



Program Insurance: A different approach to building your business



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Perhaps you are wondering what exactly program insurance is and how it works. Or maybe you already know the basics and you simply want to know how program insurance can help you place risks and grow your business. The purpose of this whitepaper is to illustrate the facts. Yes, programs are real product solutions that you can access. Yes, they can present the solution for hard-to-place risks. And, yes, utilizing insurance programs can catalyze the growth of your business.

A look at the industry

According to industry research reported in the 2013 TMPAA State of Program Business Study:

- Program business in the U.S. is pegged at \$27.4 billion in premiums in 2012 – roughly one in ten of the dollars spent on commercial property/casualty insurance today. The estimated size of the market rose 10.8 percent from \$24.7 billion in premiums in 2011.
- The program business is growing more quickly than the overall commercial insurance marketplace. While the size of the program business rose 10.8 percent between 2011 and 2012, the growth in direct premiums written for commercial lines increased by only 3.3 percent.
- Carriers and program administrators report an estimated 2,075 individual programs – an increase of 3.5 percent from the 2,000 individual programs estimated for 2011.
- Program administrators are currently entering the market. For example, the Target Markets Program Administrator Association, which has been in operation over 10 years, has 273 program administrator members which has increased from 251 in 2012.

A program can mean many things to those in the insurance industry. Zurich defines a program as an insurance proposition with a competitive advantage for a defined market delivered through a collaborative value chain of a program administrator and a carrier. The market-facing underwriters are program administrator employees with explicitly-defined and managed authorities. This arrangement comes to fruition when a carrier grants underwriting authority to a program administrator — a recognized expert in a niche class of business — in order to collaboratively write a book of business for groups of customers with consistent characteristics or needs. Some examples of these types of programs include:

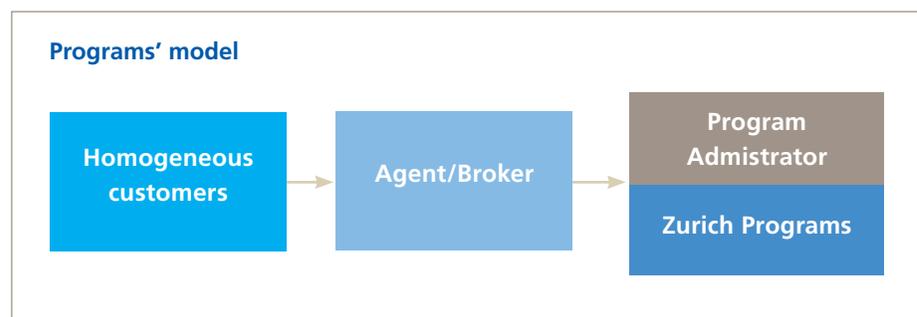
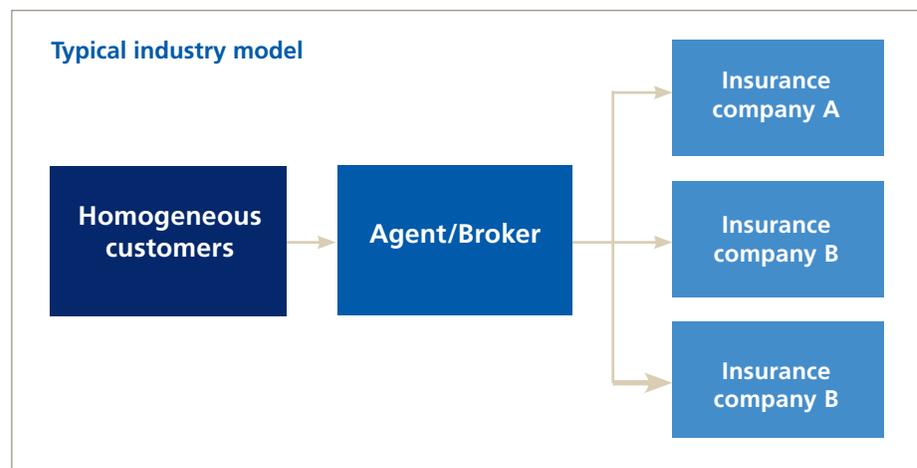
- E&S Property
- Lawyers Professional Liability
- Builders Risk
- Public Auto
- Short Haul Trucking
- Tattoo Studios
- Temporary Staffing Workers' Comp
- And many more

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Want to see Zurich's list of programs? Visit ZProgramsMatch.com

After the book of business is identified, a program is formed. The carrier maintains the roles of co-manager, referral underwriter, and auditor, while the program administrator carries out primary transactional operations such as quoting and rating. The collaboration between a carrier and a program administrator is beneficial for both parties and for insurance agents because:

- Carriers can reach diverse niche markets by outsourcing operations to experts in a business field
- Program administrators benefit from the carrier's guidance, referrals, and established reputation
- Agents can easily access coverage for their hard-to-place clients



In the **Typical industry model**, customers with unique risks request the services of an agent/broker who chooses the best policy between competing carriers. Conversely, in the **Programs' model**, customers with homogeneous risks request the services of an agent/broker who refers to a carrier-backed program administrator for a satisfactory insurance program. It is important to note, however, that a program administrator is not a wholesaler. Alternately, they will provide their services through a wholesaler, a retailer, some combination of these, or even direct.

Program Administrators: The missing link

Carriers do not have underwriting expertise in every field. Furthermore, carriers cannot be continuously staffed to write new programs. Program administrators offer a valuable solution to these problems. Program administrators possess:

- Underwriting, loss control, and claims expertise
- Knowledge from a vast distribution base
- Ability to rate, quote, bind, and service policies

The more developed a program administrator's business is, the more inclined a carrier will be to write books of business with them. Program administrators with in-house loss control services, premium audit departments, claims administration capabilities, or actuarial systems present very attractive business opportunities as well as a competitive advantage to capitalize on their niche expertise. This description undoubtedly makes a program administrator seem like an MGA, or, managing general agent, but the subtle difference between the two is that an MGA usually does not possess the authority or underwriting capability of a program administrator.

How are programs different from standard commercial lines?

	Standard commercial lines model	Programs' model
Portfolio/book management oversight	Insurance carrier	Insurance carrier
Transactional (rate, quote, issue, underwrite, market, risk engineer*, adjust claims*)	Insurance carrier	Program Administrator

Programs' value for retail agents and customers

The relationship between a program administrator and an insurance carrier creates value for customers by bringing industry knowledge to light in an accessible way. Some added values are:

- Greater underwriting expertise for homogeneous groups
- More expansive loss control and claims expertise
- In-depth industry knowledge
- Innovation and technology geared towards serving you and your customers better
- Adaptability to carry out some individual risk underwriting

The advantages don't stop there, however. Accessing a program administrator directly allows agents to enjoy the full commission available from the PA rather than the portion that they would receive by using a wholesaler. Furthermore, agents who specialize in a specific class can use their relationship with a program administrator to find additional clients and grow their business.

Zurich's program opportunities

Do you have a unique risk that might fit into one of Zurich's programs? Register at ZProgramsMatch.com to access more than 50+ specialty P&C commercial insurance programs. Once registered, you can search all available programs and submit a request for more information or submission applications from Zurich program administrators. Program categories Zurich offers include:

- Transportation
- Professional liability
- Specialty
- Construction
- Workers' Compensation
- Real estate
- And many more

View all of the available programs within each of these categories at

www.ZProgramsMatch.com

For more information on Zurich Programs, visit

www.zurichna.com/programs

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1400 American Lane, Schaumburg, Illinois 60196-1056
800 982 5964 www.zurichna.com

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