

TARGET MARKETS

Program Administrators Association



The TMPAA State of Program Business 2012

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Presented by:



ADVISEN
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Overview of Discussion

- Overview of the Survey
- Overall Findings
- Program Administrator Results Highlights
- Carrier/Insurer Results Highlights



Overview of the Survey

- Two kinds of analyses were conducted: (1) survey response analysis and (2) U.S. market analysis.
- Respondents to the 2012 survey included 190 program administrators and 43 insurers – an increase from the 92 program administrators and 34 insurers from the previous survey.
- A list of 950 program administrators was assembled for the U.S. market analysis.



Overview of the Survey

- Question topics were designed and reviewed by a committee of TMPAA member Program Administrators and Carriers, the TMPAA Board, Advisen and the New Street Group.
- The online survey was conducted between 16 July and 31 August 2012.
- In analyzing the survey results, participants were segmented into three groups based on premium volume.
- Comparisons were made to the prior survey which provided a baseline of results

Overall Findings

	2011 Survey (2010 Business Results)	2012 Survey (2011 Business Results)	Percent Increase
Estimated Size of the Market	\$22.6 billion*	\$24.7 billion	9 percent
Estimated individual programs	1,900**	2,000	5 percent
Average increase in premium volume	4 percent	9 percent	5 percent
Average renewal rate	84 percent	84 percent	Unchanged

* The original figure reported in the 2011 survey was \$17.5 billion. After capturing additional data, however, the TMPAA and Advisen saw that \$22.6 billion is a more accurate presentation of the total market for that year.

** The original figure reported in the 2011 survey was 1,750 programs. This figure, however, was adjusted upwards after gathering additional data.




Overall Findings

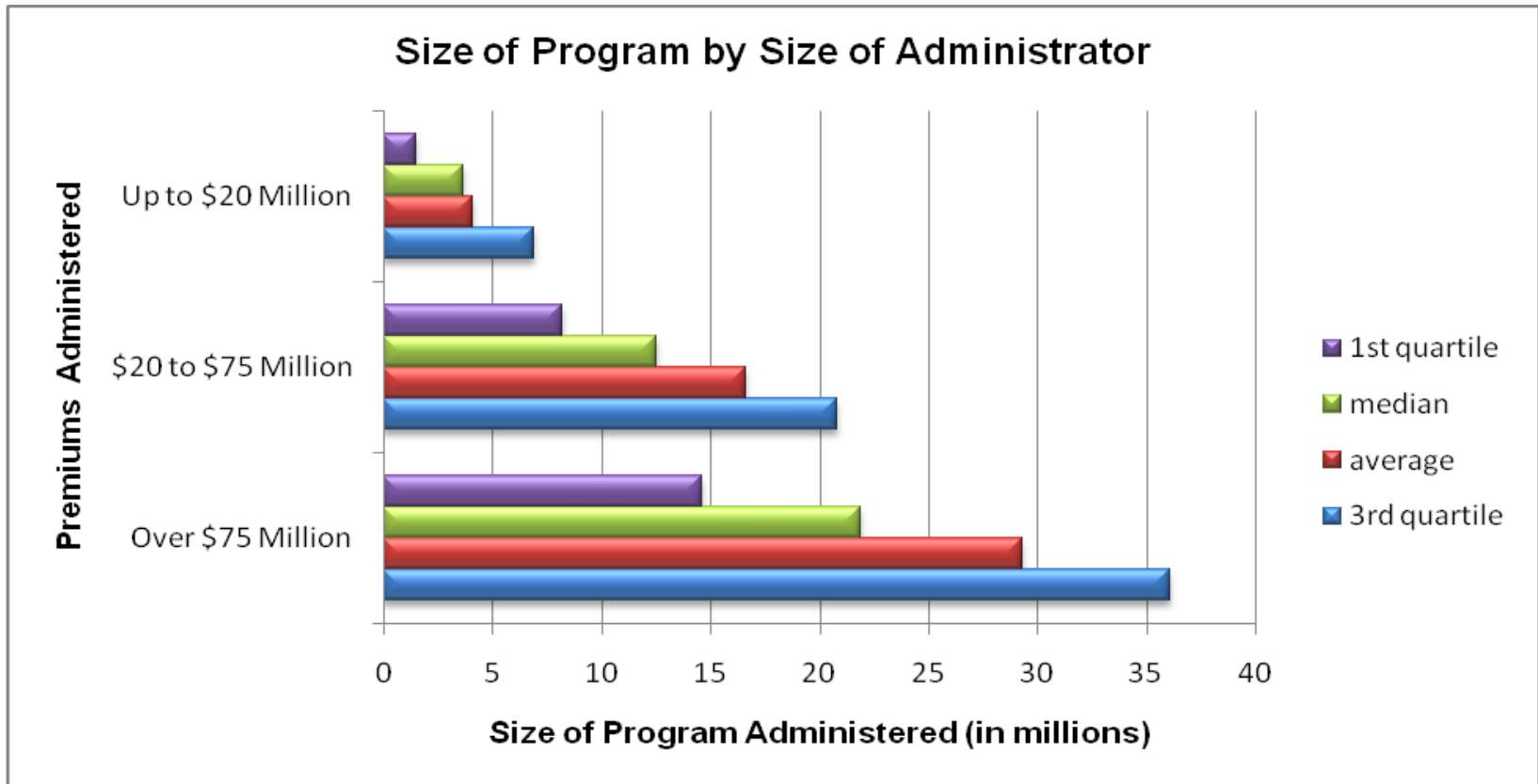
- The program space continues to be a booming business despite the significant headwinds faced by the overall P&C industry.
- Program administrators and carriers are optimistic about prospects for future growth.
- There is mismatch in the M&A picture as there are more buyers than sellers.
- Program administrators and insurers are one in their view that underwriting profitability is what matters most when establishing a successful program.



Program Administrator Results Highlights

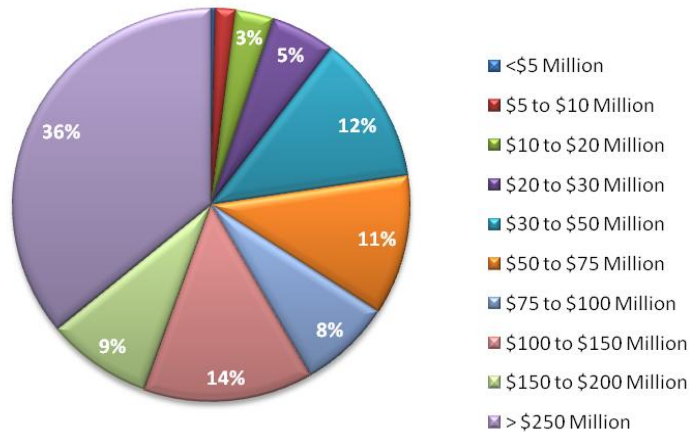
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- The program business in the United States is composed of relatively small firms in terms of the number of employees, gross written premiums, and number of distinct programs administered.
 - A comparative analysis of these small firms and their larger counterparts showed distinct differences between small and large administrators across various areas of their operations.

- Larger firms also administer the larger programs, while smaller firms also handle the smaller programs.

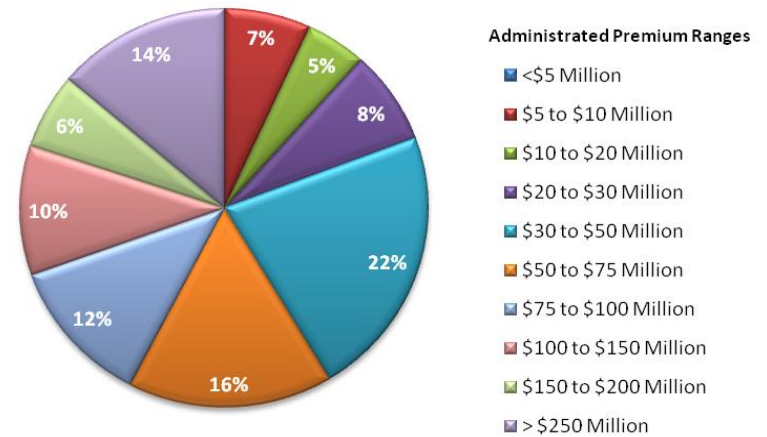


- One-third of the survey respondents hold a premium share of more than \$250 million.
- Interestingly, only 14 percent of the program administrators in the U.S. Market analysis administer premiums of more than \$250 million.

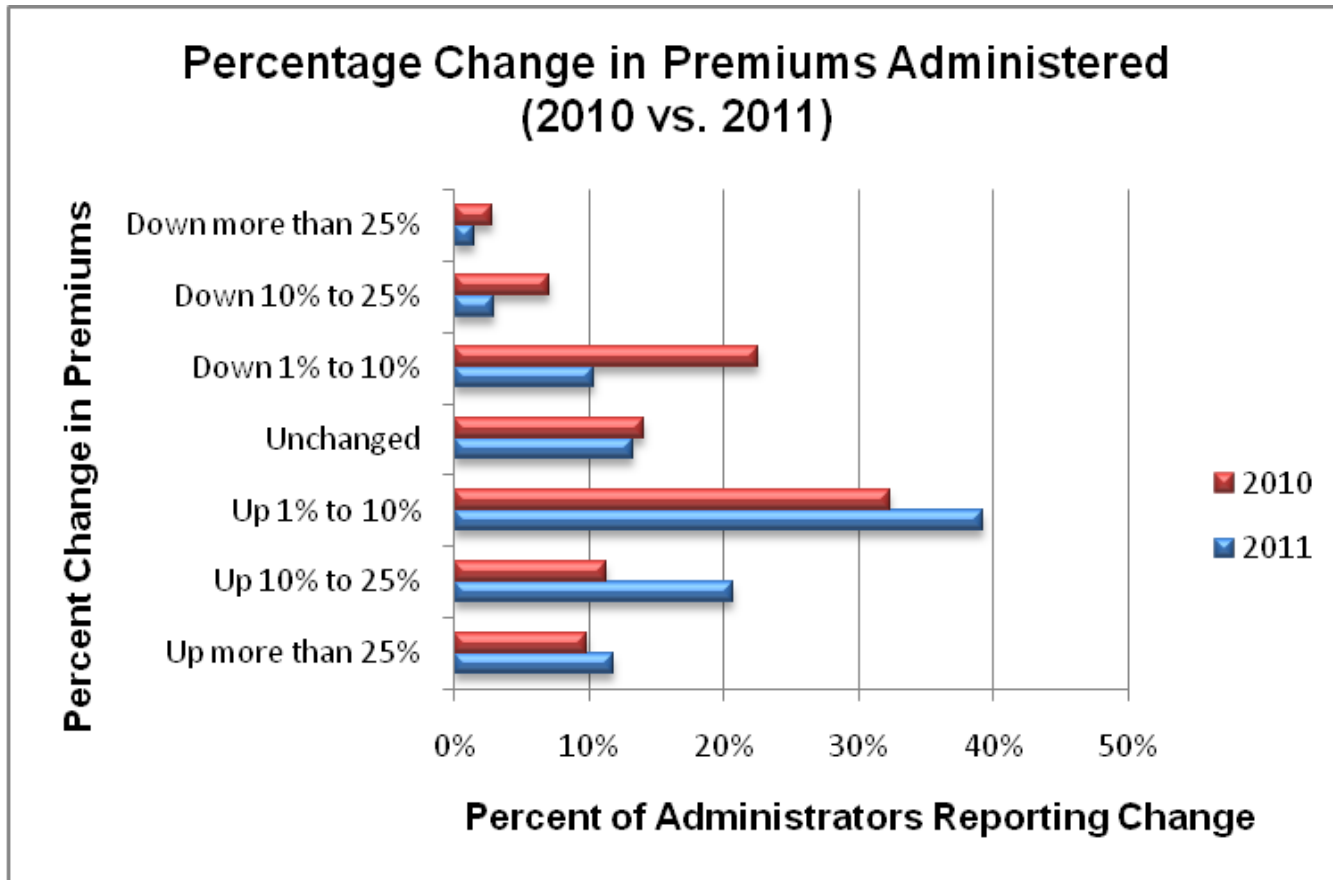
Premium Share - Survey Reponses



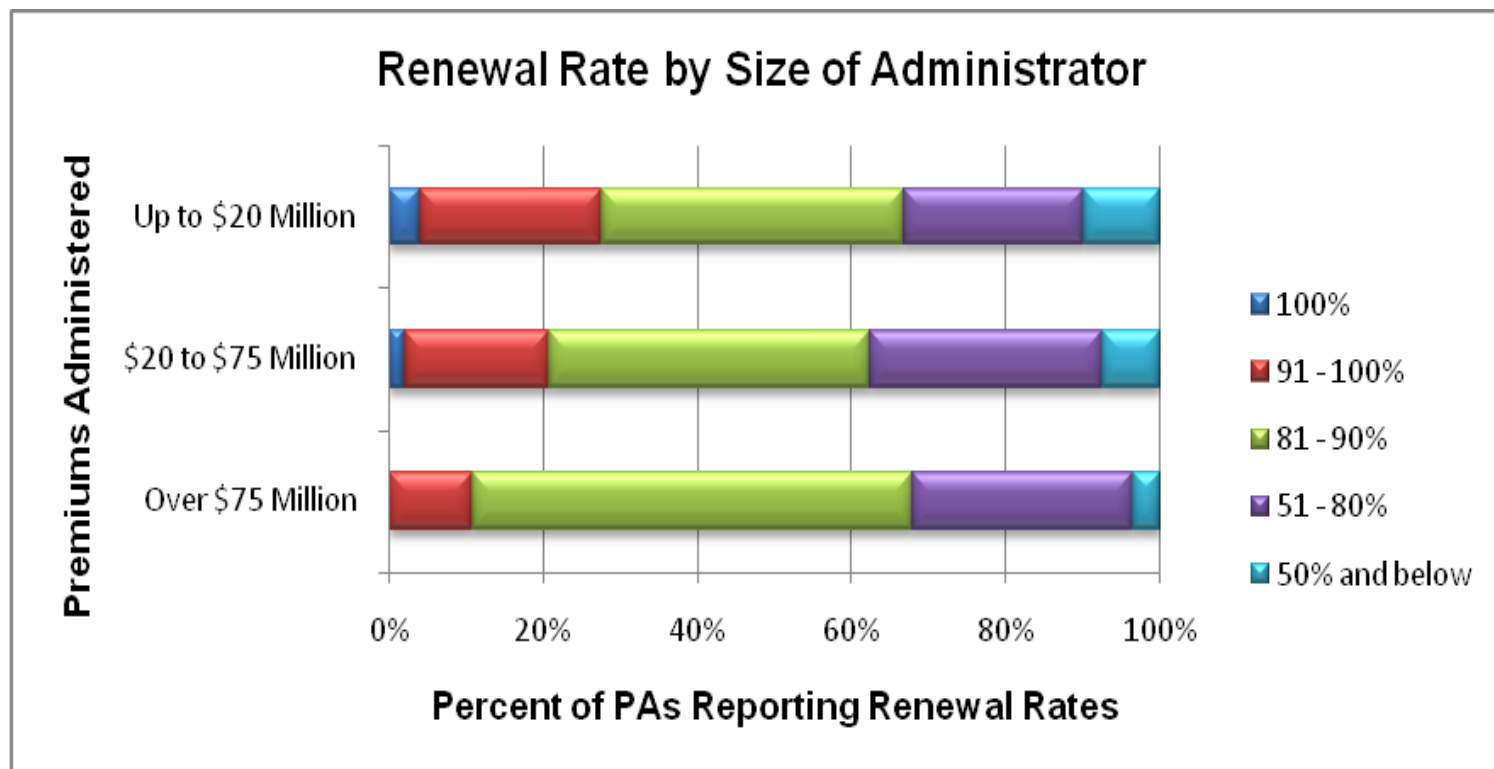
Premium Share - Total Market



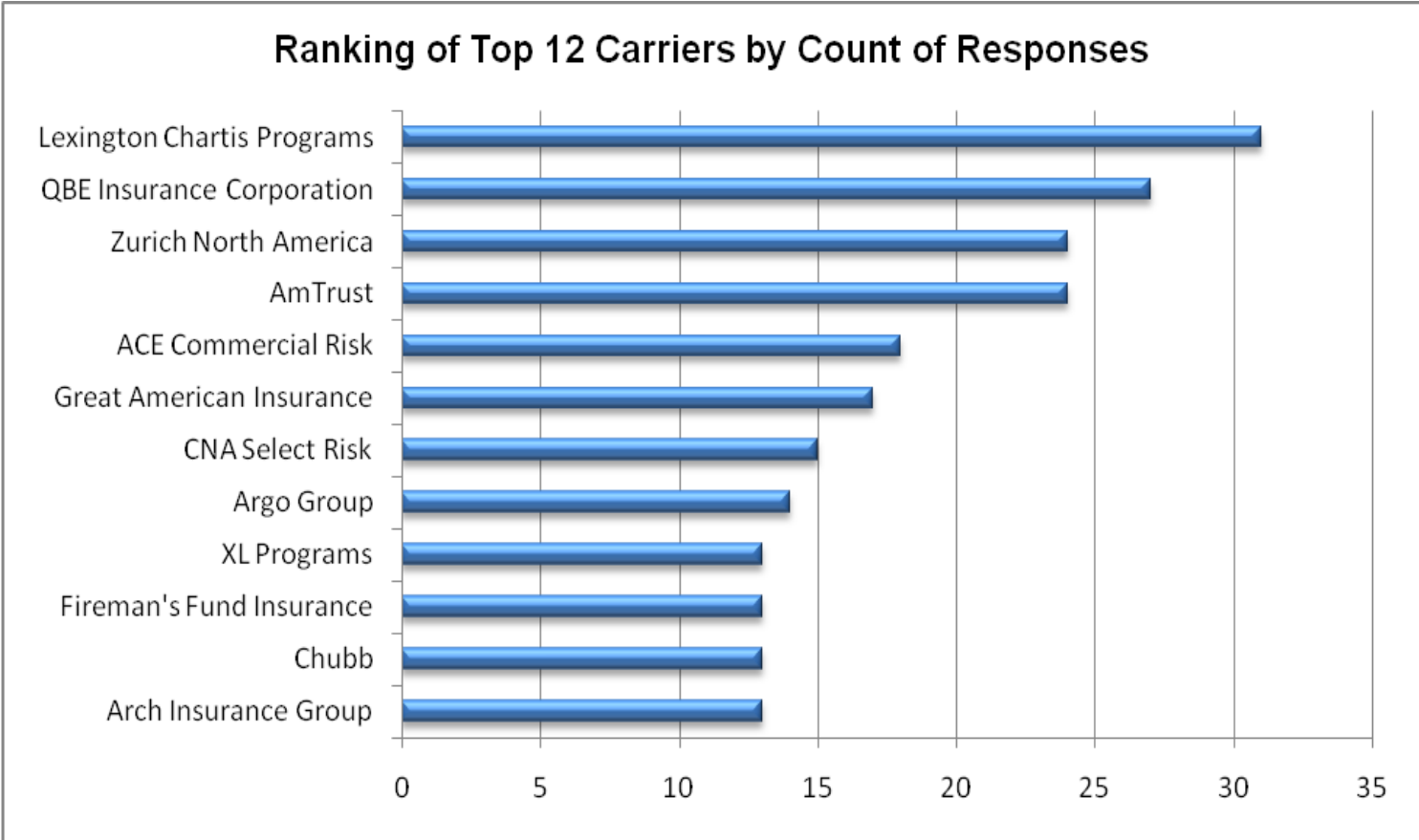
- The average increase reported for 2011 was 9 percent compared to 4 percent in 2010.



- Smaller firms have higher renewal rates.

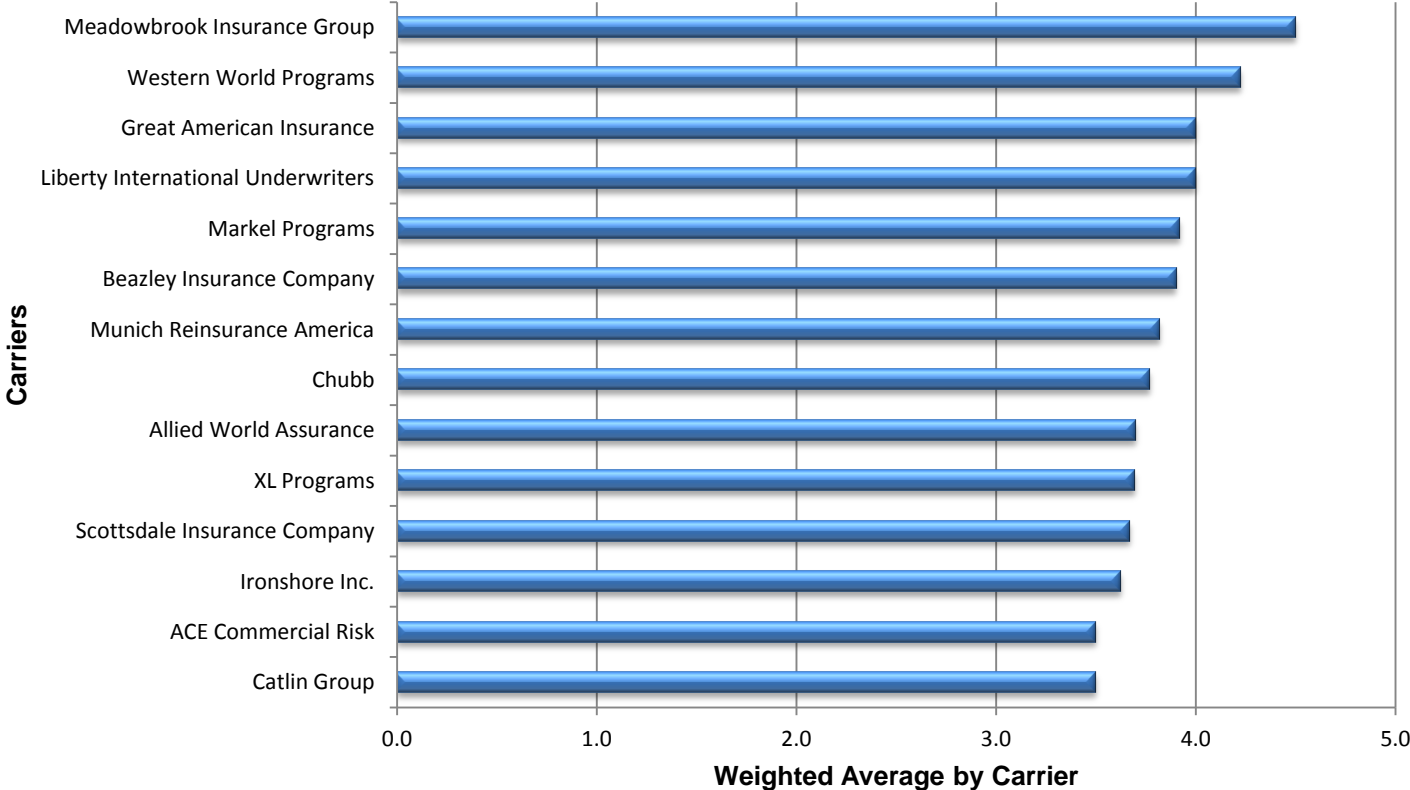


Ranking Carriers



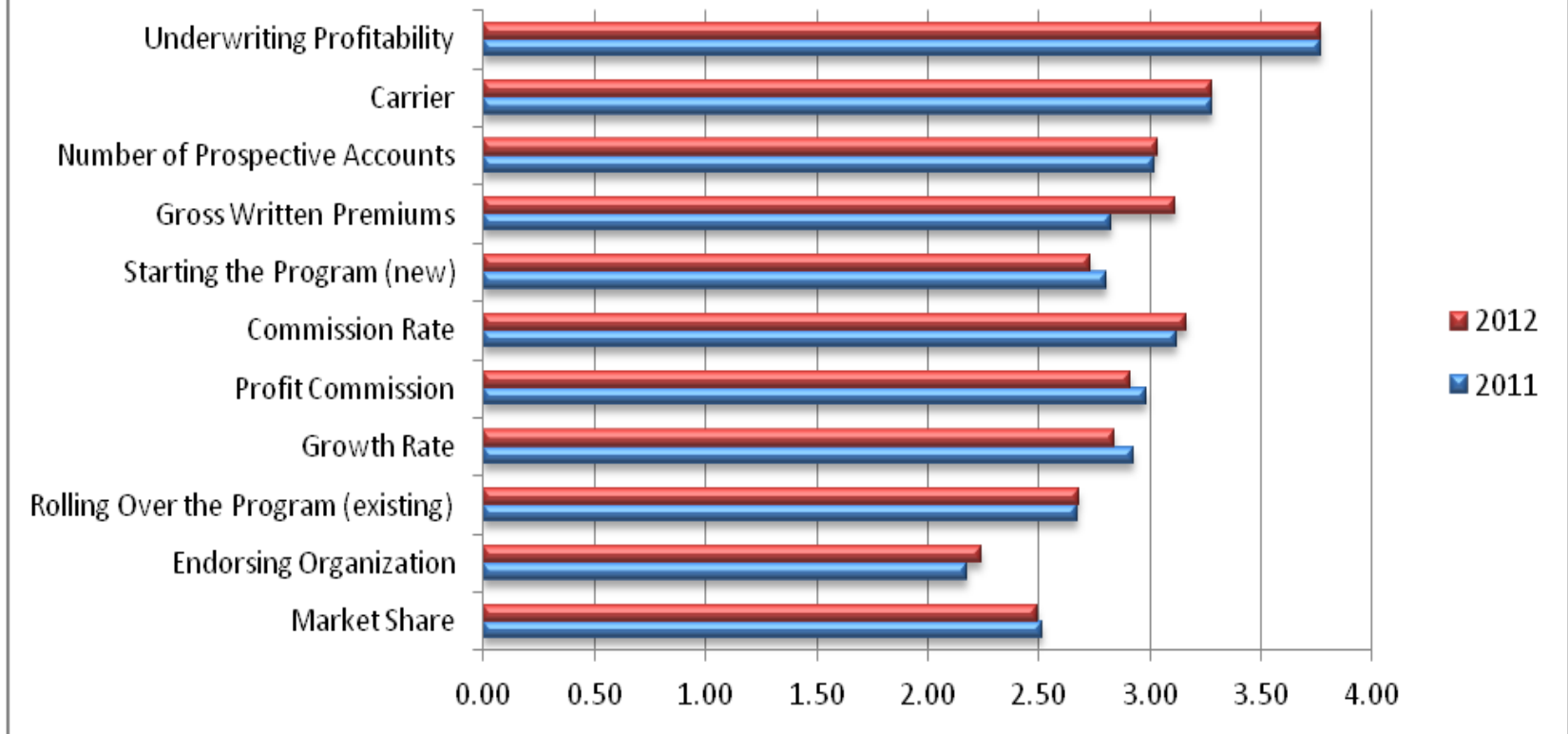
Ranking Carriers

Excellence as a Program Partner



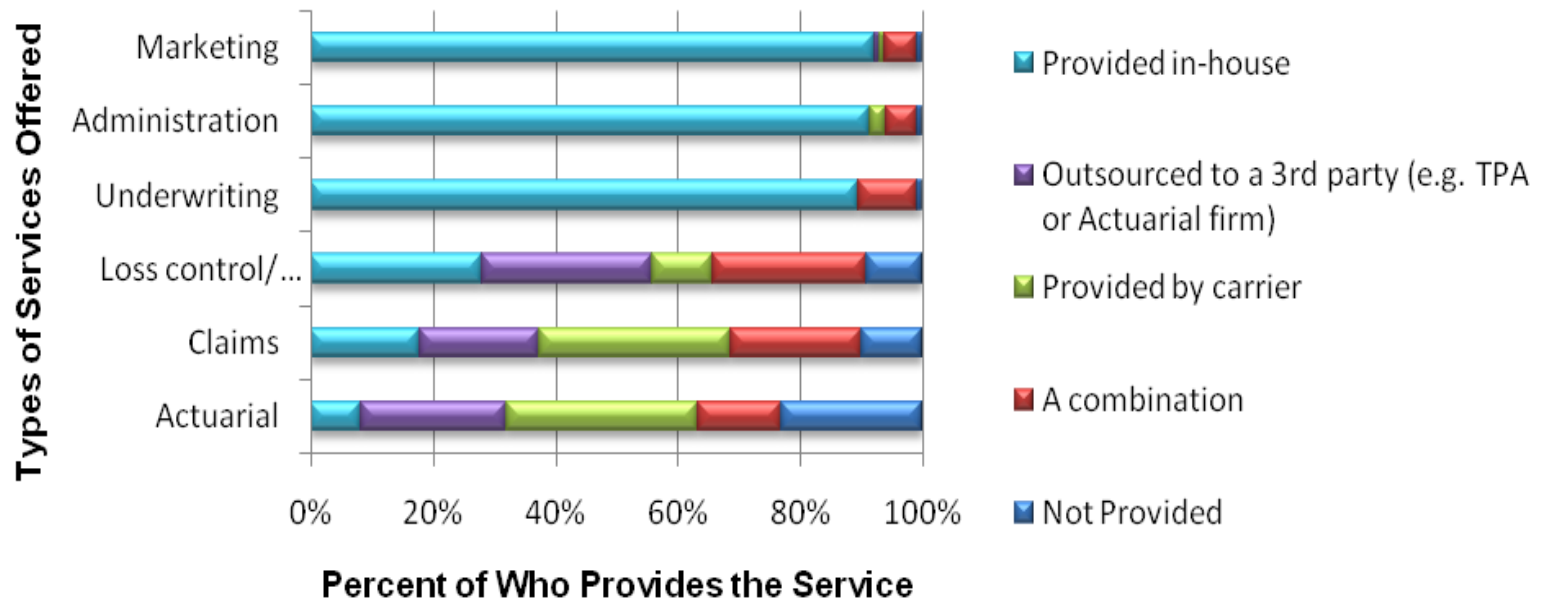


Comparison of Program Success Criteria (2011 vs. 2012)



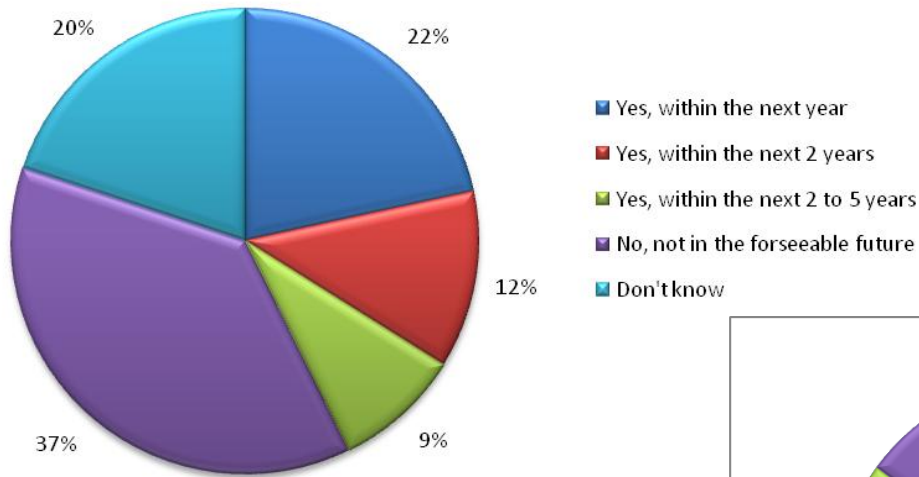


Services Offered as Program Administrator



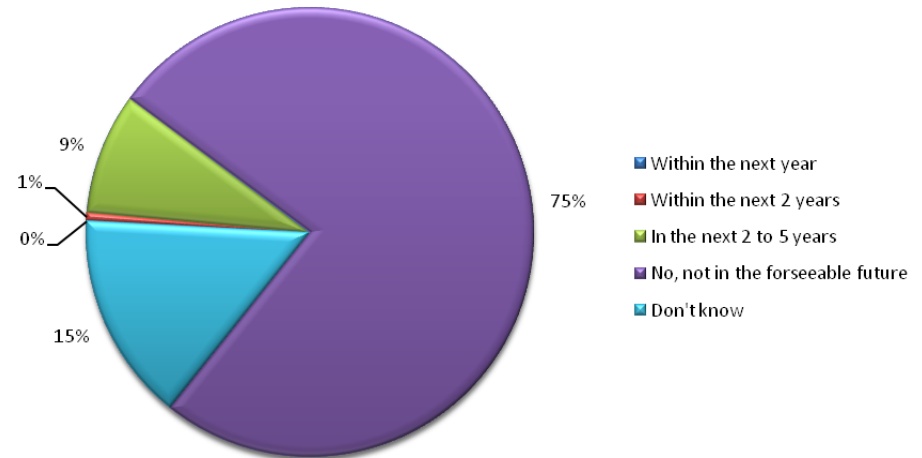
- **Mid-sized and larger firms tend to offer a broader range of services in-house, particularly actuarial, claims, and control, safety, prevention, and risk management services.**

Are you planning to acquire other program administrators?

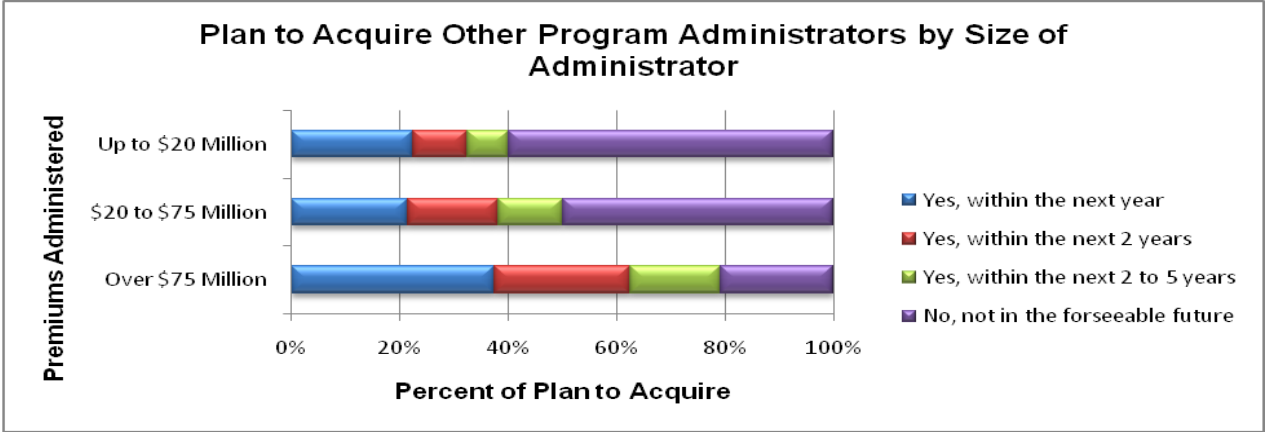
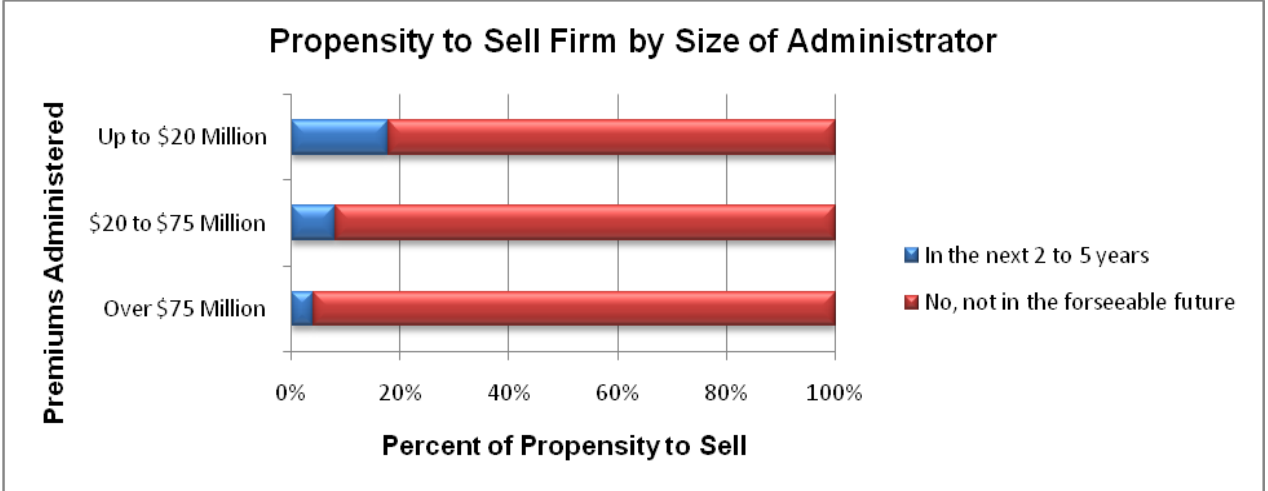


- **The bigger players have a greater tendency to buy other program administrators, while smaller firms have a greater propensity to sell.**

Are you considering selling your firm?

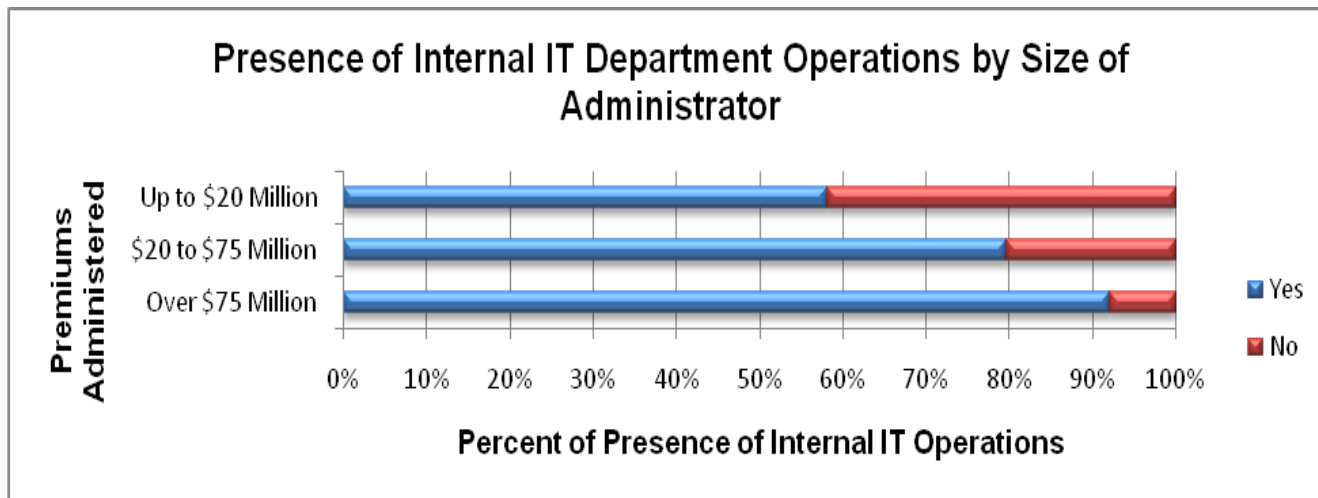
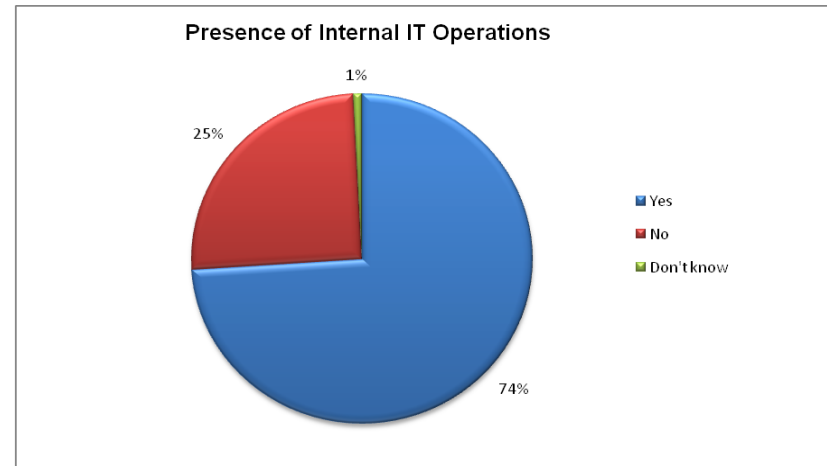


M&A Picture



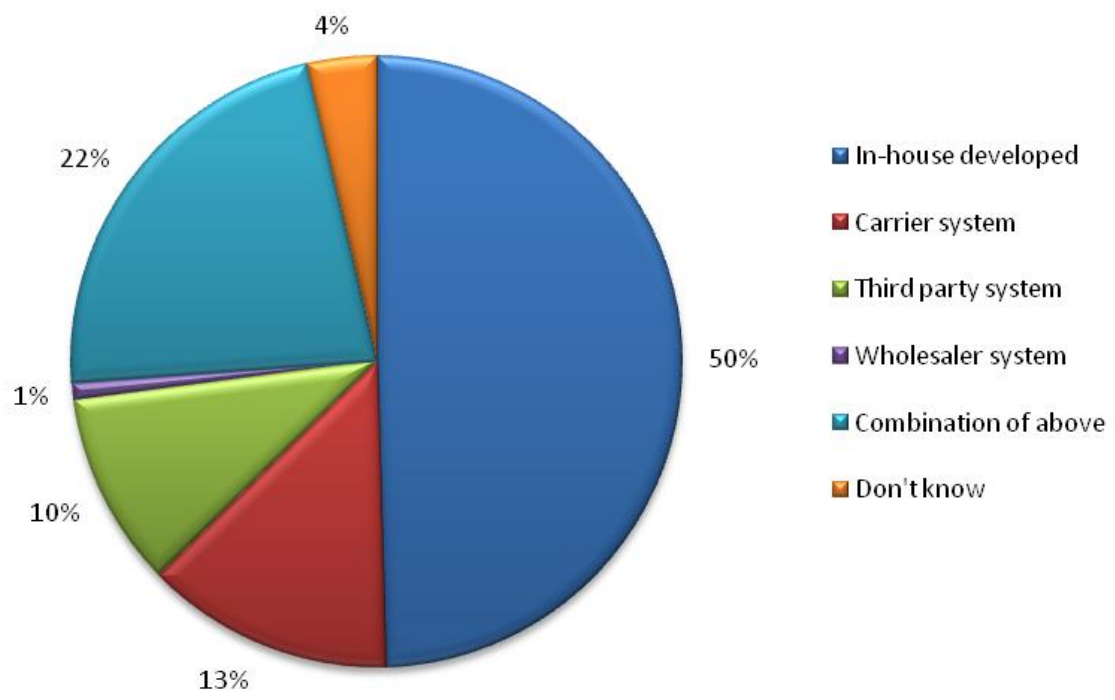
A Look into IT Practices

- Larger firms tend to have internal IT operations.

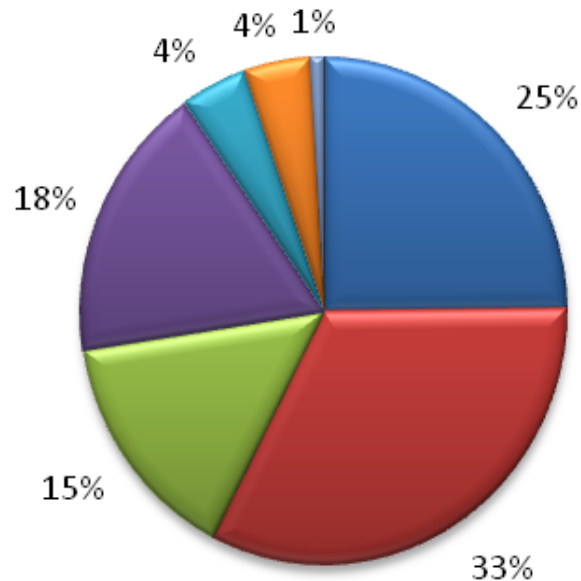




What kind of online template underwriting system do you use?

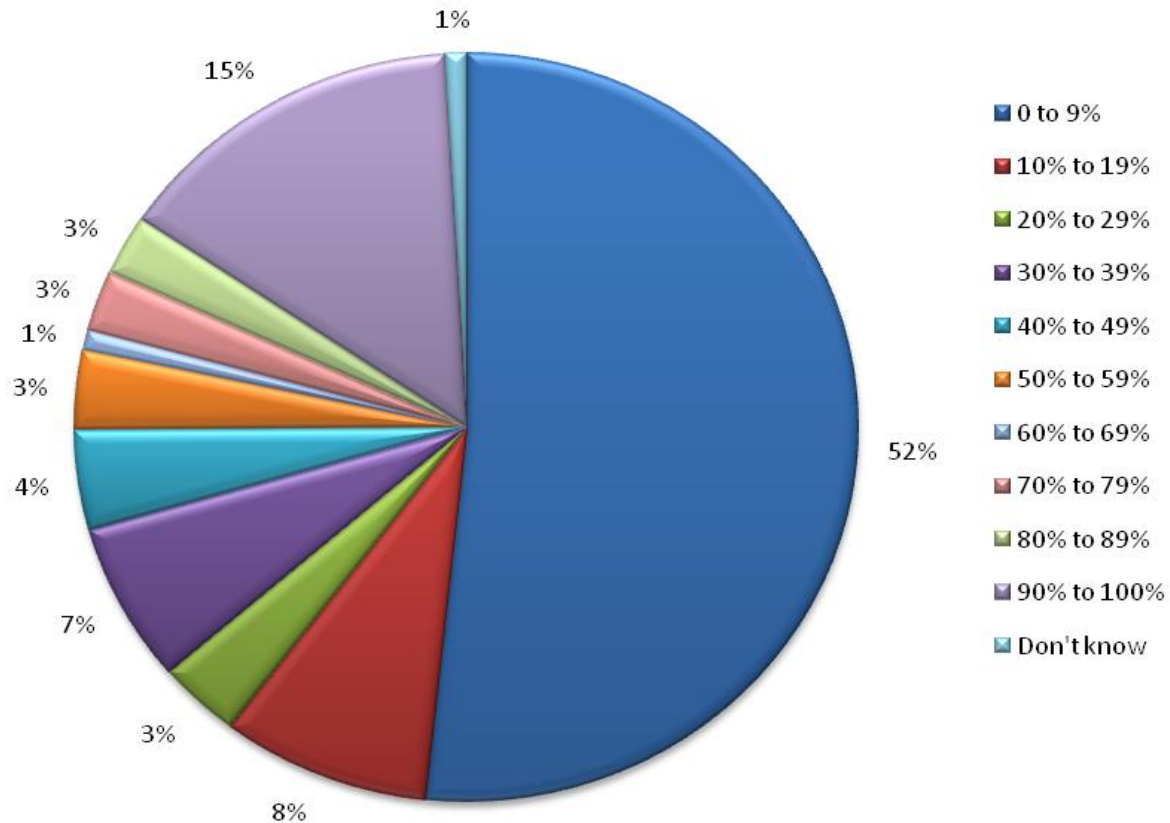


System Capability Preferred by Administrators for Rating, Quoting and Policy Issuance

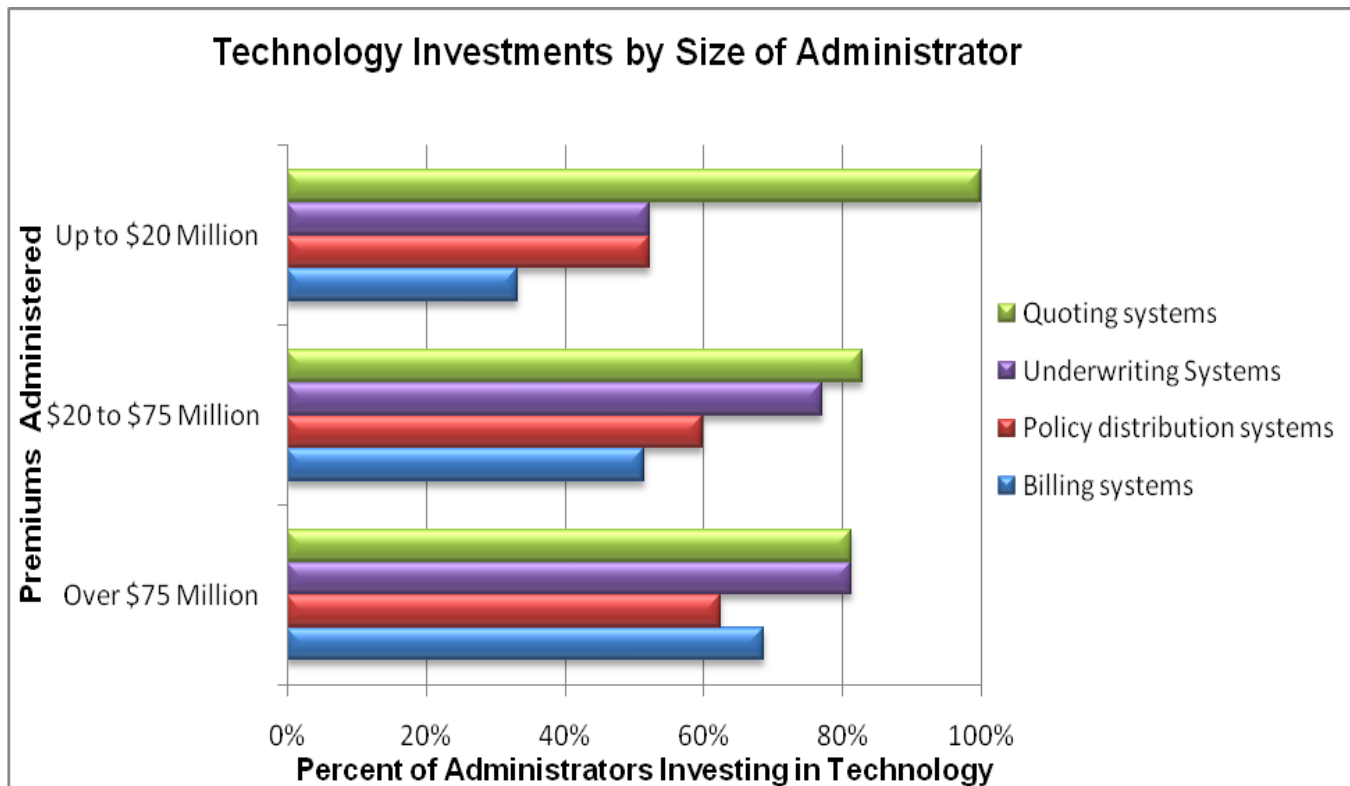


- Company-built proprietary system.
- Provides the data/rates via an electronic download/web-service/download/web-service.
- Manually enter or utilize a third party vendor
- Combined
- No Preference
- Not Applicable

Percentage of Accounts That Come From Applications Completed Online




- The smaller firms have a greater propensity to invest in quoting systems, while the larger firms plan to invest in underwriting and billing systems.



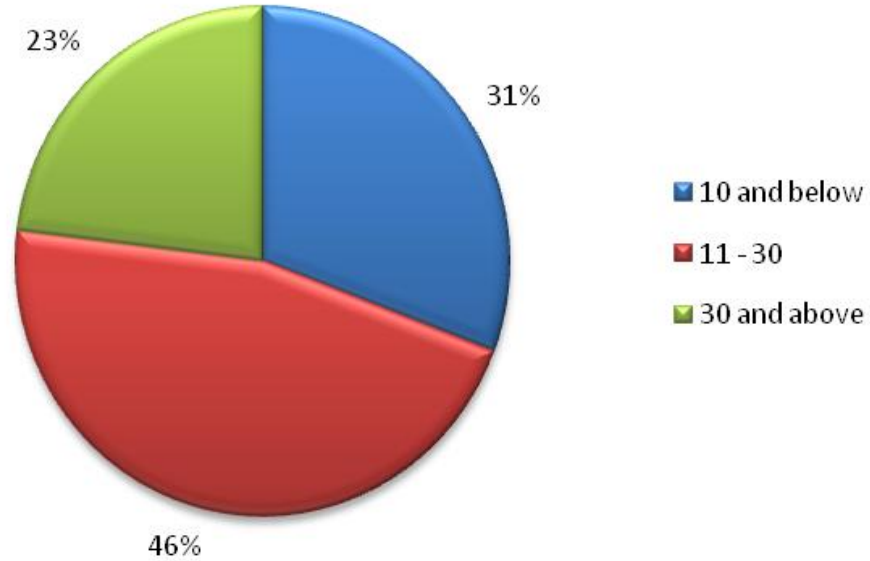


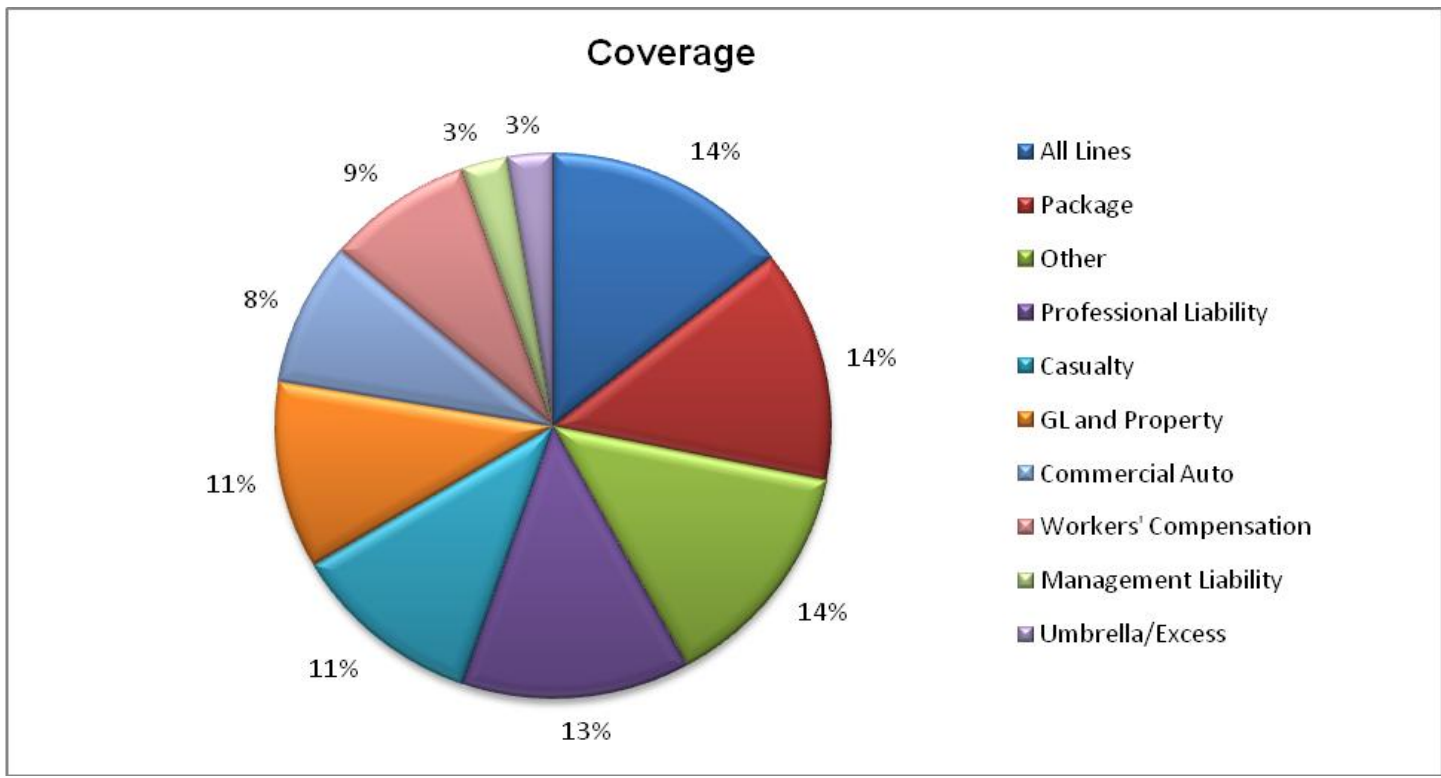
Carrier Results Highlights

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- Building a new program and giving it time to succeed require a great deal of investment. Selecting the program administrator is likewise a crucial step. This is why carriers are very selective about the program administrators they work with.

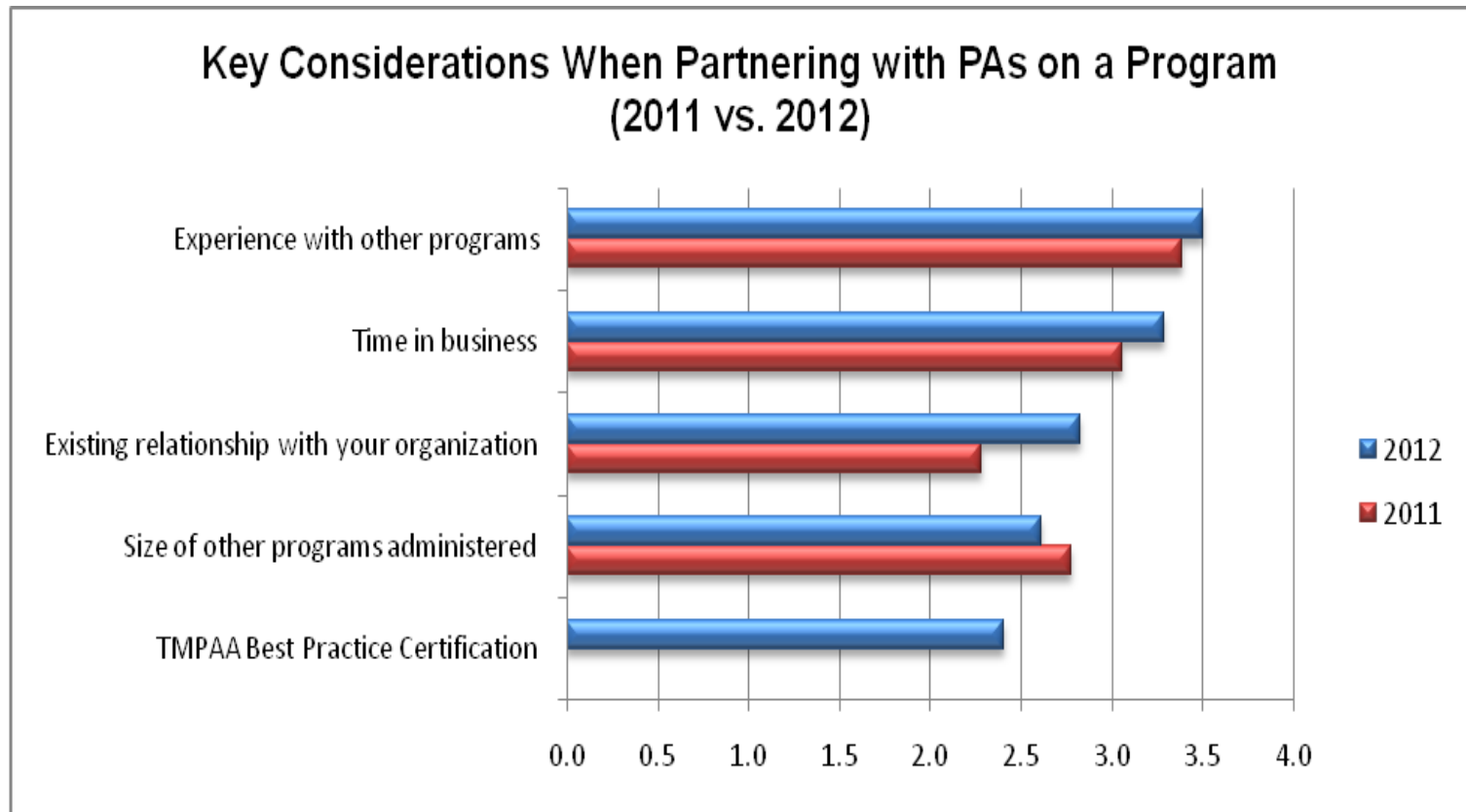


Number of Distinct Programs Insured

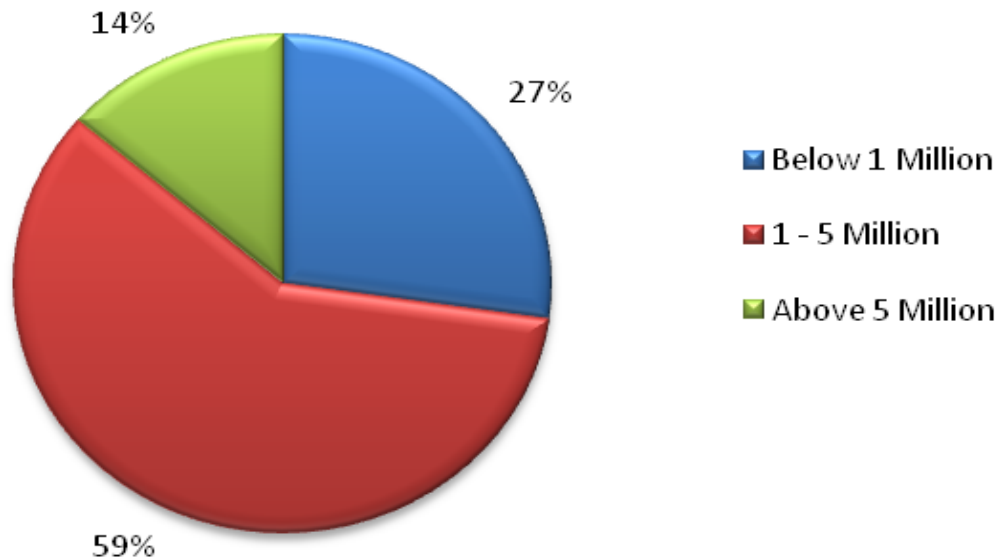




- As with the 2011 survey, experience with other programs and longevity in the business are the top considerations of insurers when partnering with new program administrators.

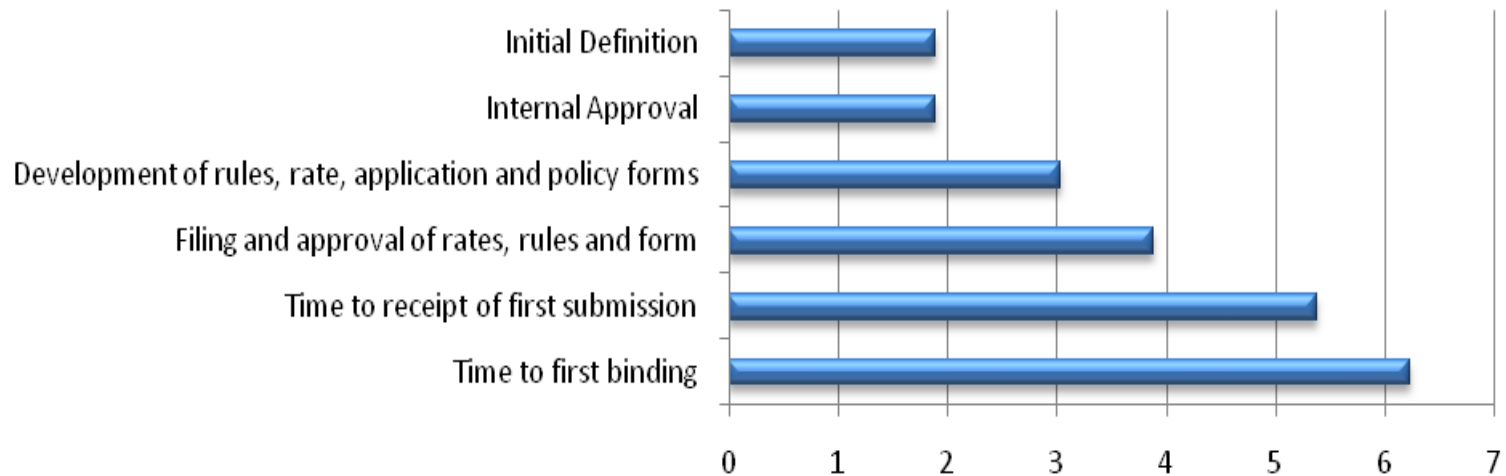


What is the threshold premium amount you are looking for in a new program?



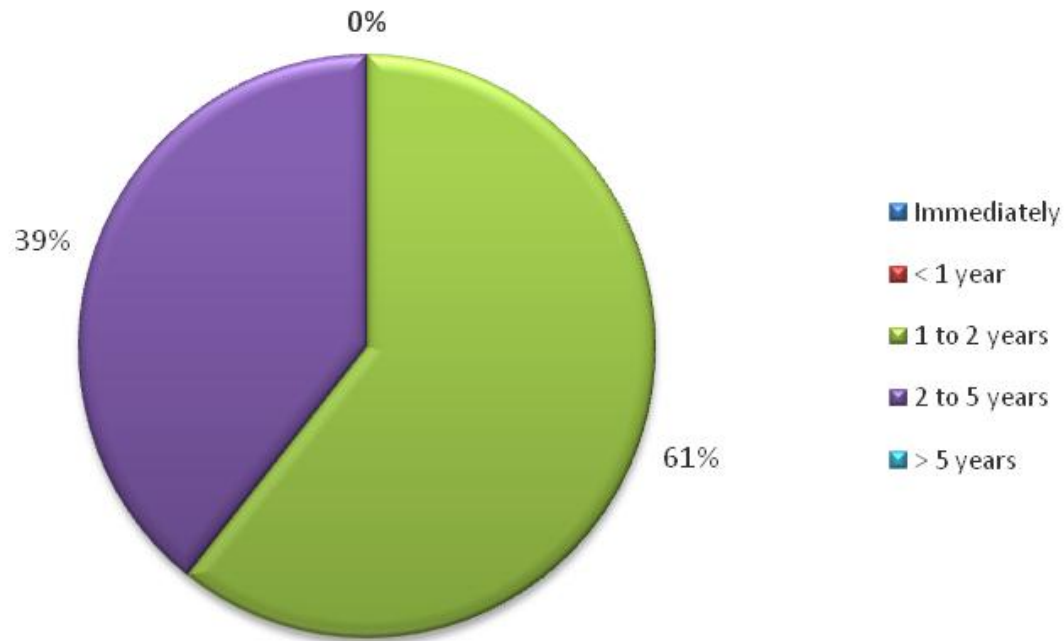


Average Number of Months Needed to Implement a New Program

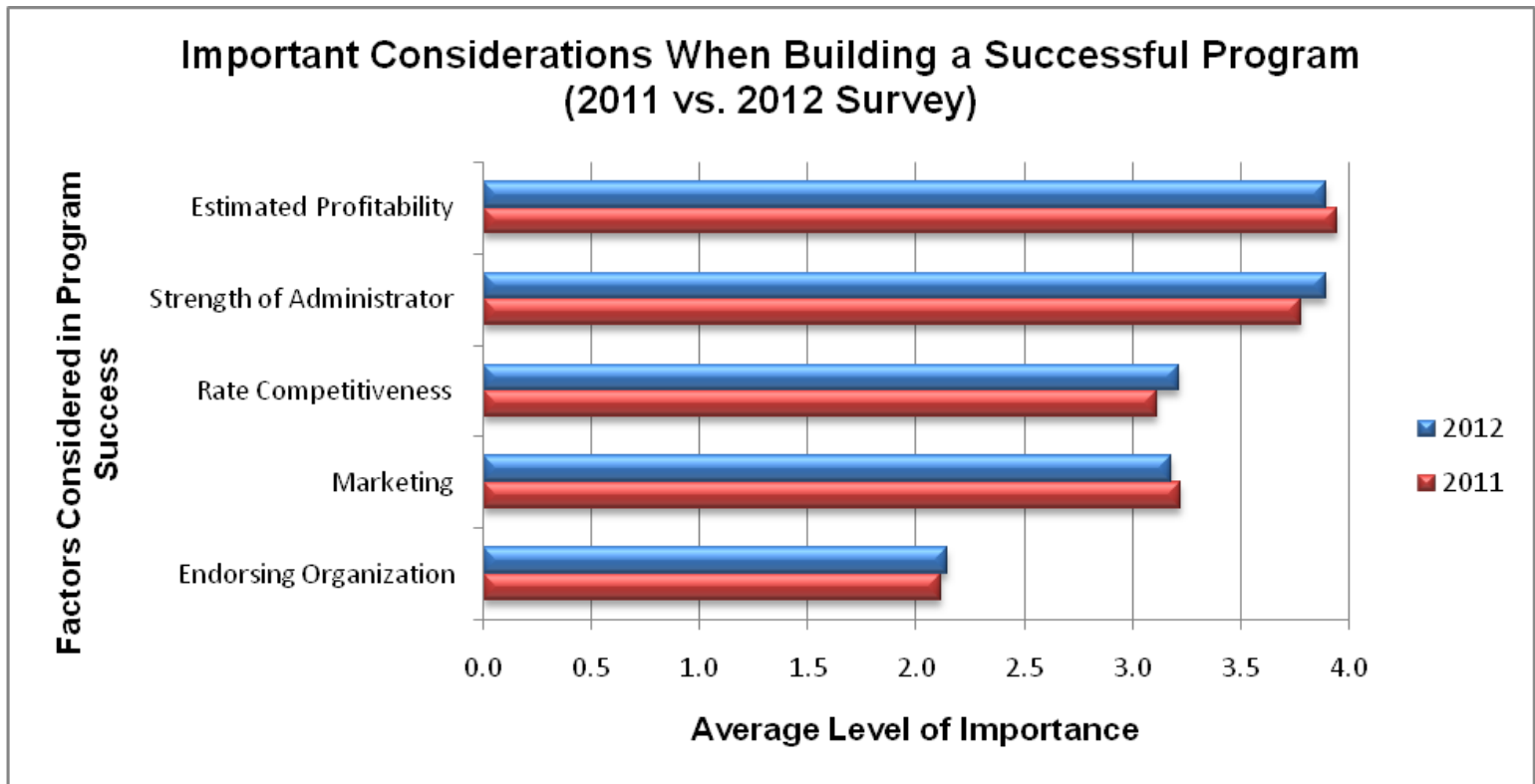




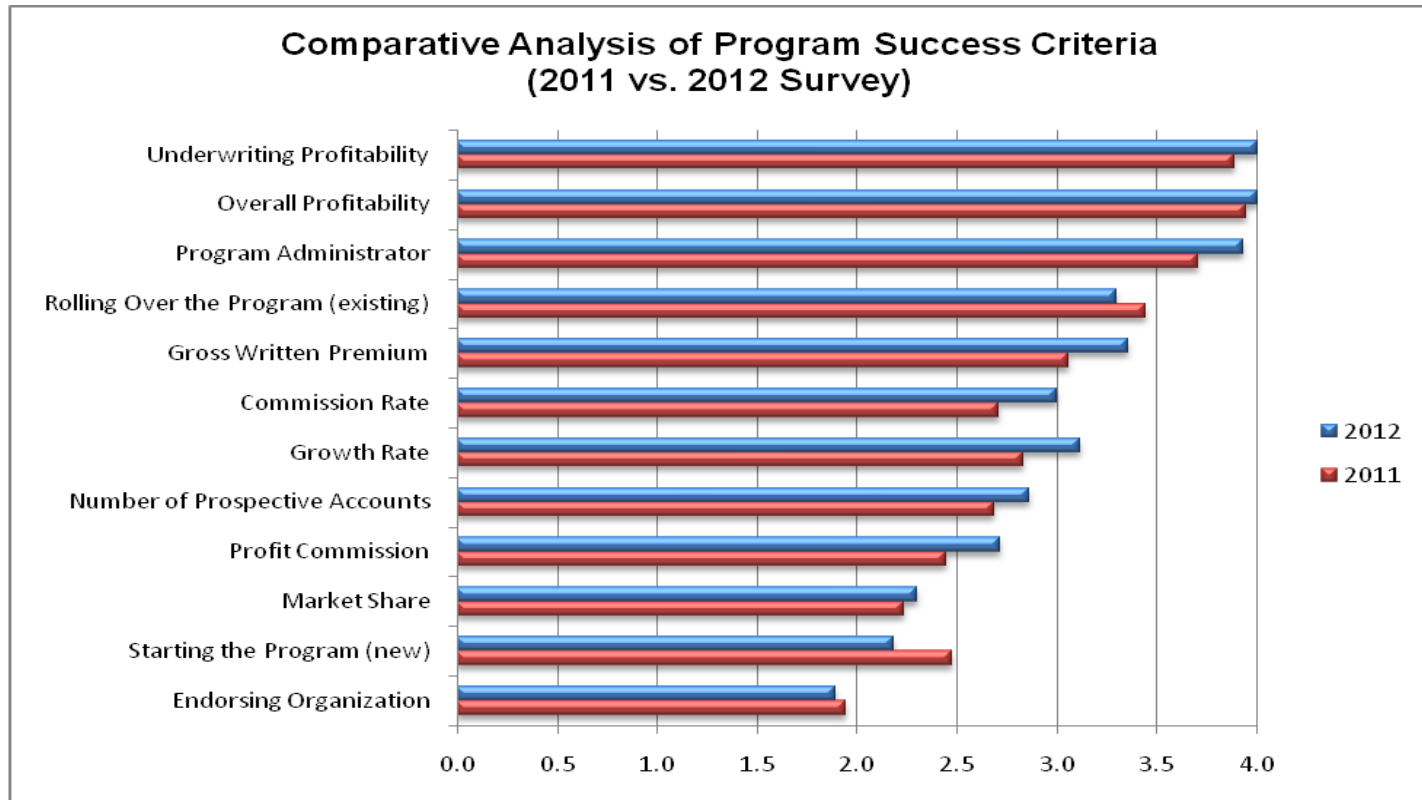
Time it Takes to Evaluate the Success of a Program



- As with the previous survey, estimated profitability and strength of the administrator are the most important considerations in building a successful program.



- Insurers are one with program administrators in the view that profitability is the most important factor in creating a successful program.





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