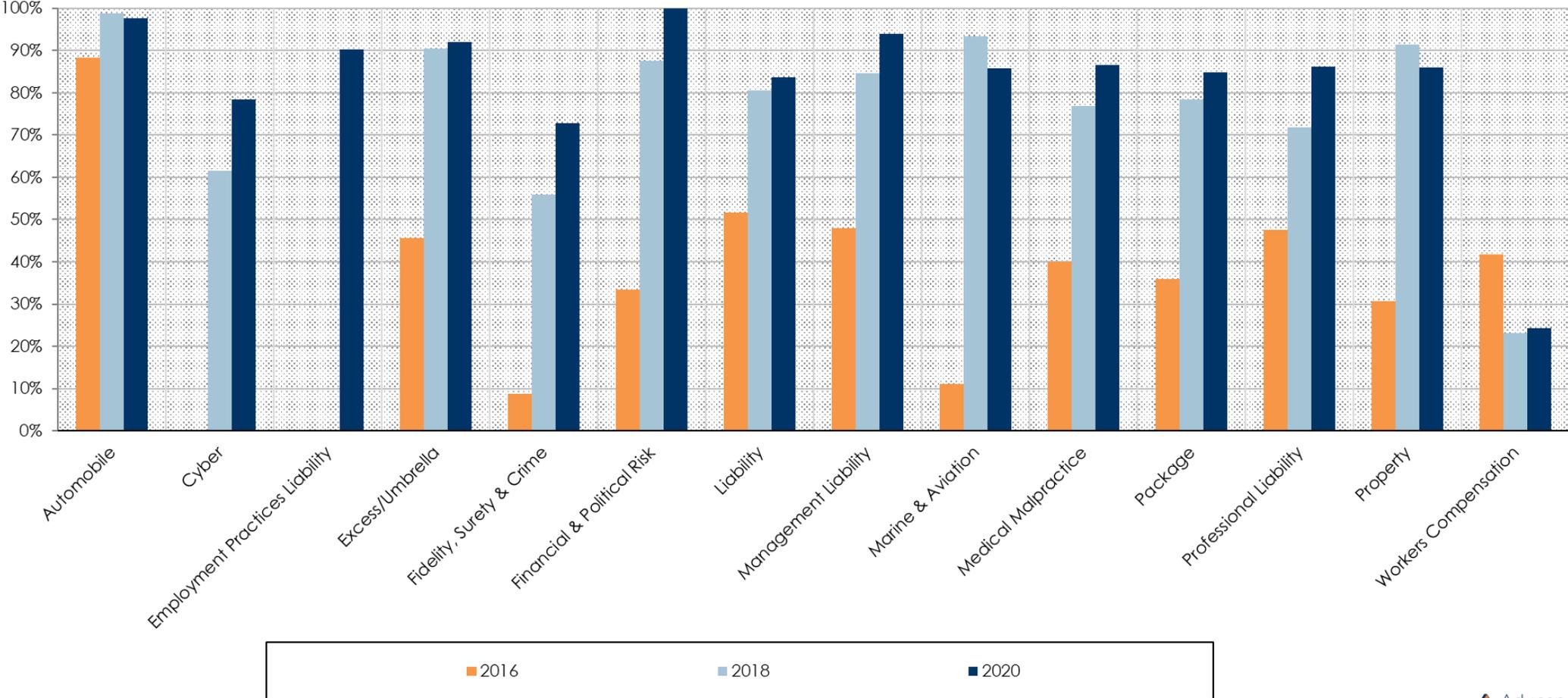
While the size of the program business rose 32.8% between 2018 and 2020, the growth in direct premiums written for commercial lines increased by only 9.33% over that period.



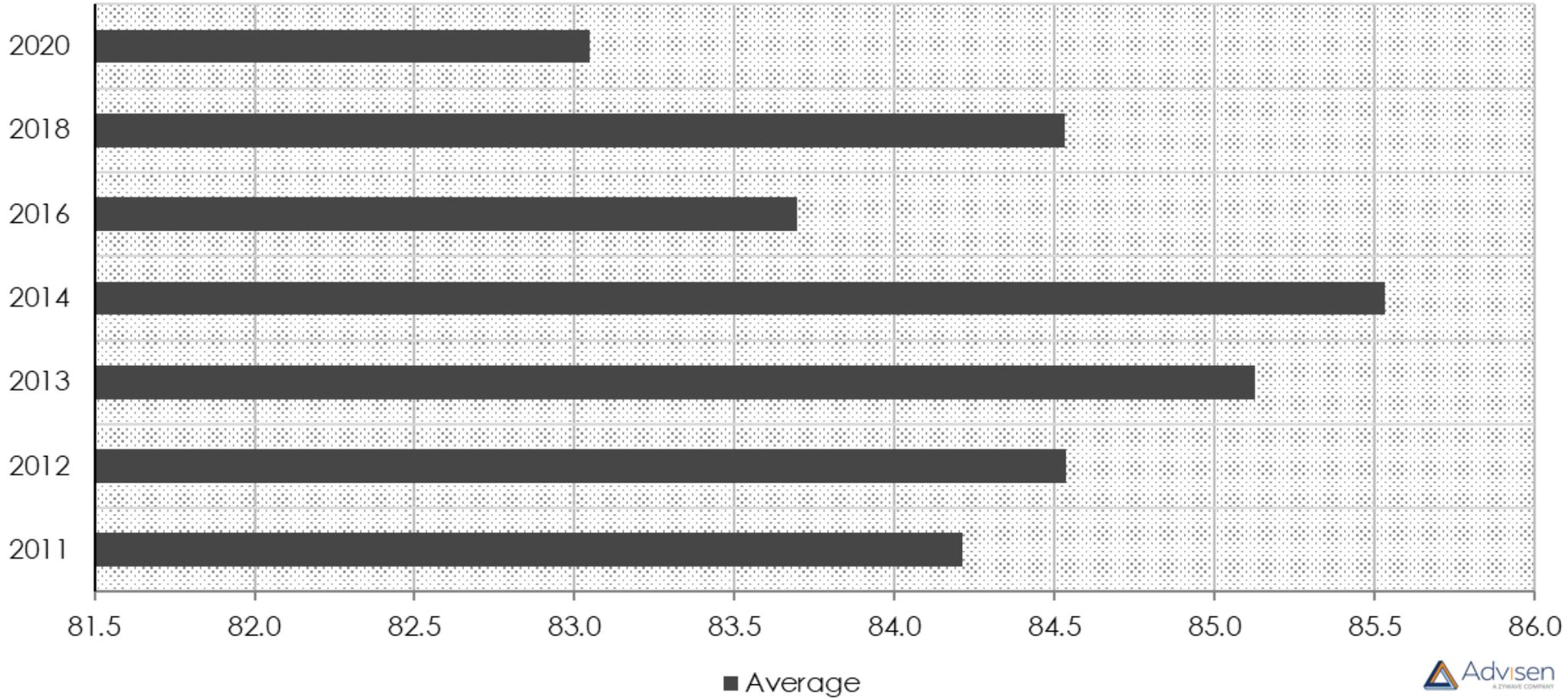
Share of Rate Increases/Decreases by Line of Business (2020)



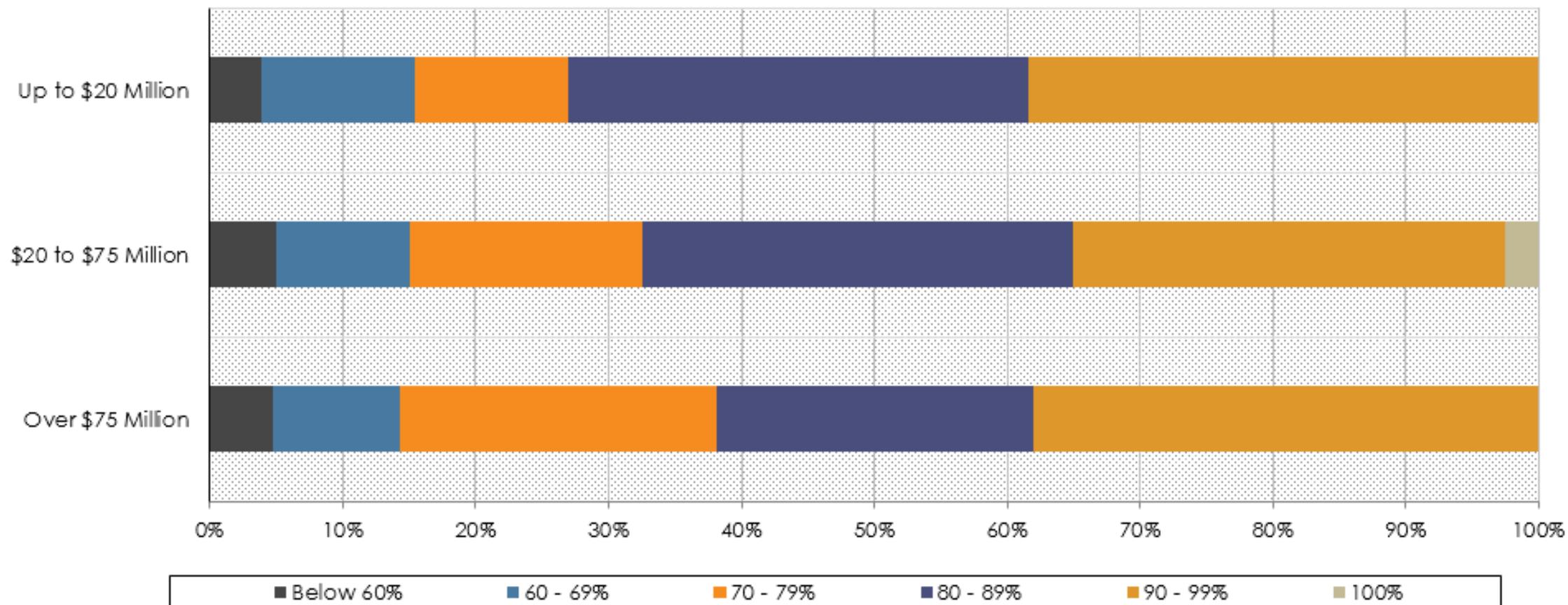
Comparative Analysis of Share of Rate Increases (2016 vs 2018 vs 2020)



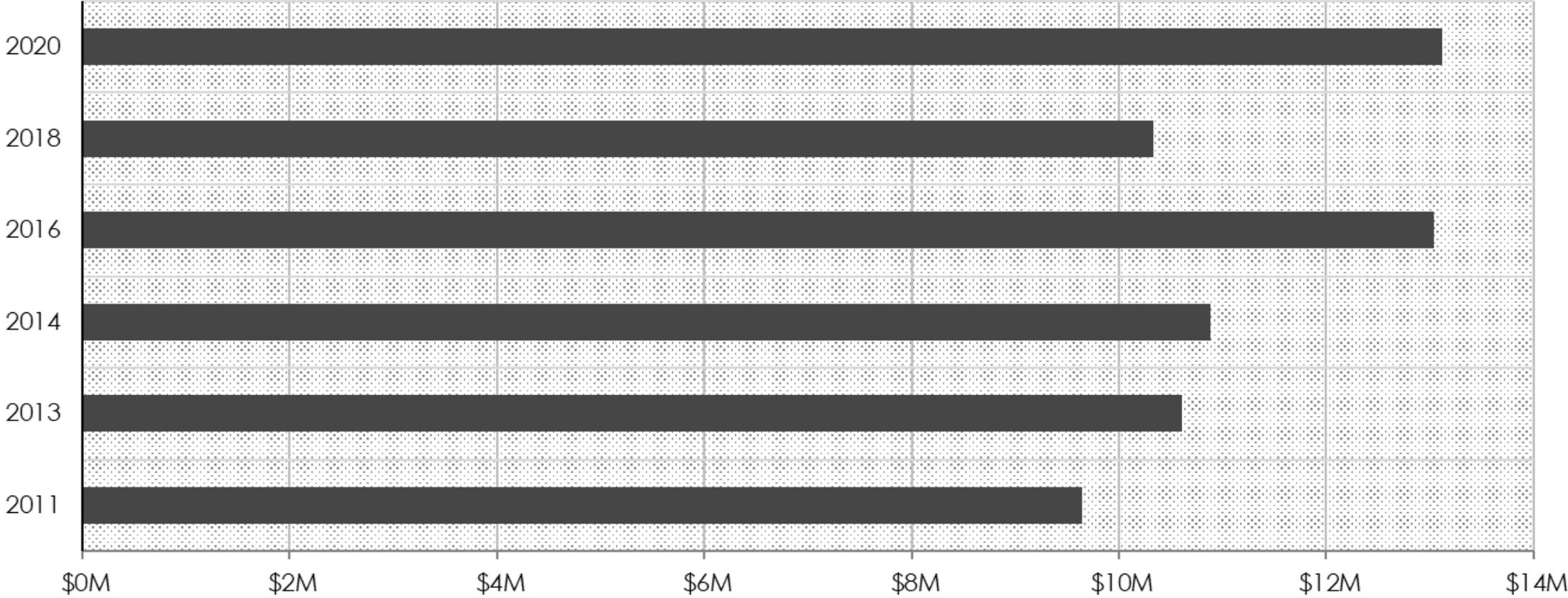
Average Renewal Rate by Year



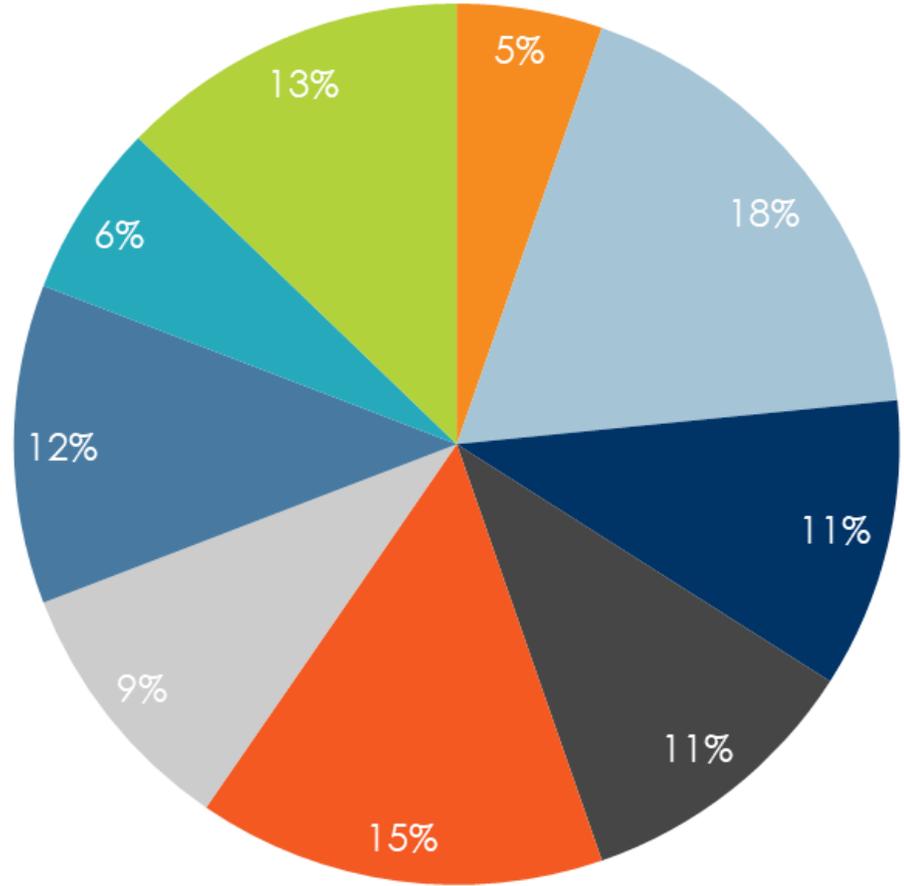
Renewal Rate by Size of Administrator



Average Revenue by Year

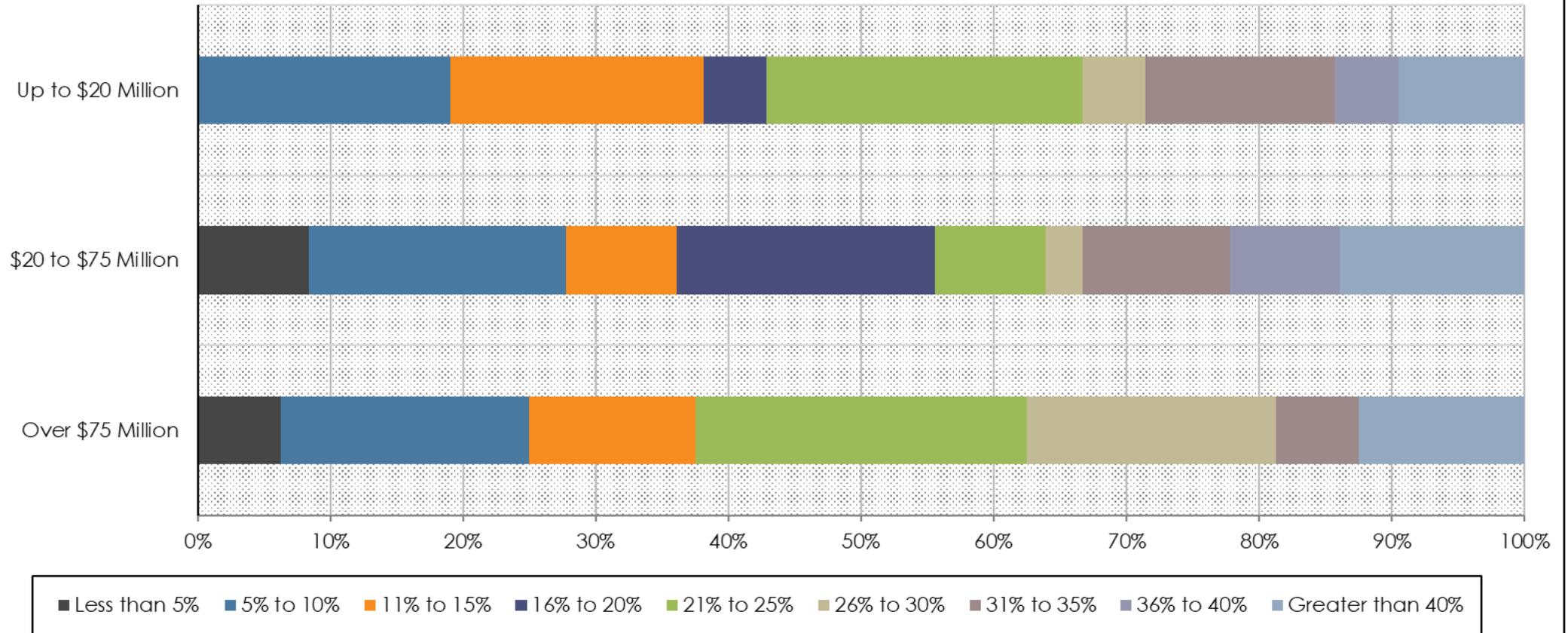


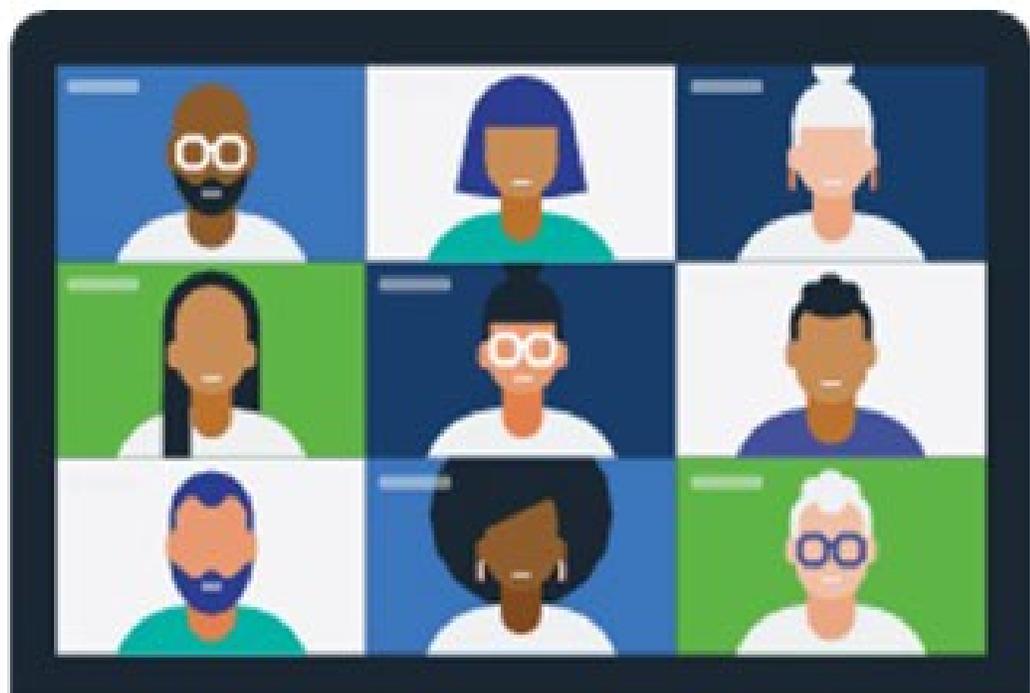
Program Administration Profit Margin



- Less than 5%
- 5% to 10%
- 11% to 15%
- 16% to 20%
- 21% to 25%
- 26% to 30%
- 31% to 35%
- 36% to 40%
- Greater than 40%

Program Administrator Profit Margin by Size of Administrator

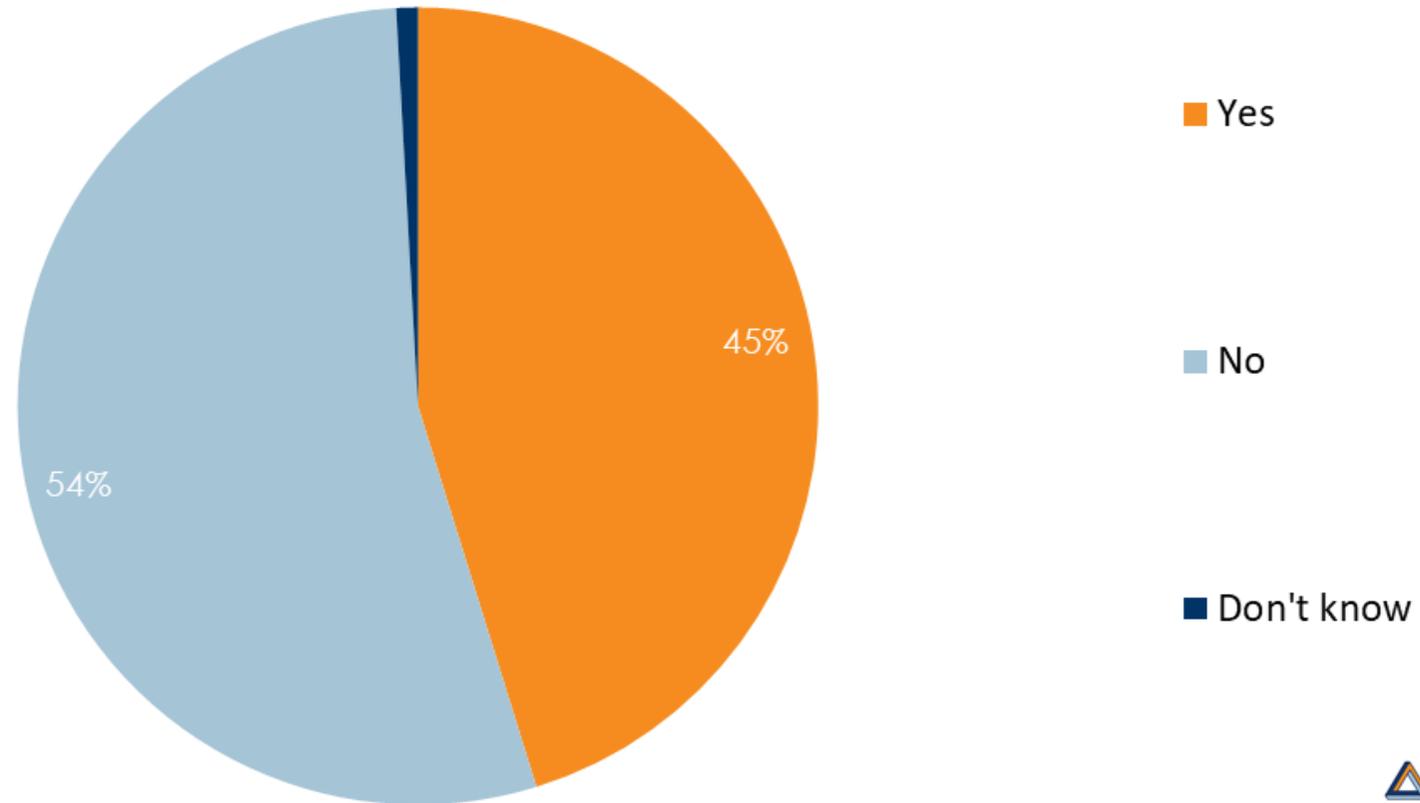




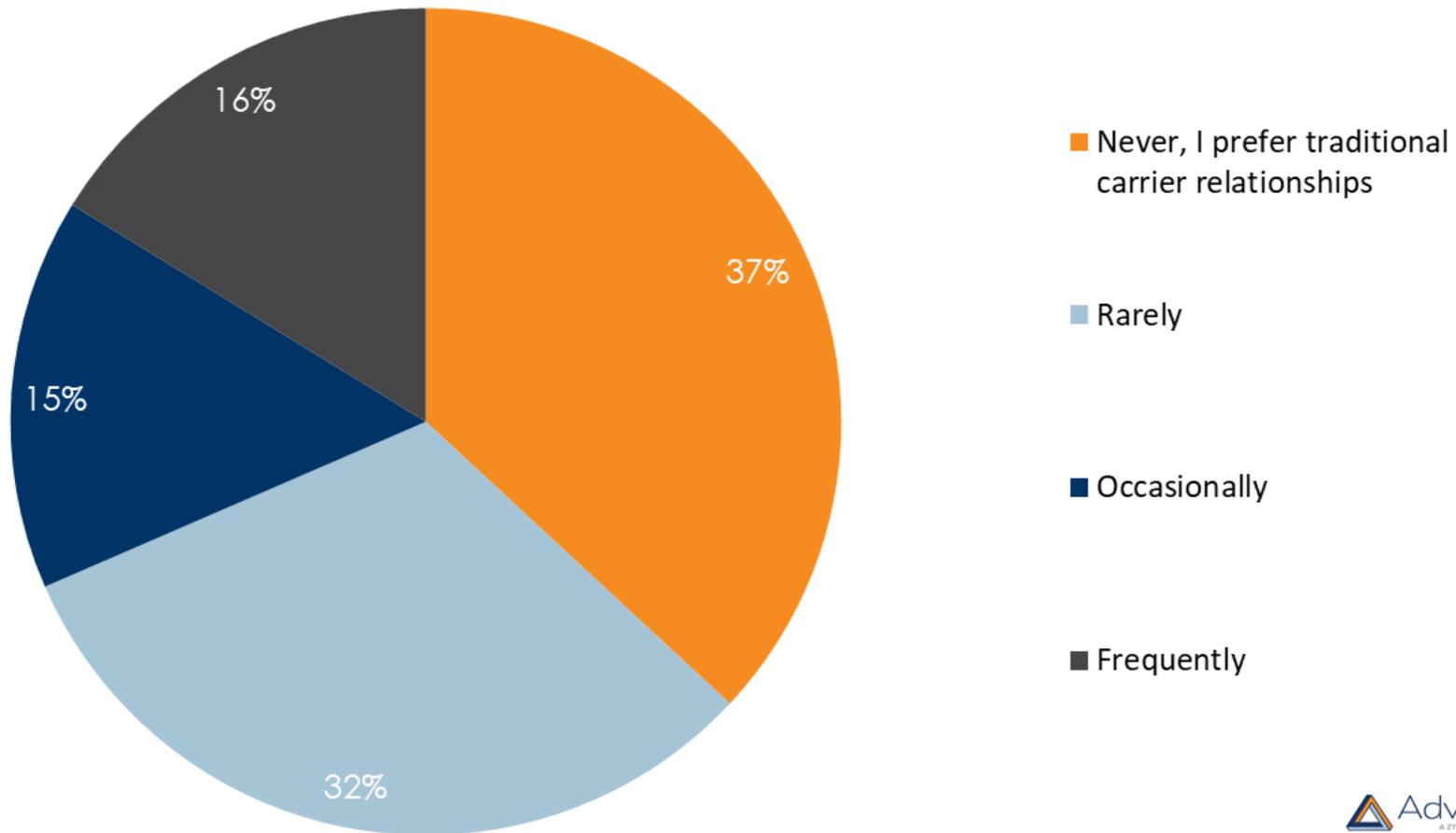
Despite active M&A activity,
the estimated number of
program administrators in the
U.S. held steady at

1,000

Do you use a Lloyd's syndicate for any of your program business?



Use of Fronting, Participatory Fronting or Alternative Capital Markets for Program Business

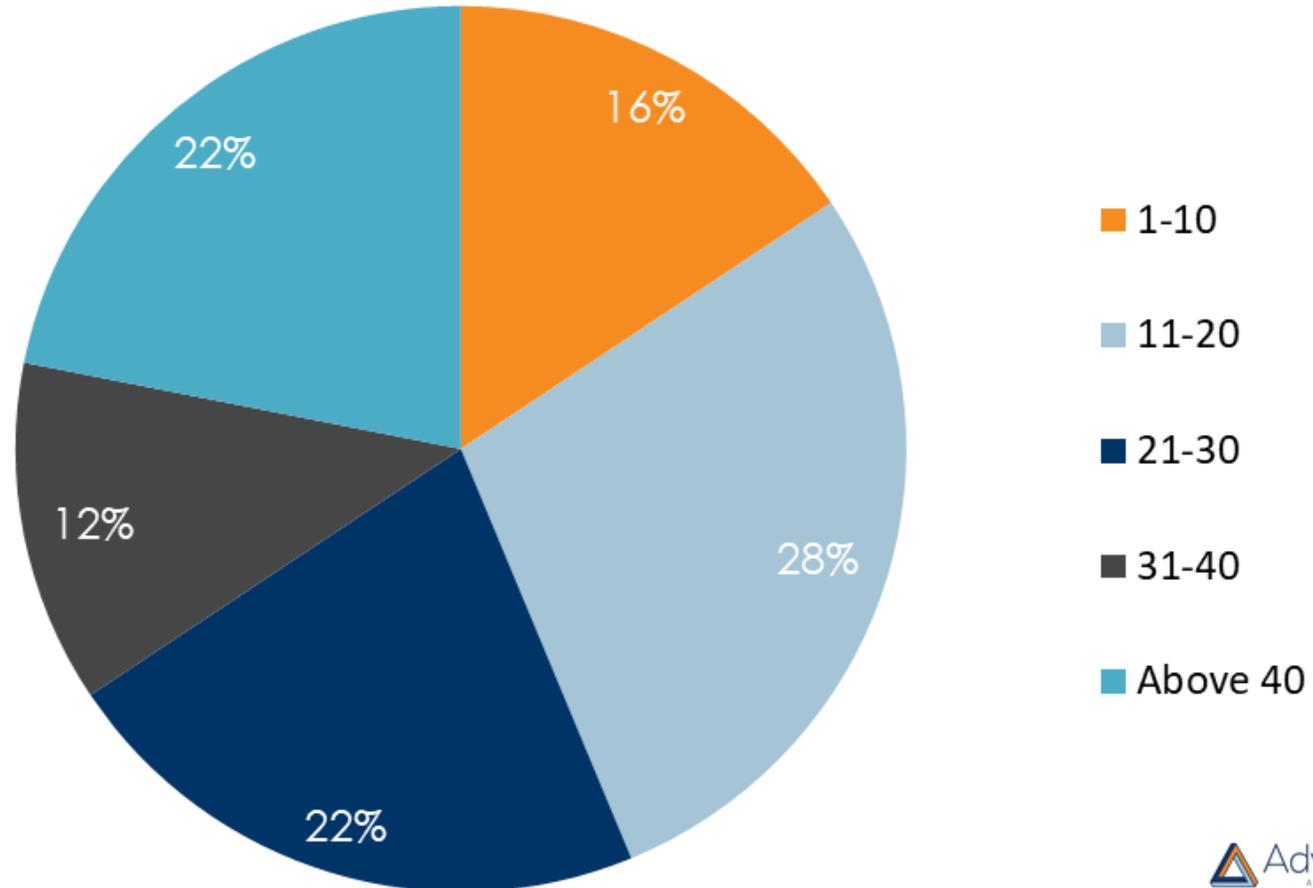




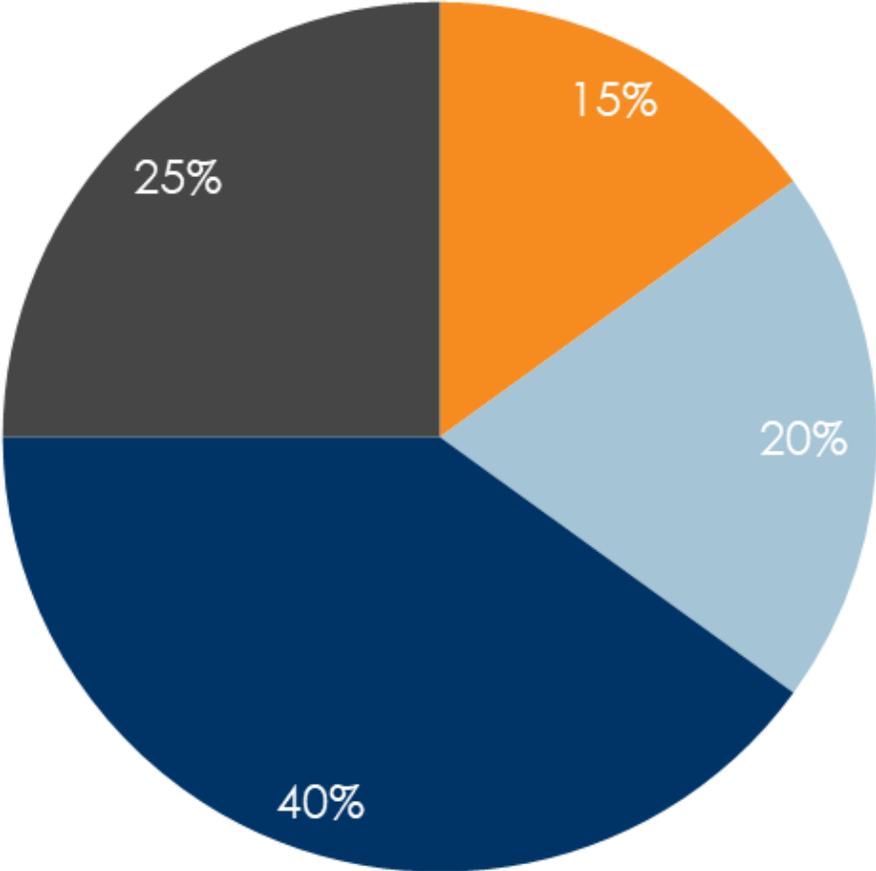
KEY FINDINGS ON CARRIERS



Number of Distinct Programs Insured

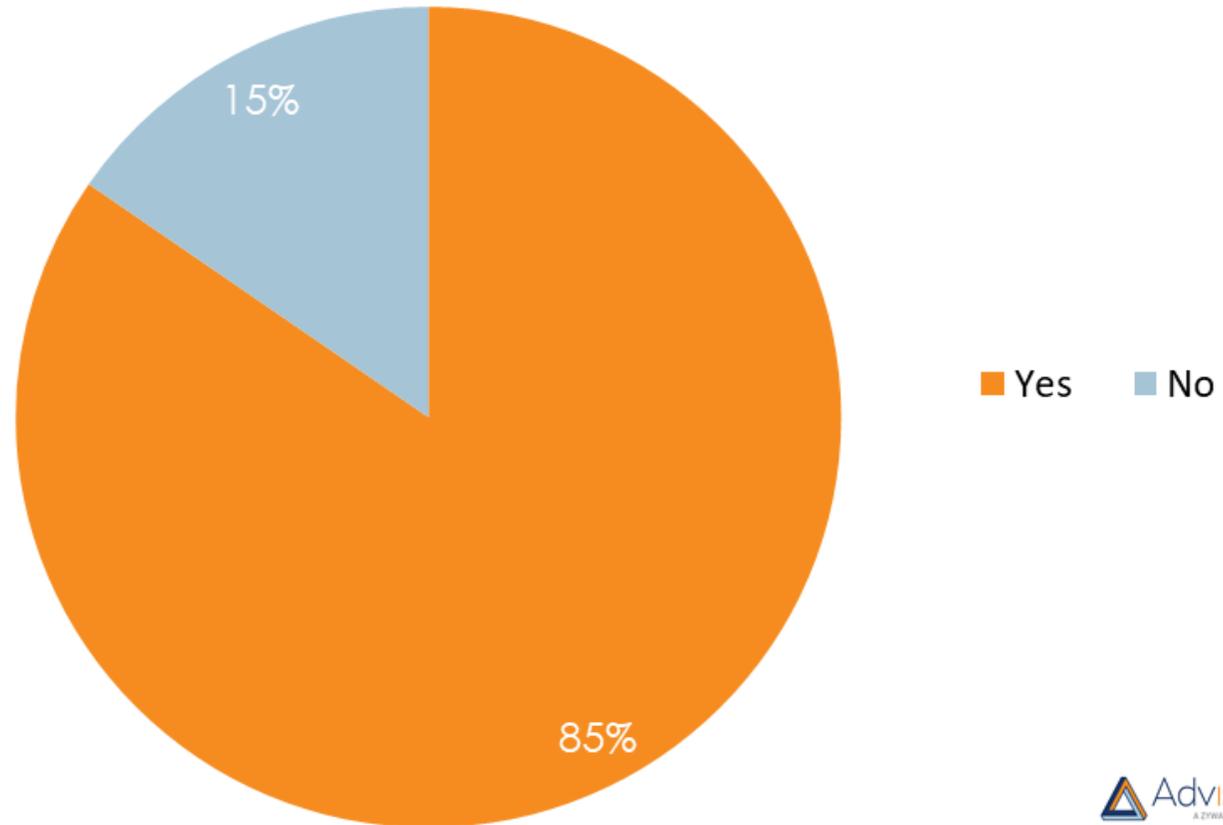


Average Premium Per Program

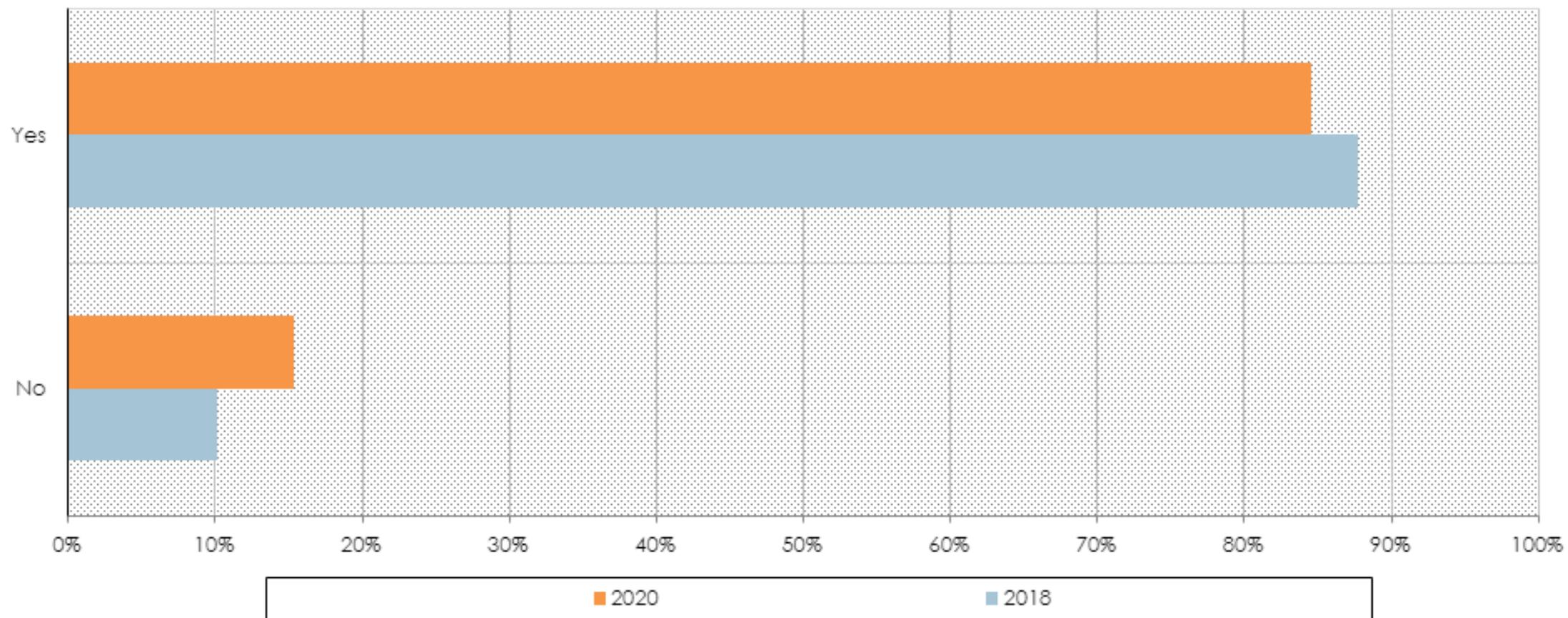


- Less than \$5 million
- \$5 million to under \$10 million
- \$10 million to under \$20 million
- \$20 million or greater

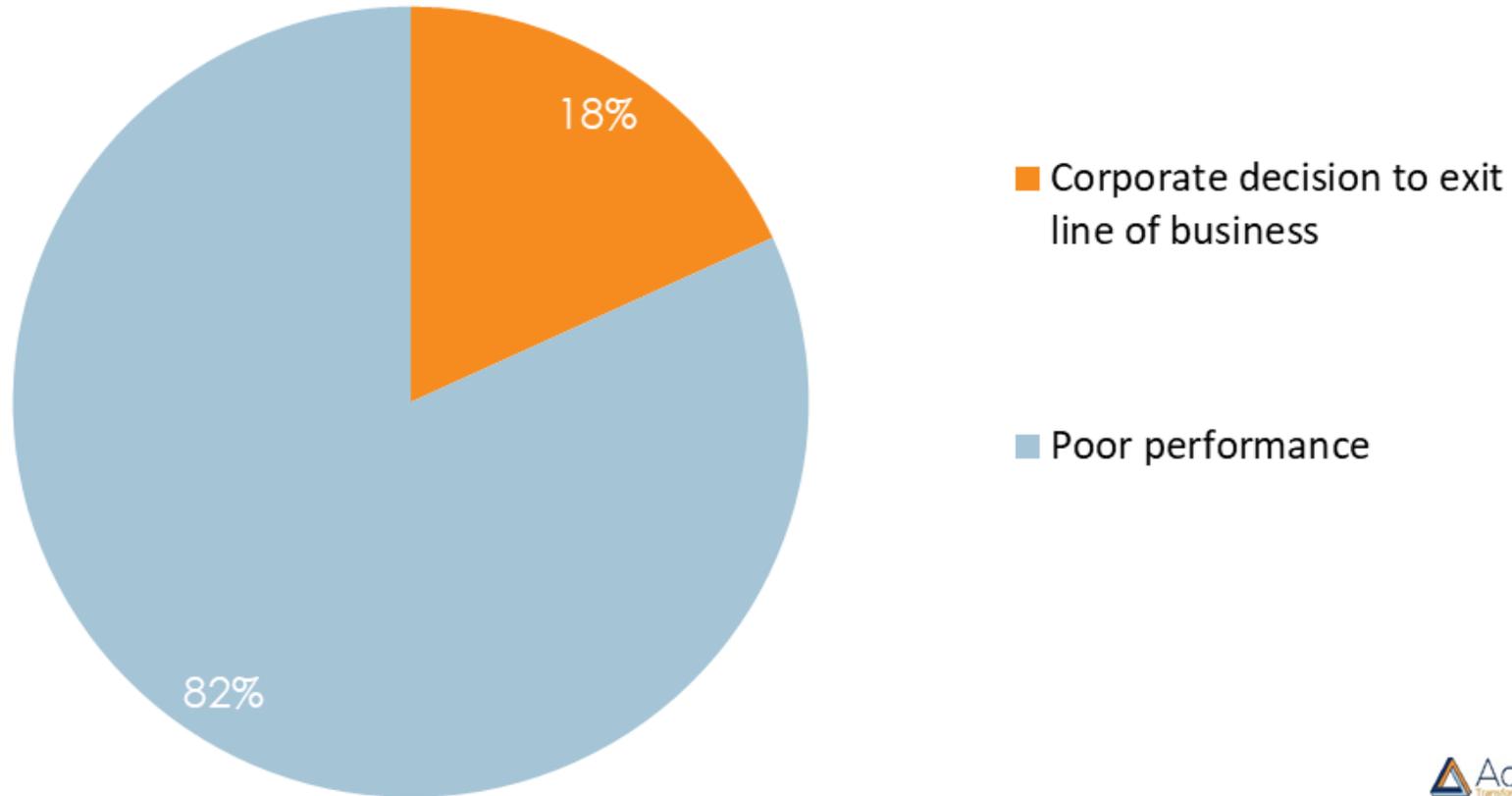
Have you dropped programs in the previous two years?



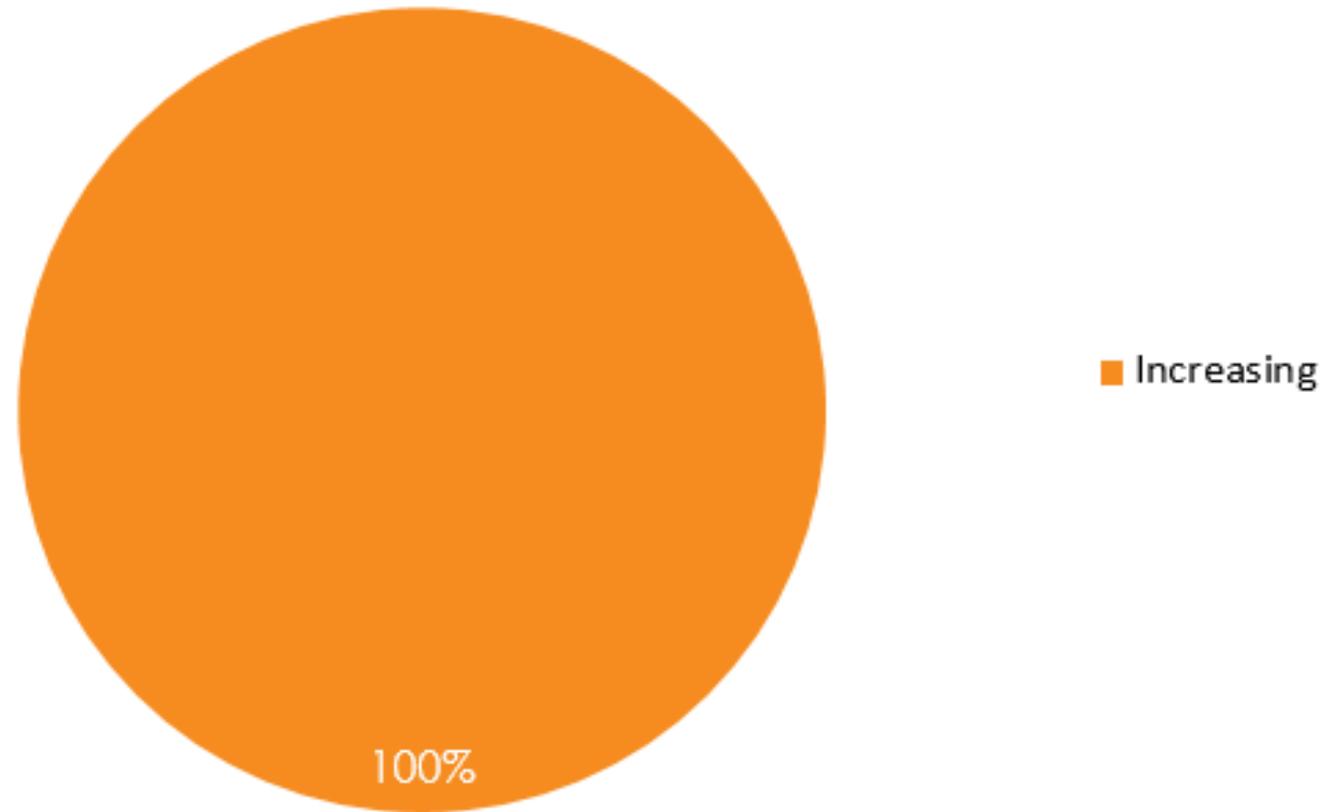
Comparative Analysis of Dropped Programs 2018 vs 2020



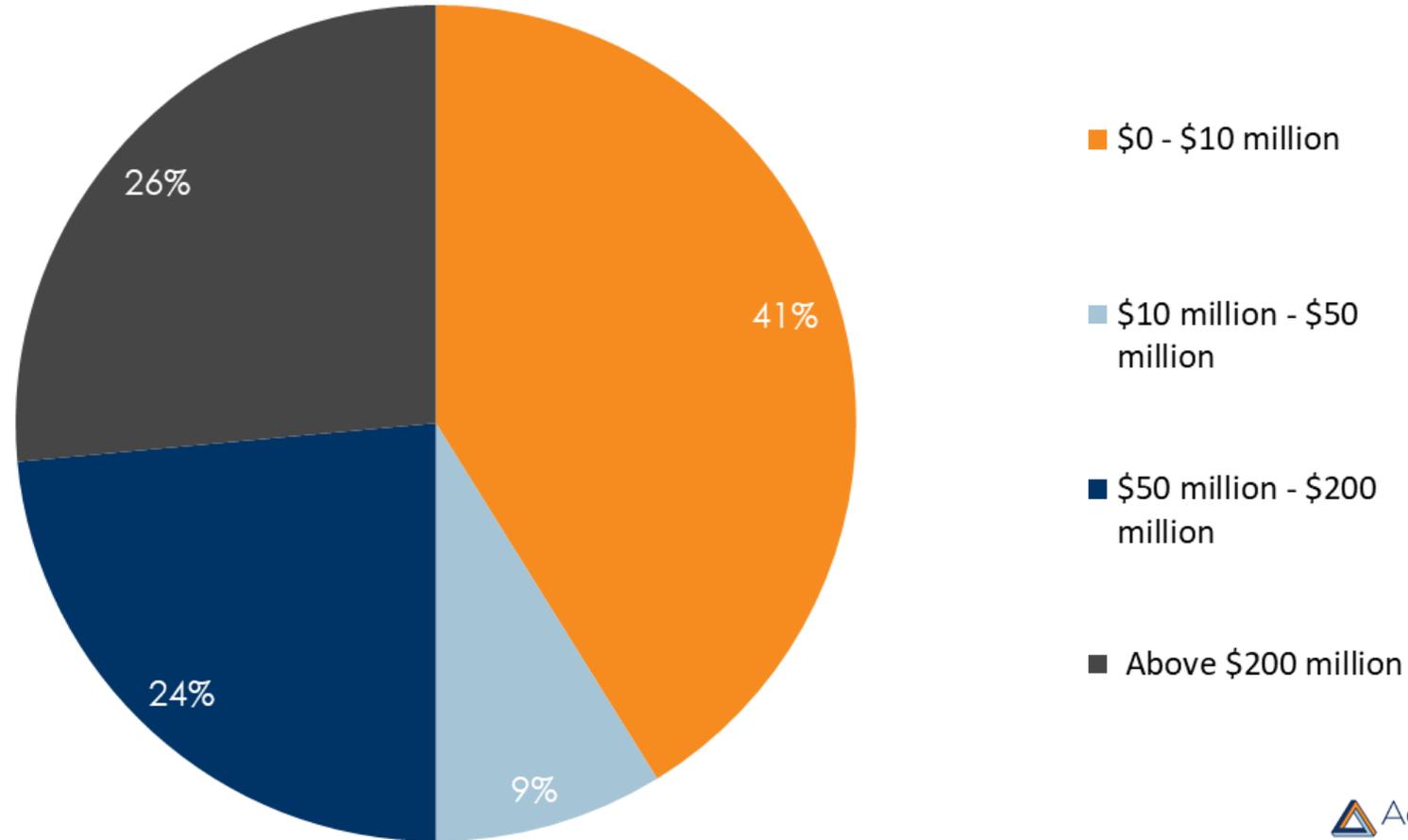
Reasons for Dropping Programs in the Past Two Years



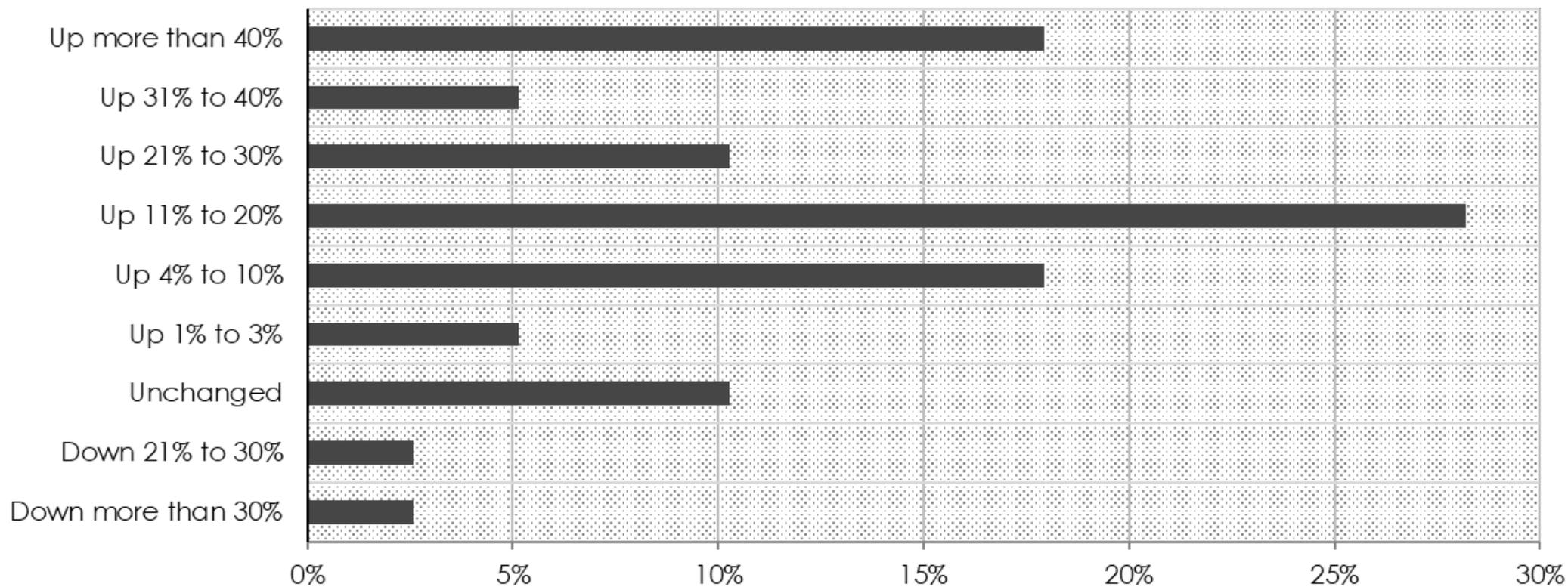
Do you anticipate increasing or decreasing premium written in the next three years?



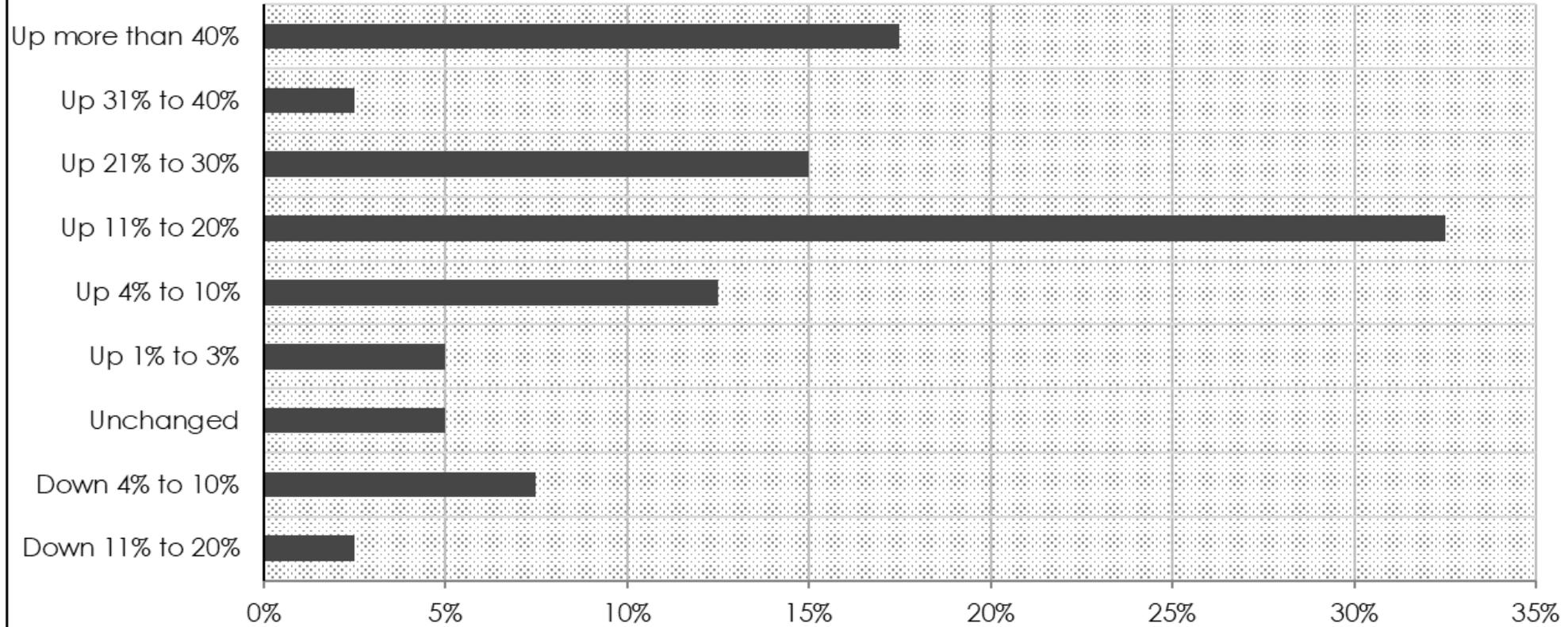
What is the rough amount by which you anticipate increasing or decreasing your written premiums in the next three years?



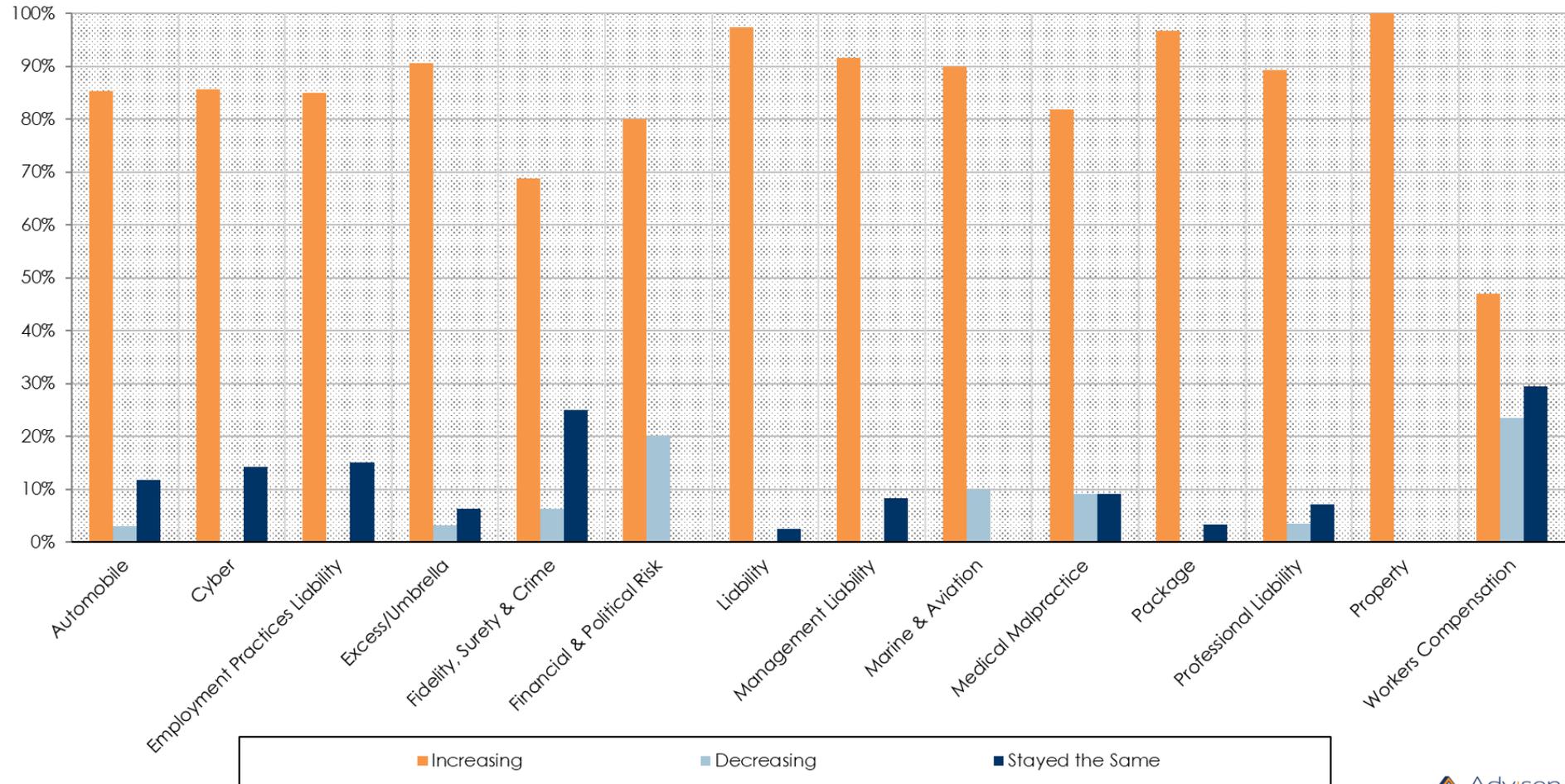
By what percentage did your premiums written through programs (gross written) change in 2019?



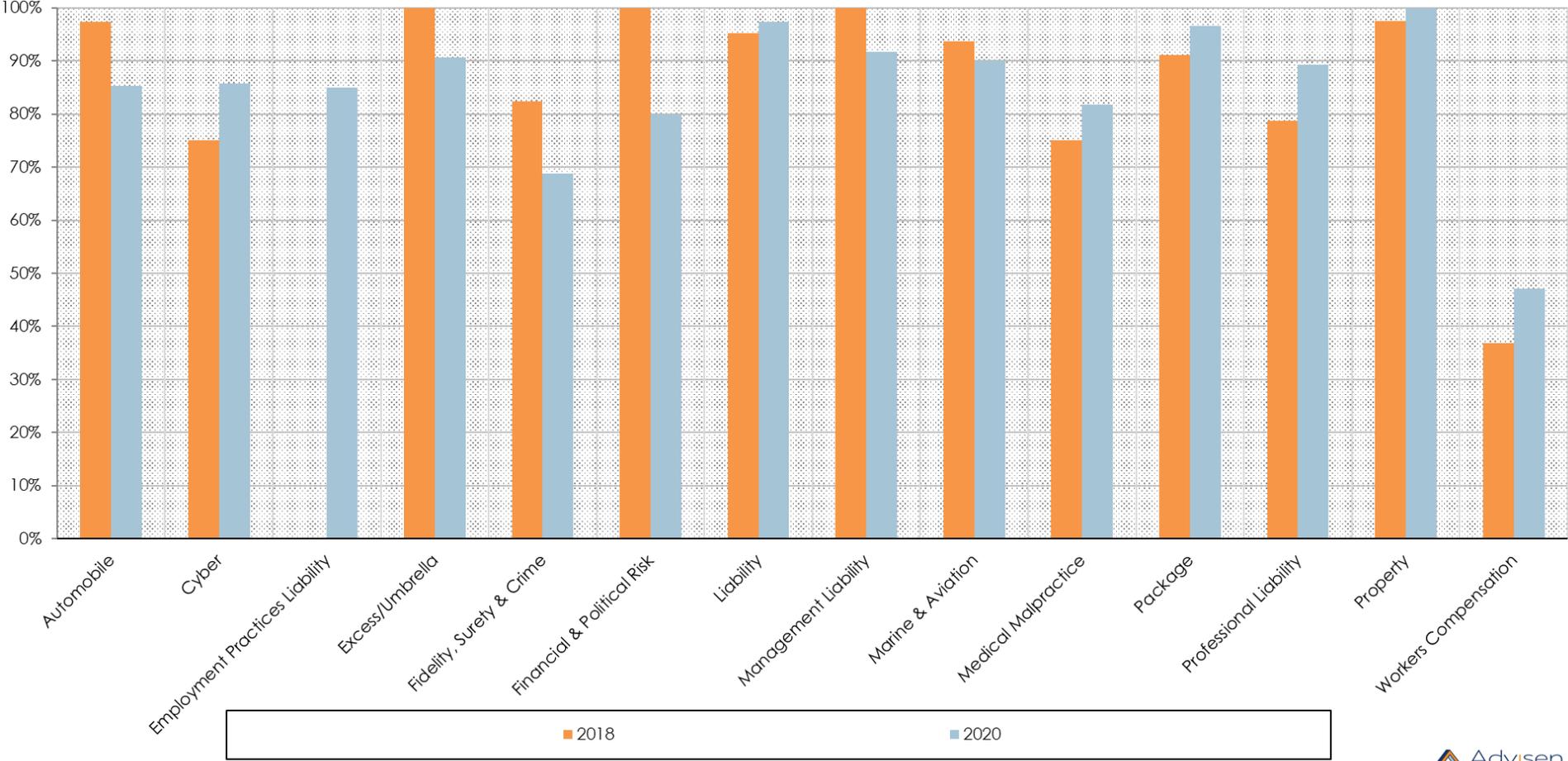
By what percentage did your premiums written through programs (gross written) change in 2020?



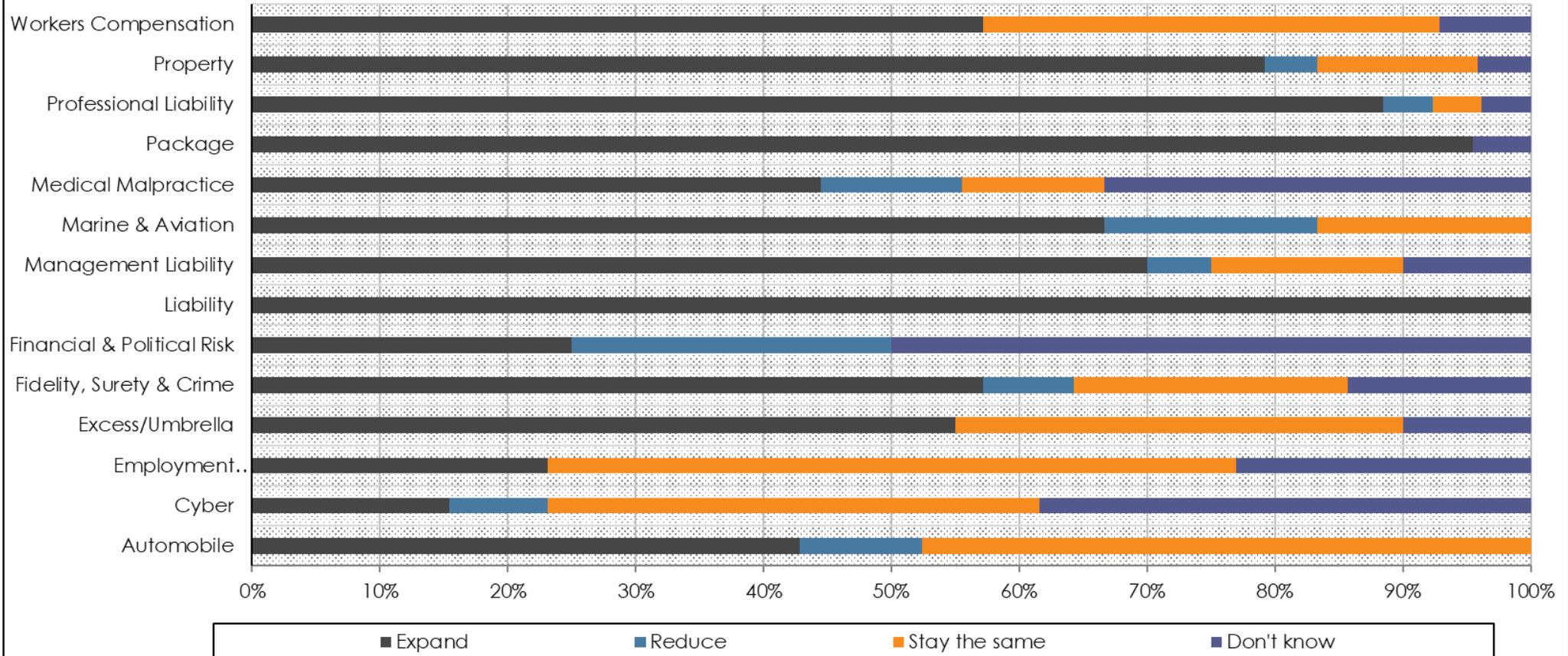
Share of Rate Increases/Decreases by Line of Business (2020)



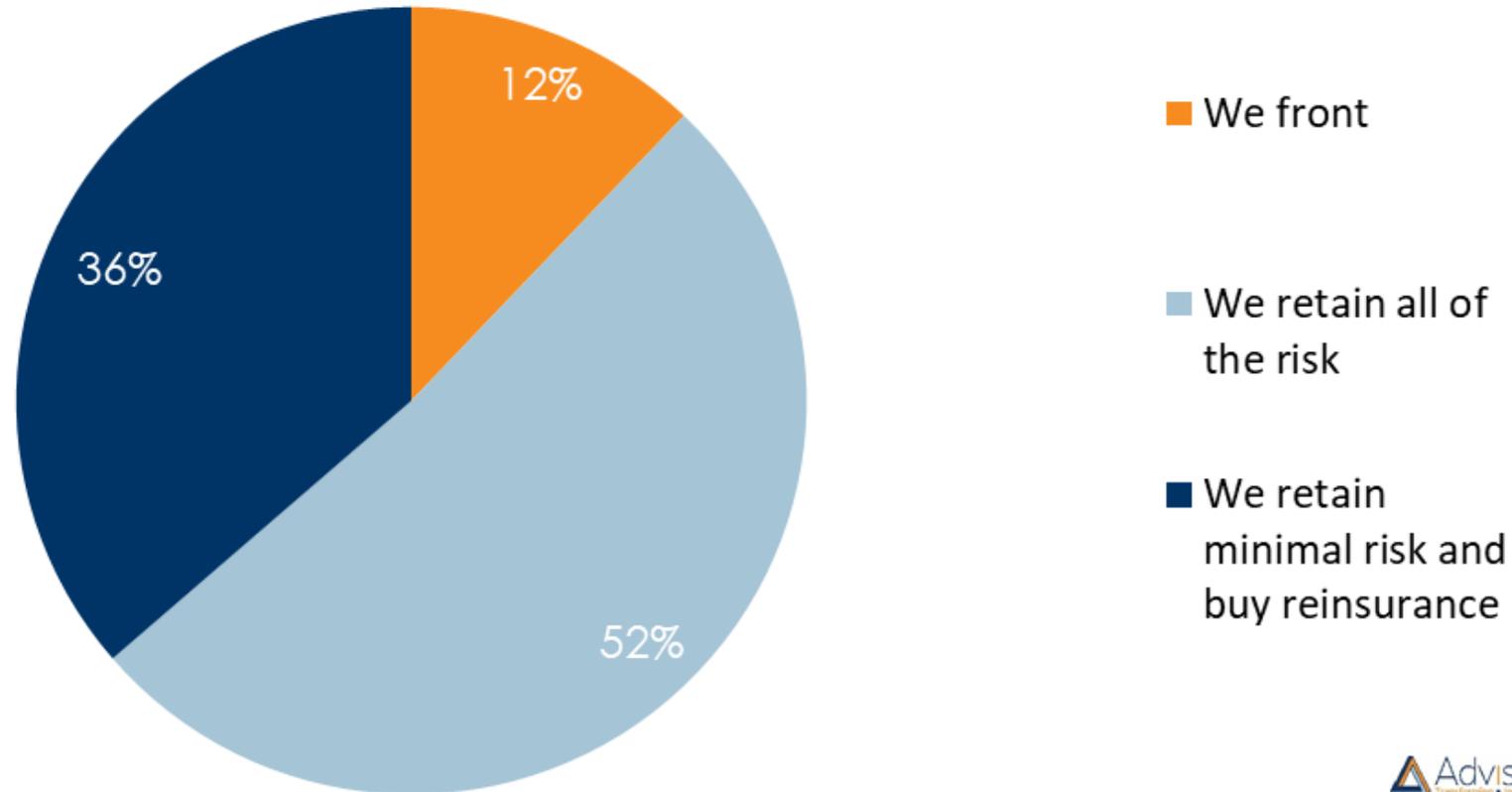
Comparative Analysis of Share of Rate Increases (2018 vs 2020)



Plans Over the Next 12 Months for 14 Lines of Business



How is your company structured in terms of risk appetite?



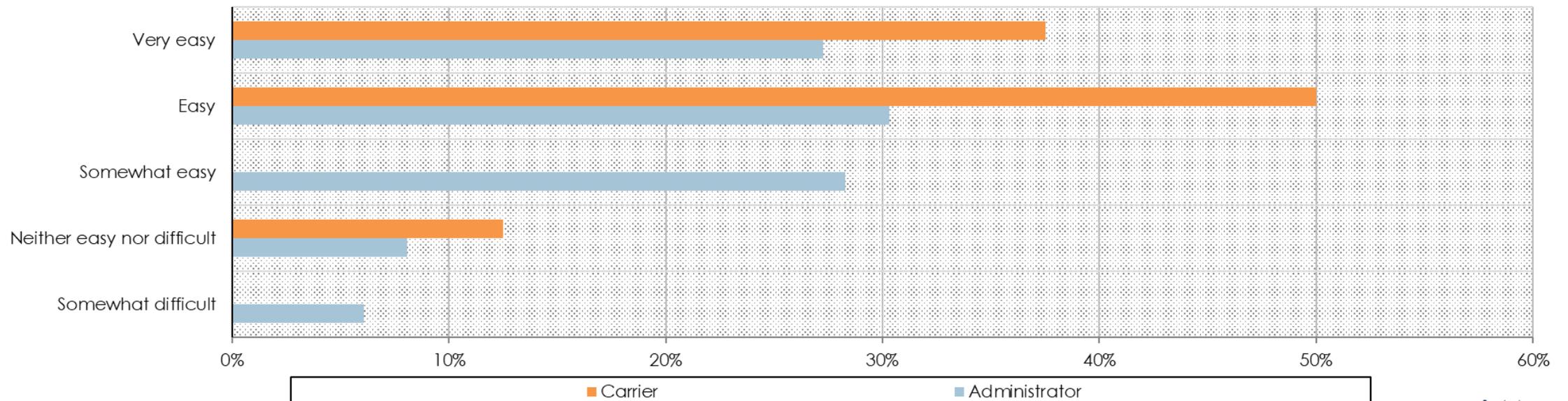


COMPARATIVE ANALYSIS

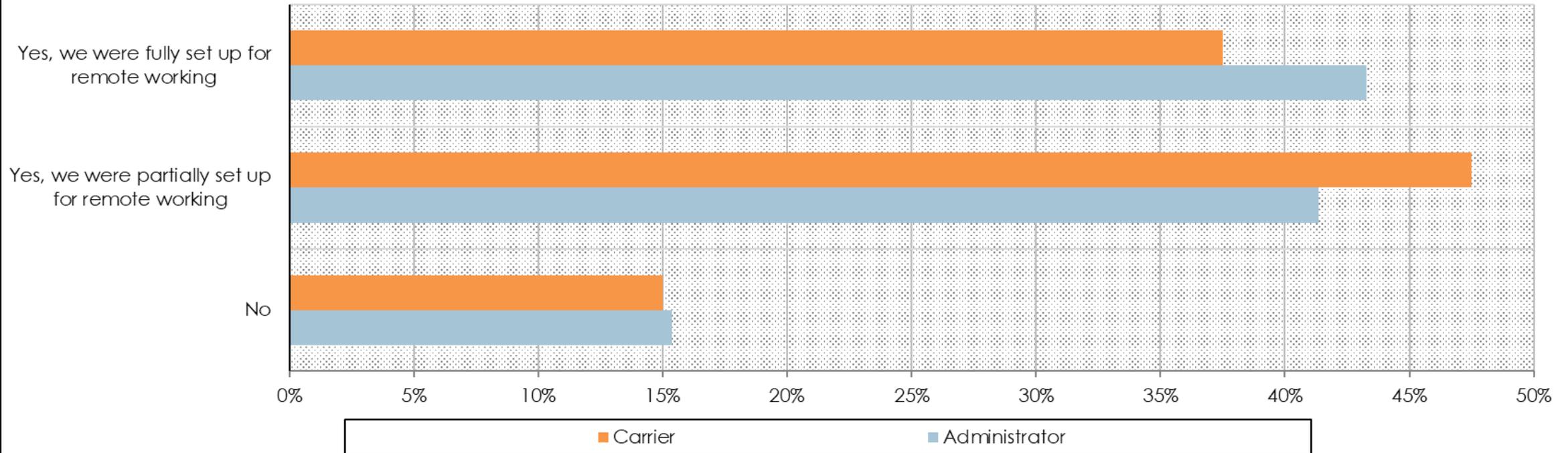


IMPACT OF THE PANDEMIC

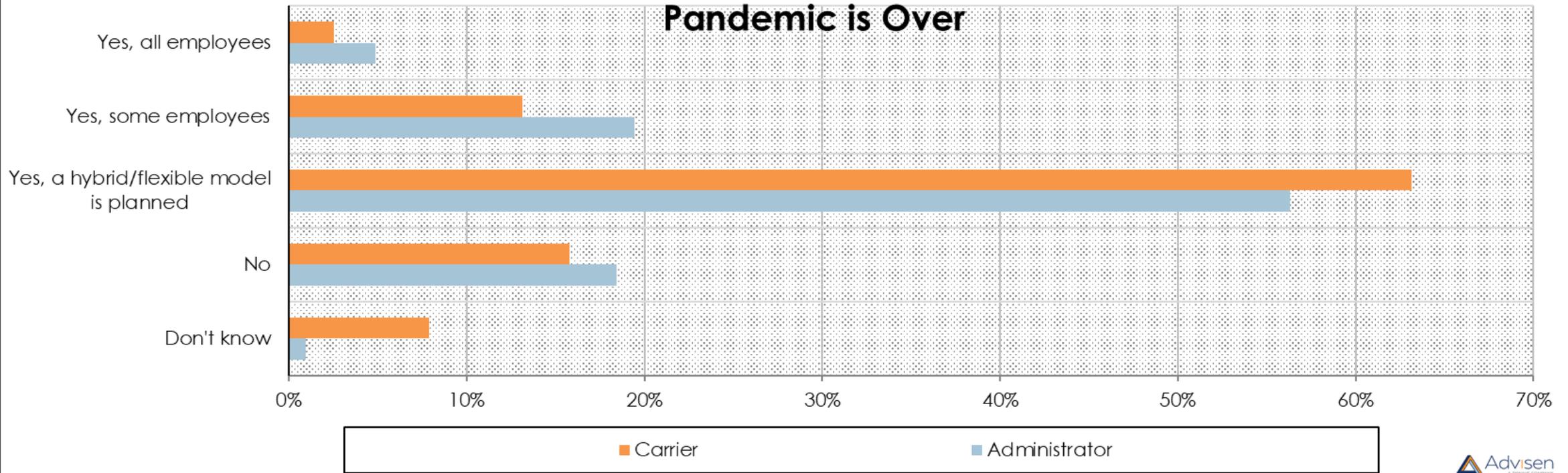
Comparative Analysis: Transition to Working Remotely



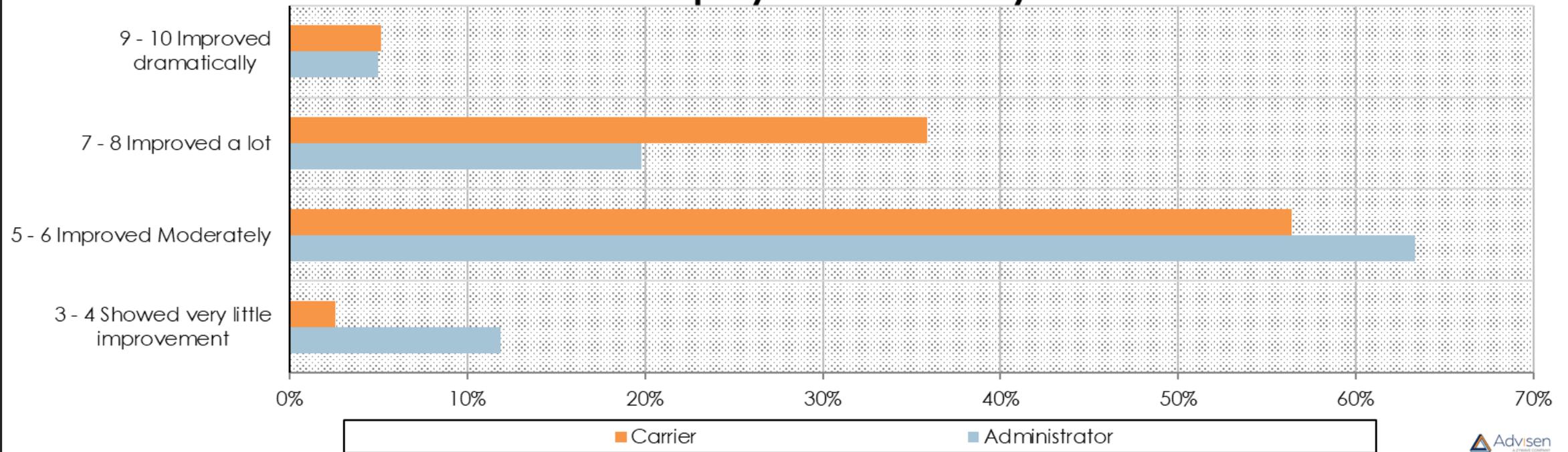
Comparative Analysis: Readiness of Remote Working Infrastructure Before the Pandemic Hit



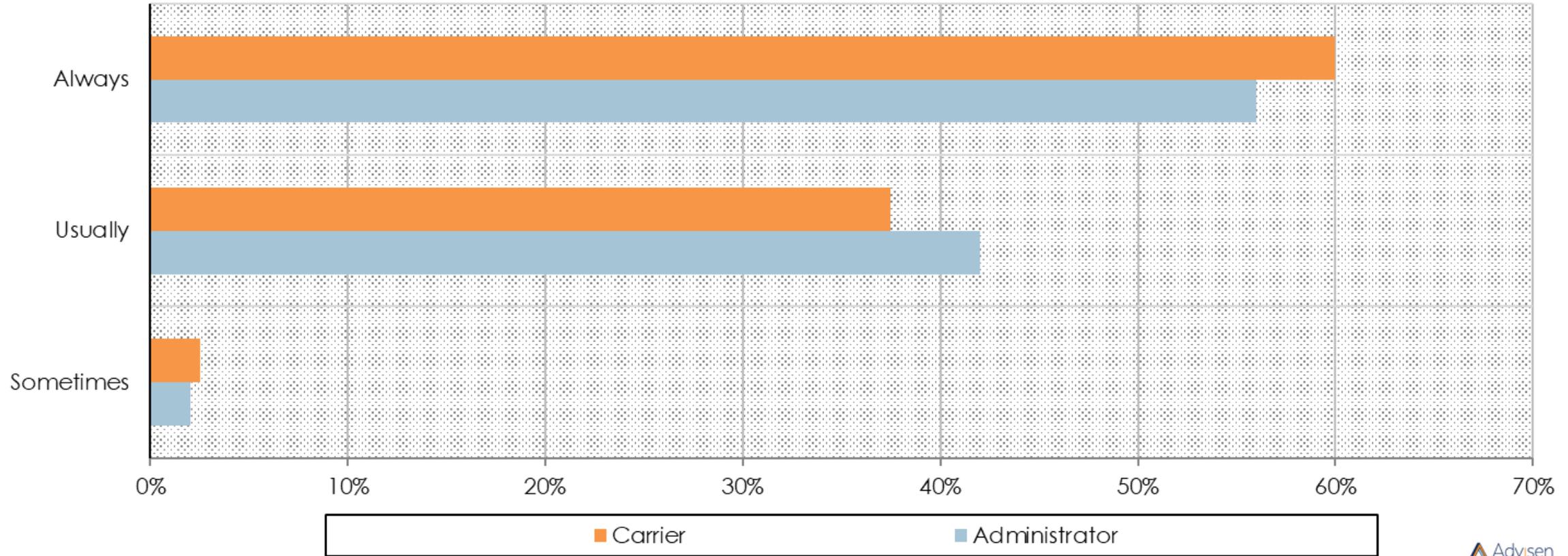
Comparative Analysis: Plans to Continue to Work Remotely When the Pandemic is Over



Comparative Analysis: Impact of Remote Set-up on Employee Productivity



Comparative Analysis: Ability to Meet Clients' Needs Virtually



Comparative Analysis: Customer Retention Levels

Yes, we lost a substantial amount of customers due to the pandemic

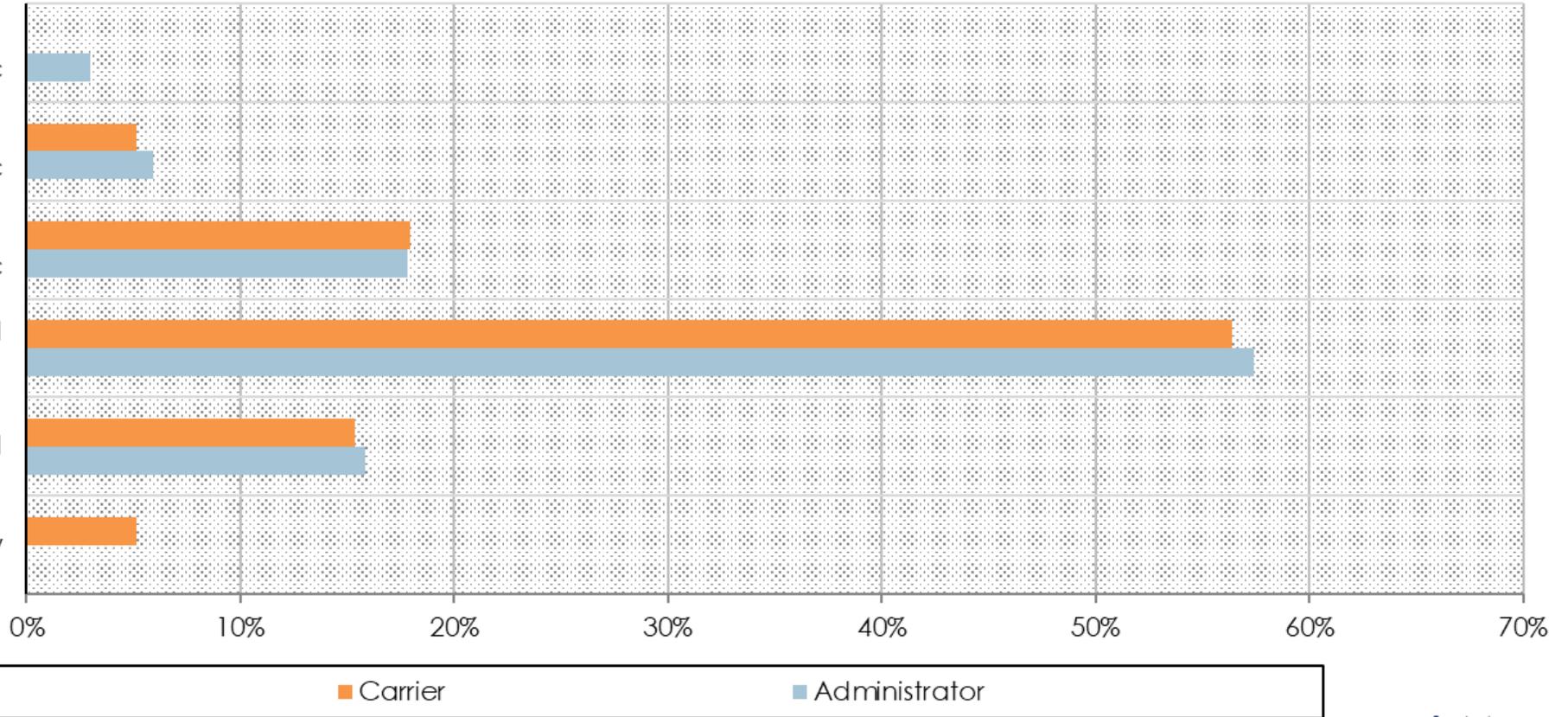
Yes, we lost a moderate amount of customers due to the pandemic

Yes, we lost a small amount of customers due to the pandemic

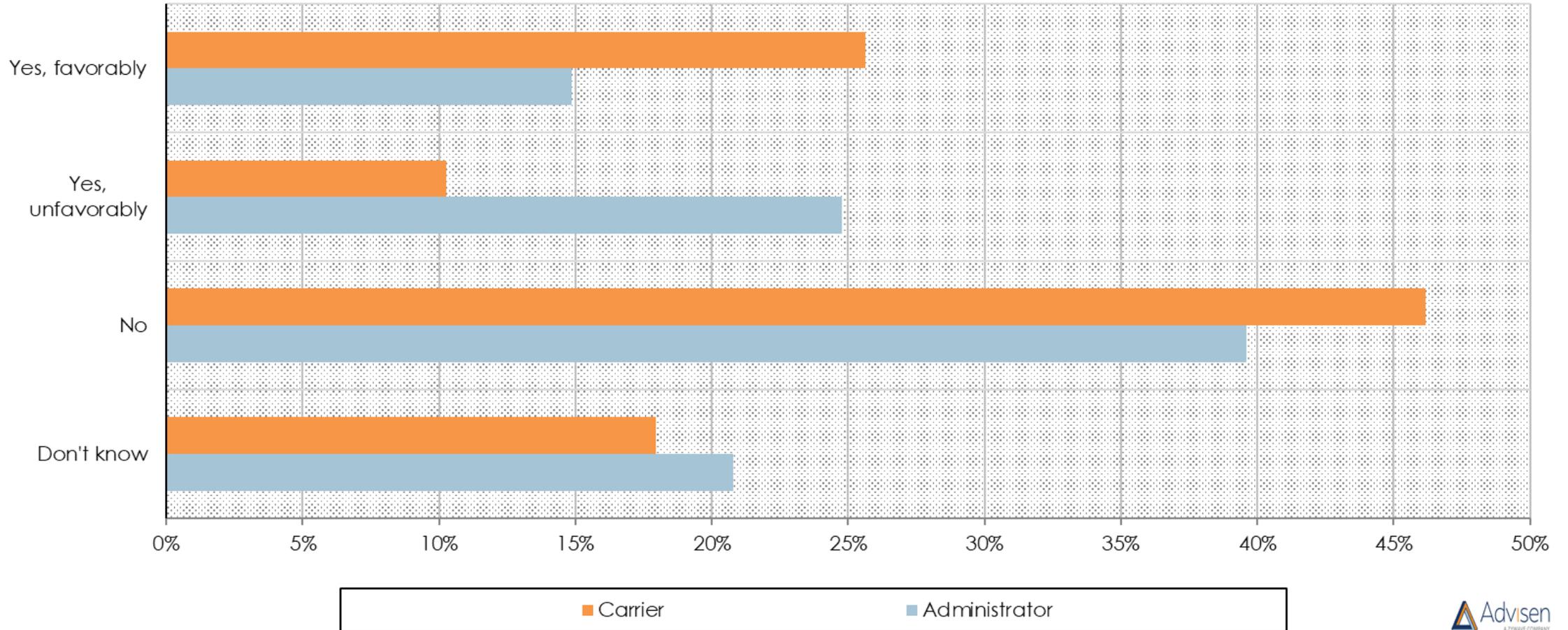
No, our retention levels remained steady

No, our retention levels improved

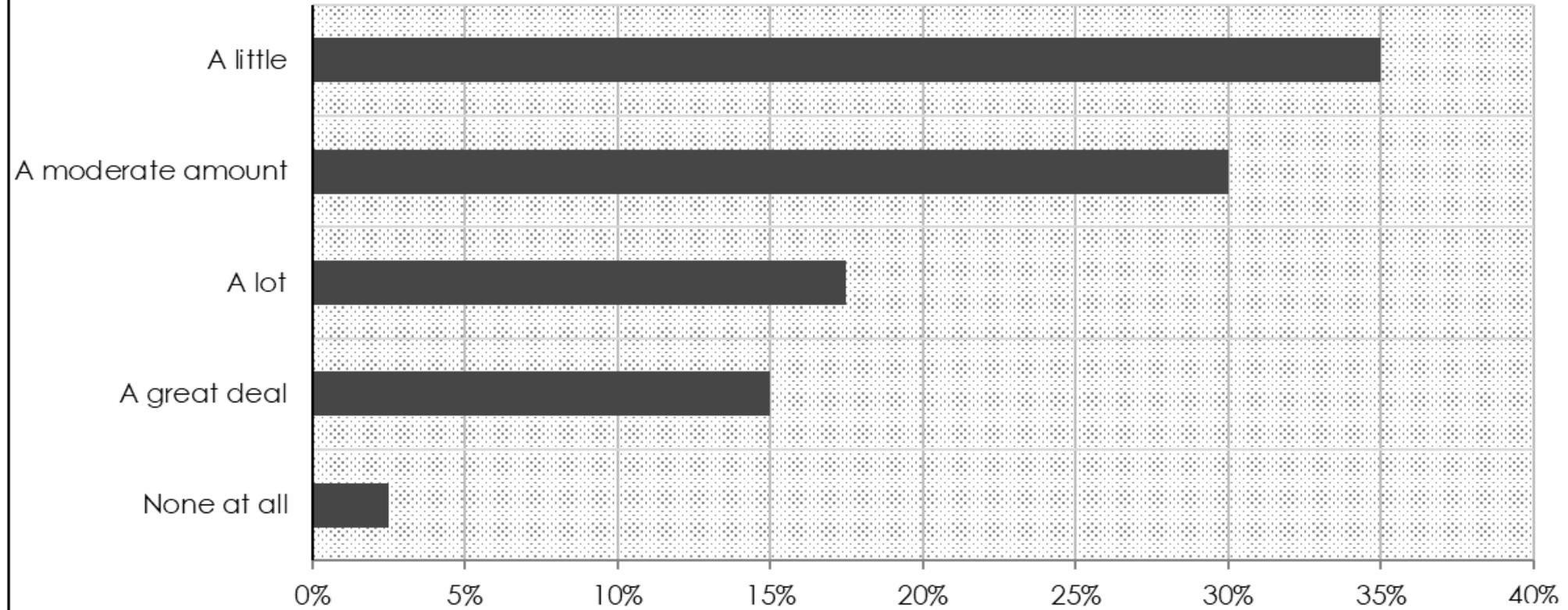
Don't know



Comparative Analysis on Impact of the Pandemic on Recruitment

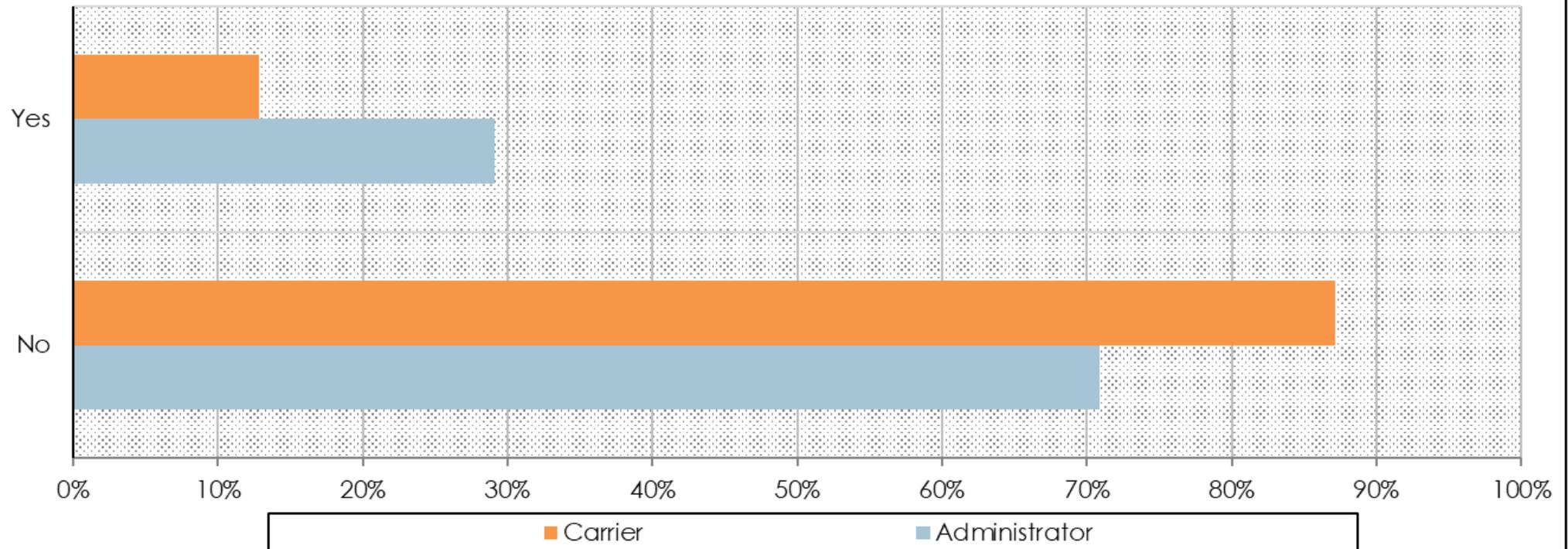


Pandemic's Impact on How Carriers Interact With Program Administrators



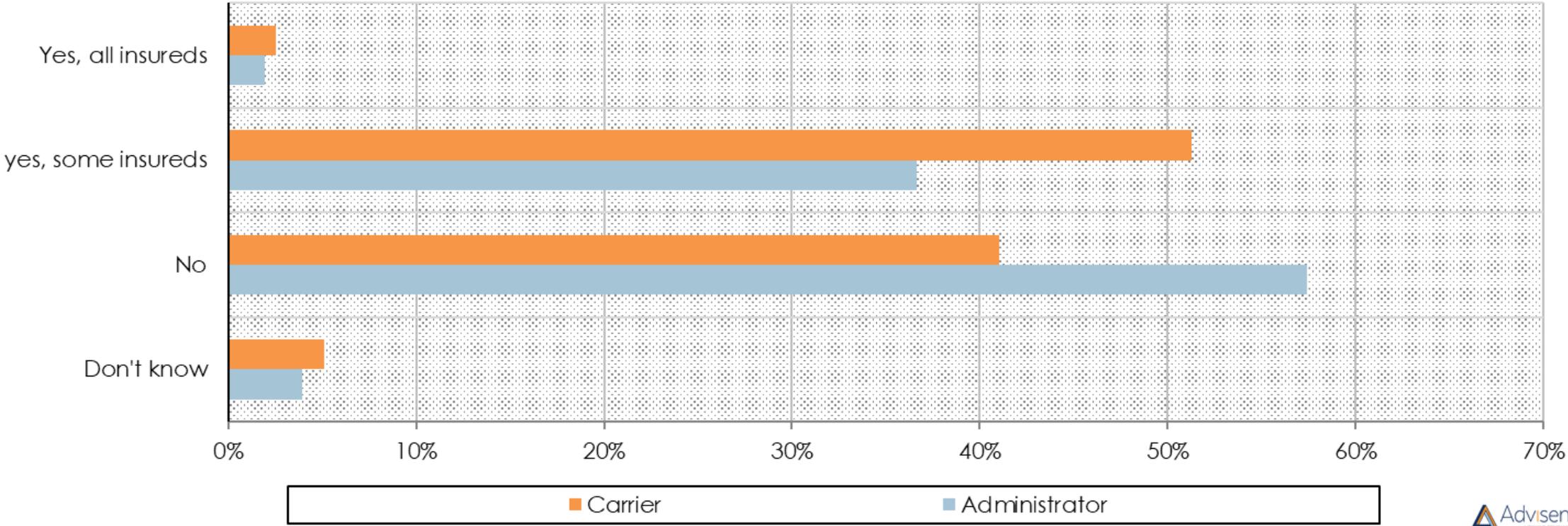
IMPACT OF THE HARD MARKET

Comparative Analysis: Reduction in Capacity

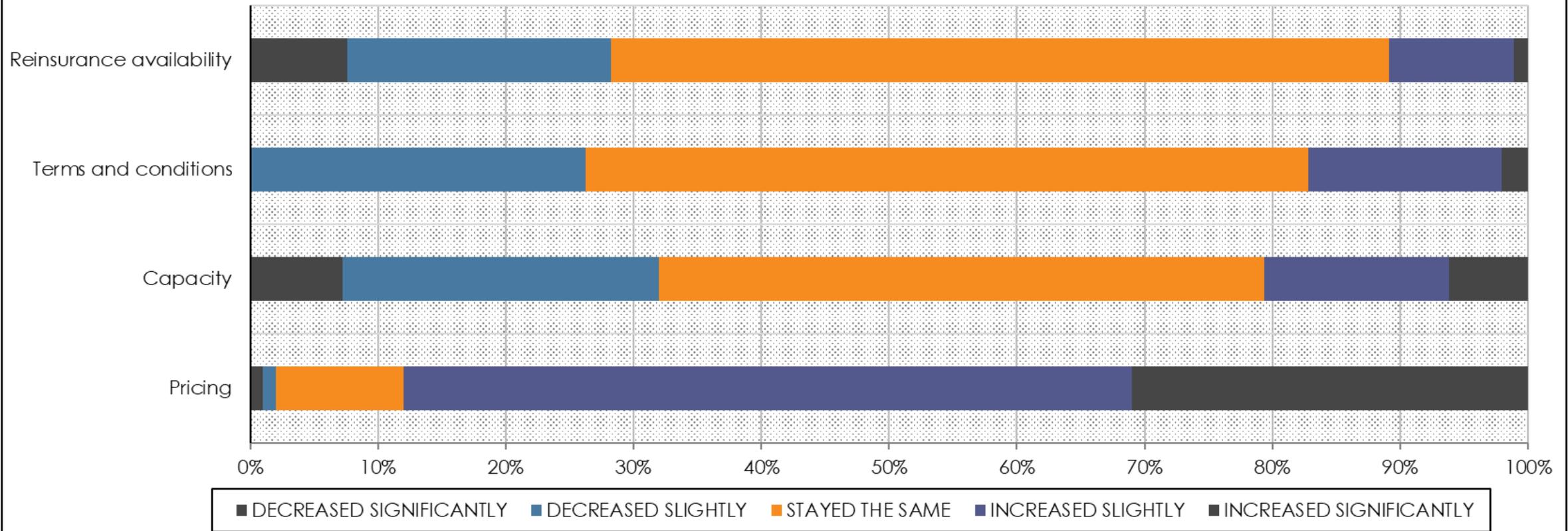


Advisen
A TRAVEL COMPANY

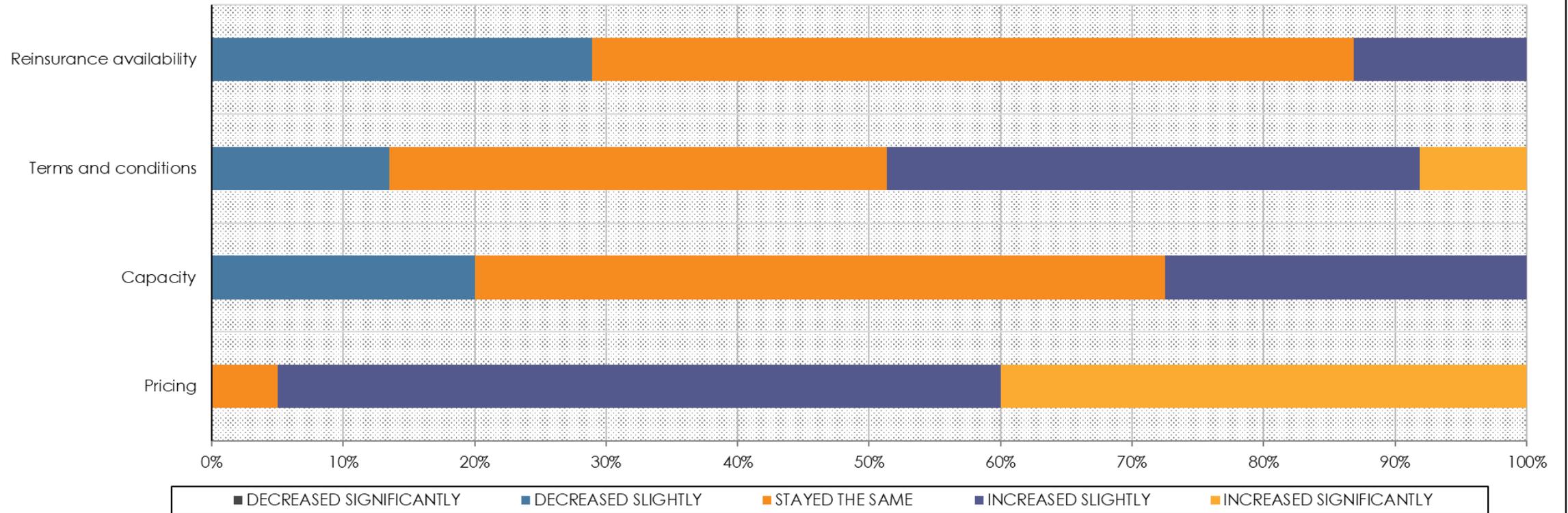
Comparative Analysis: Issuance of Mid-term Premiums Refunds



Administrators: Impact of Hardening Insurance Market on Programs

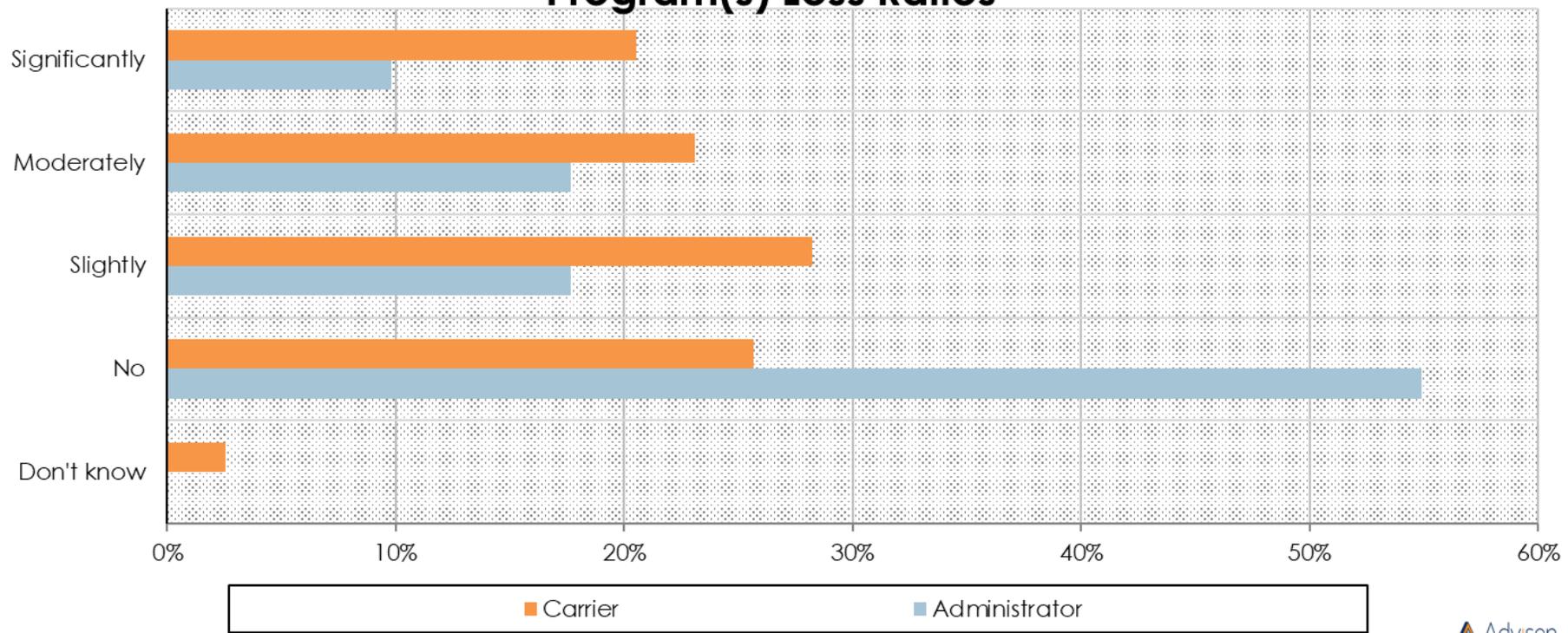


Carriers: Impact of Hardening Insurance Market on Programs

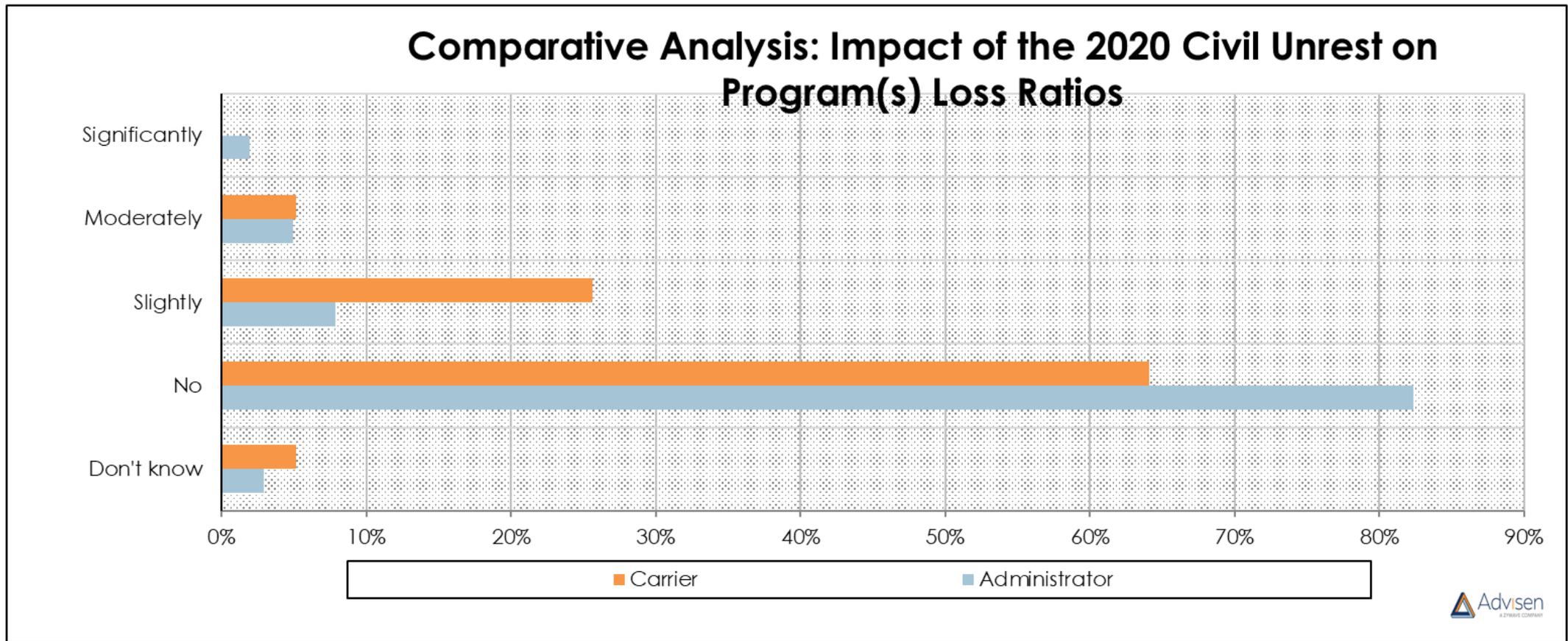


IMPACT OF NATURAL CATASTROPHES

Comparative Analysis: Impact of Natural Catastrophes on Program(s) Loss Ratios

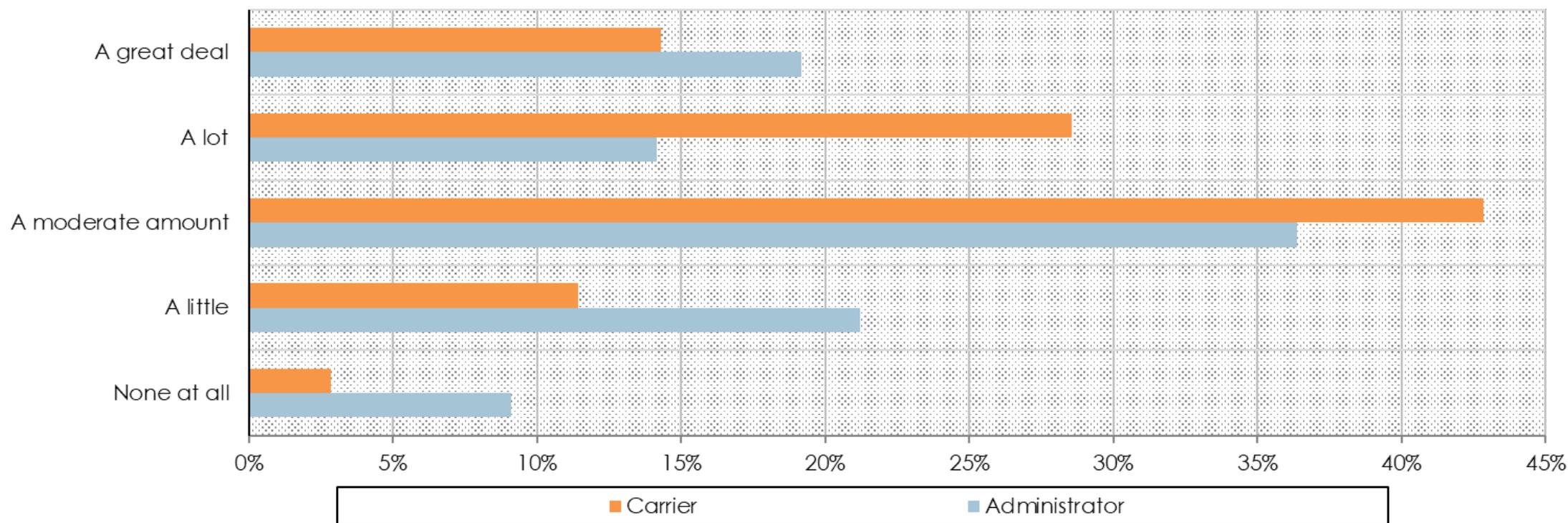


IMPACT OF THE 2020 CIVIL UNREST



IMPACT OF SOCIAL INFLATION RATES

Comparative Analysis: Impact of Social Inflation on Rates



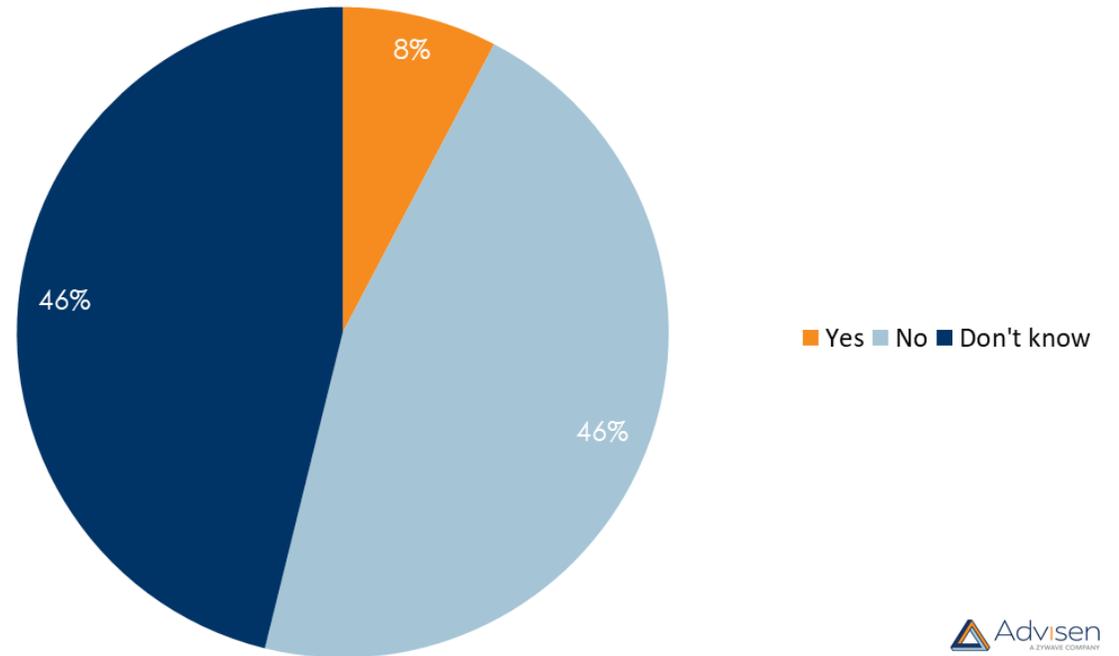
M&A

Most carriers polled have no plans to acquire administrators.



As with the 2019 survey, **8%** carriers expressed plans to acquire administrators to grow their business.

Plan to Grow Program Business by Acquiring Administrators



Advisen
A ZENWAVE COMPANY

What administrators are looking for in a potential acquirer



A good fit in terms of culture and values



Flexible

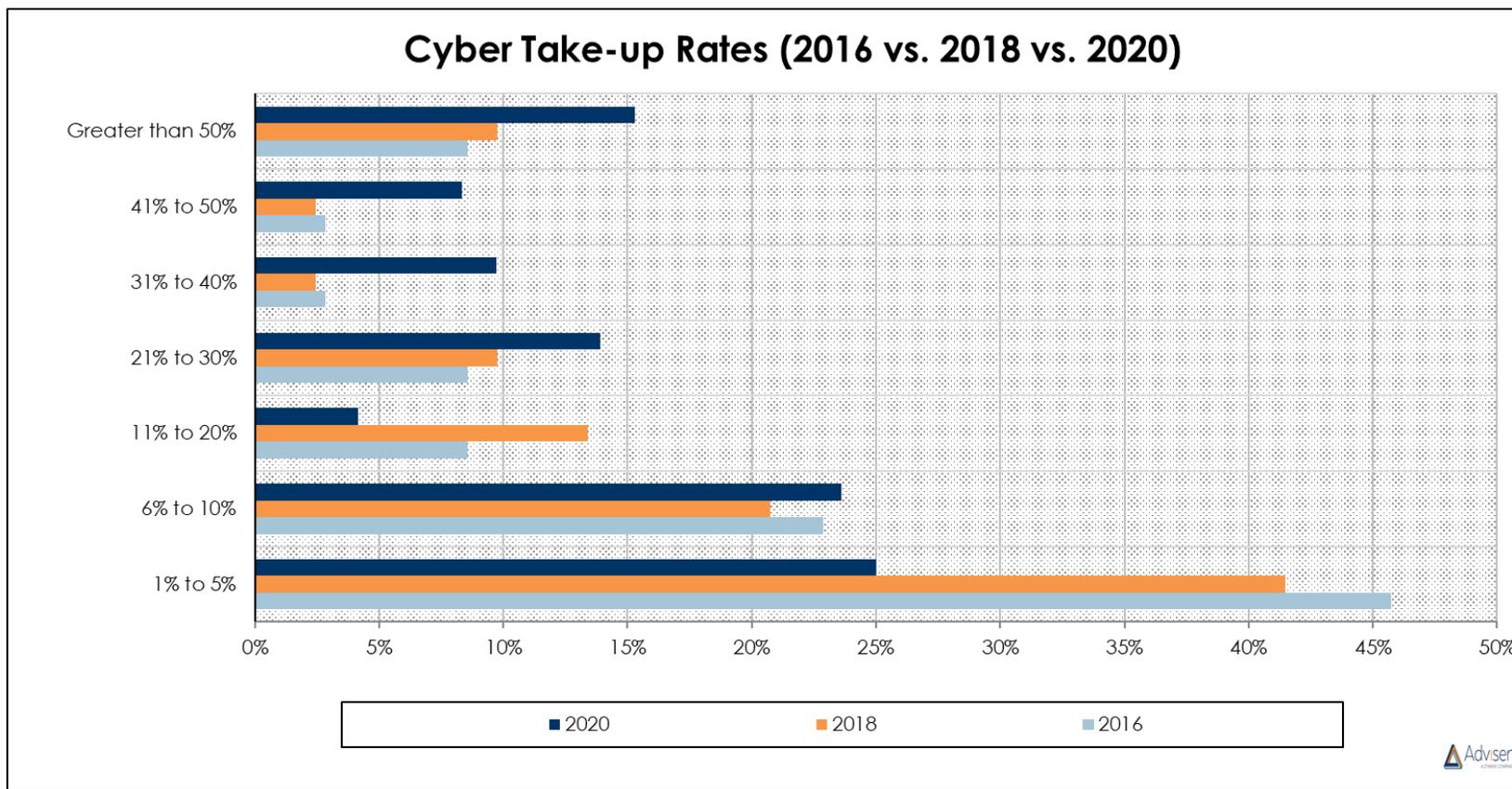


Understands the business

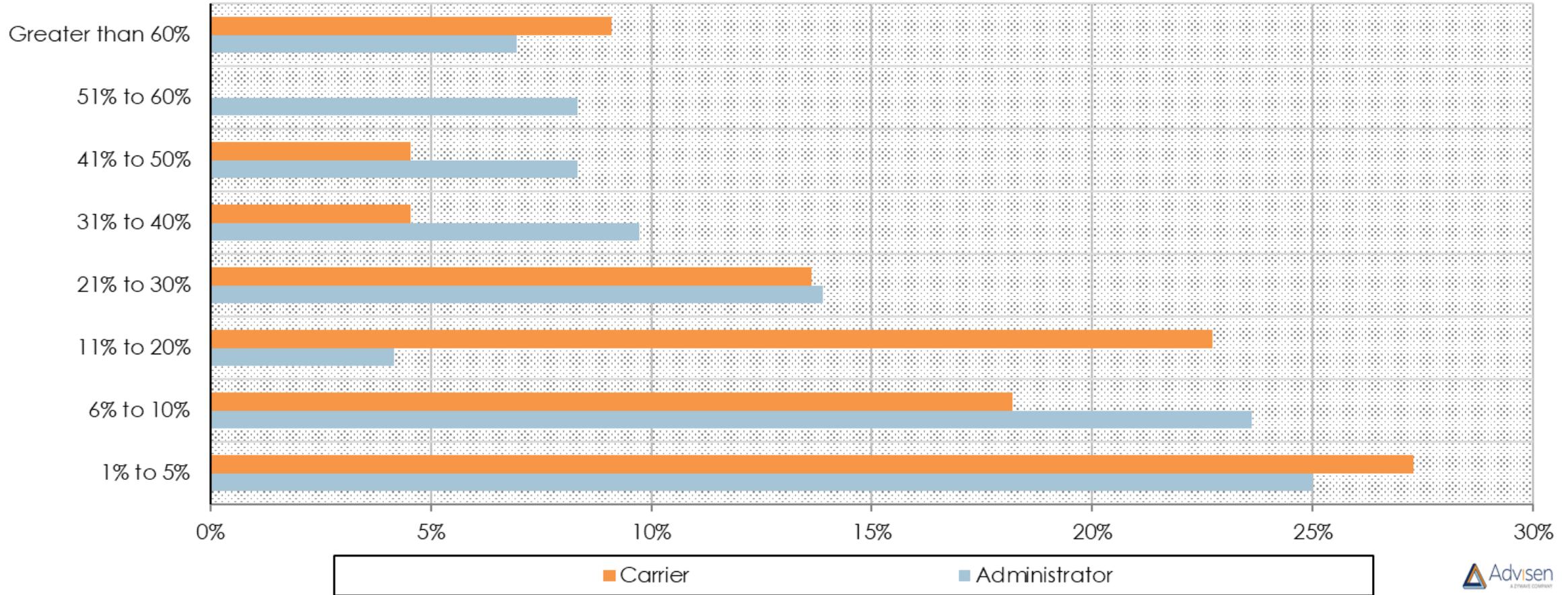
TARGET  MARKETS

Program Administrators Association

CYBER COVERAGE

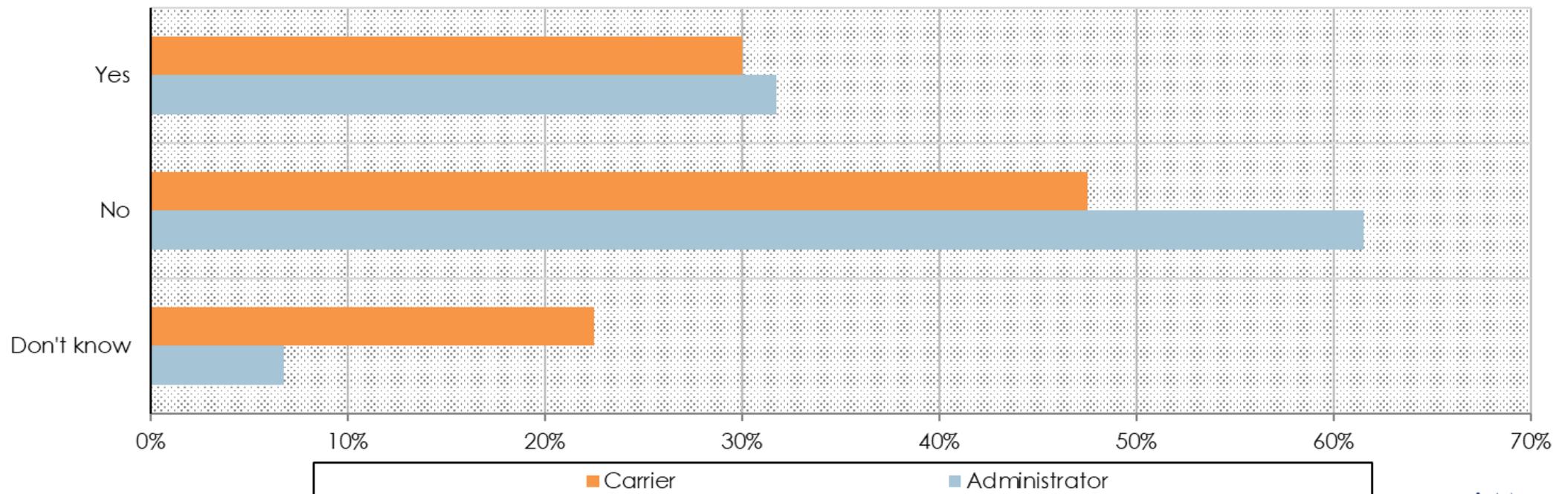


Comparative Analysis: Cyber Coverage



INSURANCE TECHNOLOGY

Comparative Analysis: Impact of Insurance Technology on Distribution



ARTIFICIAL INTELLIGENCE

Comparative Analysis: Areas Where Administrators Use Artificial Intelligence or Machine Learning

