Program Managers: Making a Difference in Insurance Program Business

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In today's fast-growing program business, it's critical for an insurance carrier to align with an external program administrator that knows the company's specialty niche inside-out. Equally important are the insurer's internal program managers, the people who manage the relationship with the program administrators. Their role in a program's success is often underestimated.

To ensure the quality of the business underwritten, these highly specialized individuals must stay on top of changes in a niche program's aggregate exposure trends and underwriting considerations, in addition to evolving insurance policy forms, regulatory filings, and legal and financial matters. According to the "State of Program Business Study" by the Target Market Program Administrator Association, the average tenure of programs from carriers polled is four to six years, with only five percent surviving more than ten years. To build these long-term profitable partnerships with program administrators, program managers must be able to closely collaborate with their back-office functions like actuarial, claims and loss control, as well as successfully navigate their own company's operating structure.

Of all these responsibilities, a program manager's proficiency in underwriting is the key attribute to the overall success of the niche program. They must develop and ensure adherence to detailed underwriting guidelines that define the appetite and the authority of the program administrator. In this regard, they must carefully evaluate the quality of risks referred by the program administrator to the carrier, especially in situations where the program administrator is given legal authority to underwrite, rate, quote, bind, issue, and service policies on behalf of the carrier.

Undoubtedly, carriers with the best program managers are the most capable of balancing and positioning their specialty books of program business to withstand complex regulatory or adverse economic impacts, ushering in long-term profitable business for the insurer and the program administrator. Conversely, carriers with inferior program managers suffer the loss of this business.

Power in Partnership

Like all true partnerships, the program administrator-program manager relationship is a two-way street. Just as external program administrators pursue close associations with a select number of insurance carriers based in large part on their financial stability and reputation, internal program managers seek long-term relationships with external program administrators that have a track record of success in specific target markets.

Assuming this partnership is in place, program business can flourish. The outlook for programs is excellent: According to the 2019 Conning study, the market generated annual premiums in excess of $45 billion in 2017, nearly double the premium generated in 2012. Given expectations for similar income going forward, program administrators need smart, sophisticated and dedicated program managers, and vice versa. Unfortunately, not all external program administrators have been able to cultivate close relationships with program managers, impeding their access to high-quality markets.

Given the risks entailed for carriers in providing delegated authority to third-party program administrators, program managers must be highly selective in their partnering evaluation criteria. In their due diligence, the best program managers assess a potential partner's underwriting expertise, industry specialization, distribution prowess, program tenure and operational history. To undertake such in-depth analyses, program managers must have an equal or better grasp of the niche segment, insofar as its underwriting, claims and loss history, and overall profitability. In gauging these factors, they also must be proficient in using state-of-the-art technology solutions to capture and analyze diverse data elements.

For program business writers like QBE North America and others, program managers are the gateway to reliable, trustworthy, and profitable program administrators. We envision our program managers as conductors of an orchestra, due to their ability to manage different specialty programs and third-party relationships in concert, culminating in optimal financial outcomes.

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Since program managers are largely responsible for the financial performance of our program book of business, we take great care to ensure we have recruited — and retained — the best of the best. This philosophy extends to our partnering program administrators: We take pride in our long-term relationships with these professionals, which average 10 years, longer than most program writers. We owe QBE North America's success in the program market to our ability to bring a full suite of products and services to our insureds via best-in-class program administrators and equally terrific program managers.

Those carriers that are in the program business should never underestimate the value of best in class program managers and never lose sight that good programs will follow good program managers.

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