

TARGET MARKETS

Program Administrators Association



PROFESSIONAL BUSINESS

The TMPAA State of Program Business 2014



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Presented by:



Agenda

About the Program Business Study

- Background
- Purpose

Key Findings

- Overall
- About Program Administrators
- About Carriers

Panel Discussion

- Carrier Program Business Strategy
- Social Media in the Program World
- Underwriter Employment, Recruitment and Compensation

About the Program Business Study

- **TMPAA launched the study in 2011 to gain key insights into:**
 - The size and scale of the program business market
 - Program Administrator (PA) sentiment and outlook toward the market
 - PA and Carrier alignment on key issues such as Recruitment, Training, Compensation and Marketing, including Social Media
 - Create a base line for watching and analyzing trends in our industry

The 2013 study has 181 Program Administrator's and 45 carrier's participate.

About the Program Business Study

- The study was administered by Advisen Ltd., a global provider of information and analytical tools for risk managers and the commercial insurance industry.
- The funding for the study was generously provided by our sponsors:



Thank you to Advisen and our sponsors for supporting this study!

Key Findings

We're HUGE!

- In 2013 the Program Business market was \$30.1 Billion in premium.
- Approximately 10% of the overall commercial insurance market



Key Findings

We're Growing!

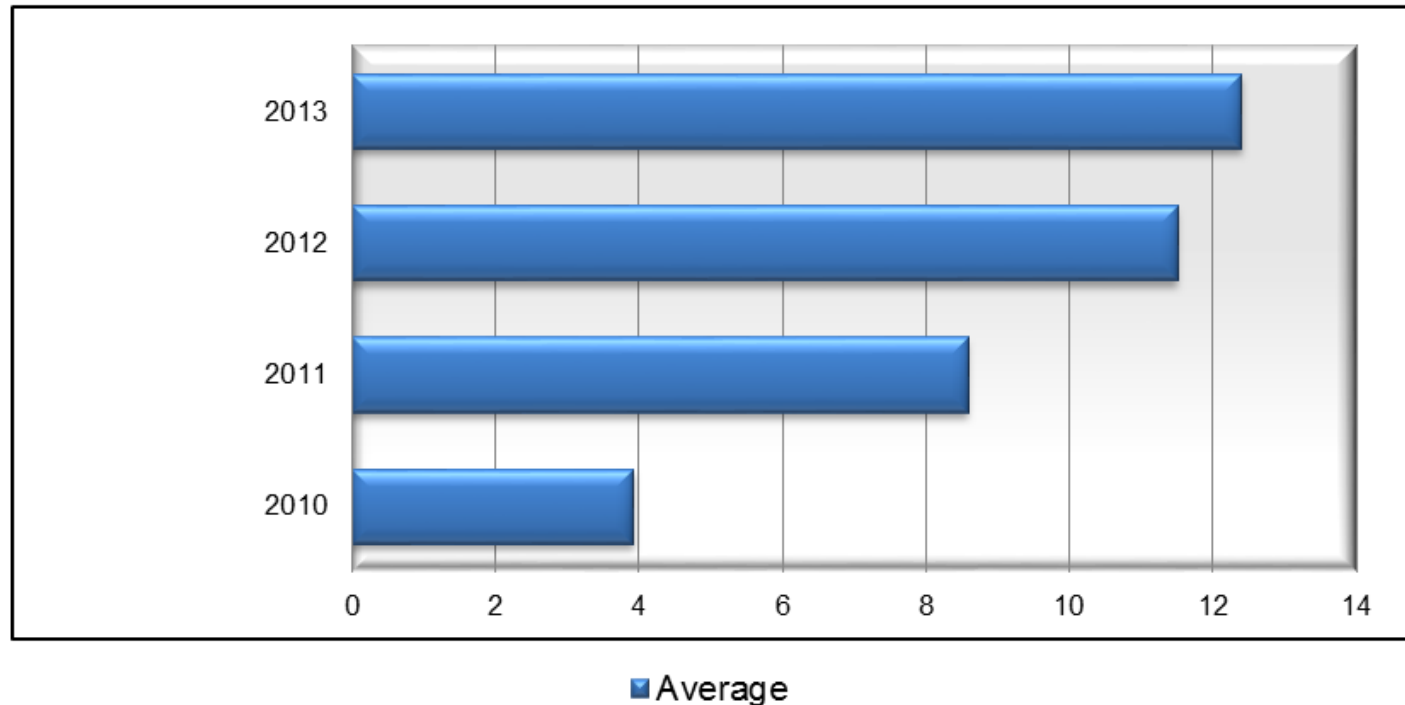


- PB market grew almost 11% since 2011
- PB growth outpaced non-PB commercial lines which increased by only 3.3% since 2011.
- # of Programs up 3.5% since 2011 with approx 2,140 programs and 1,000 Program Administrators.

Key Findings: But growth is slowing

While we are growing, the rate of growth is slowing down.

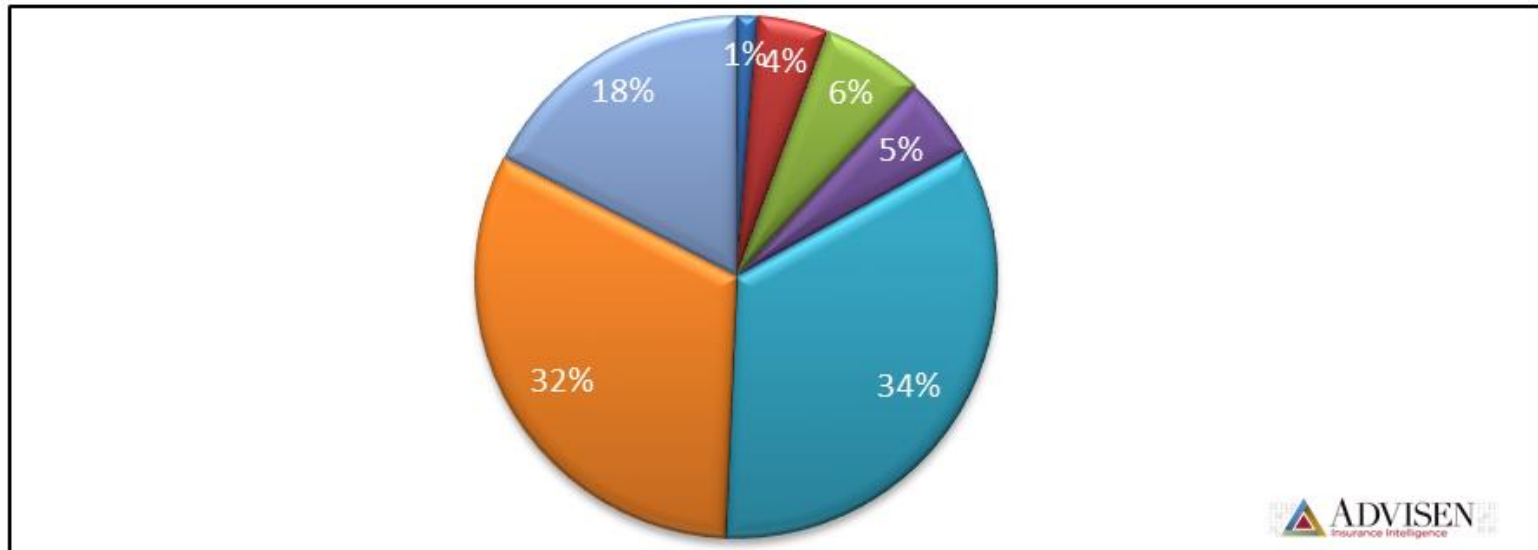
Average Percentage Change in Premiums Administered
(2010 to 2013)



Key Findings: We're getting Rate

82% of PA's reported premium increases, up from 52% in 2010. With 17% reporting increases of 25% or better

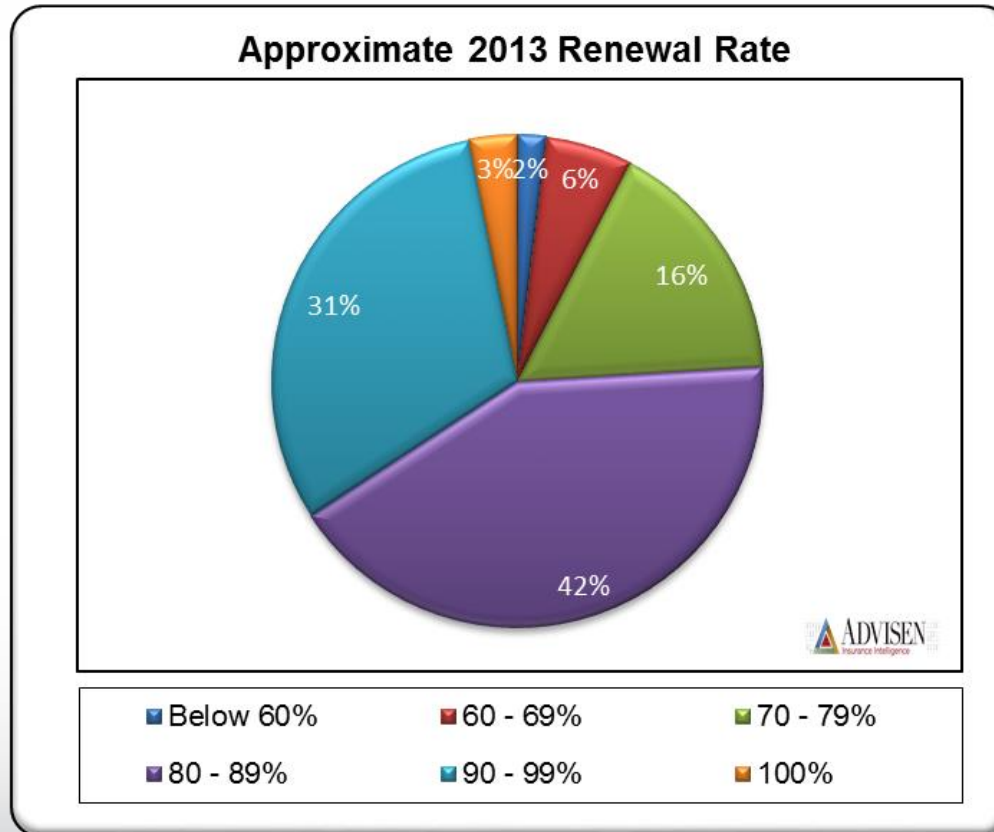
Percentage Change in Premiums Administered in 2013



- Down more than 25%
- Down 10% to 25%
- Down 1% to 10%
- Unchanged
- Up 1% to 10%
- Up 10% to 25%
- Up more than 25%

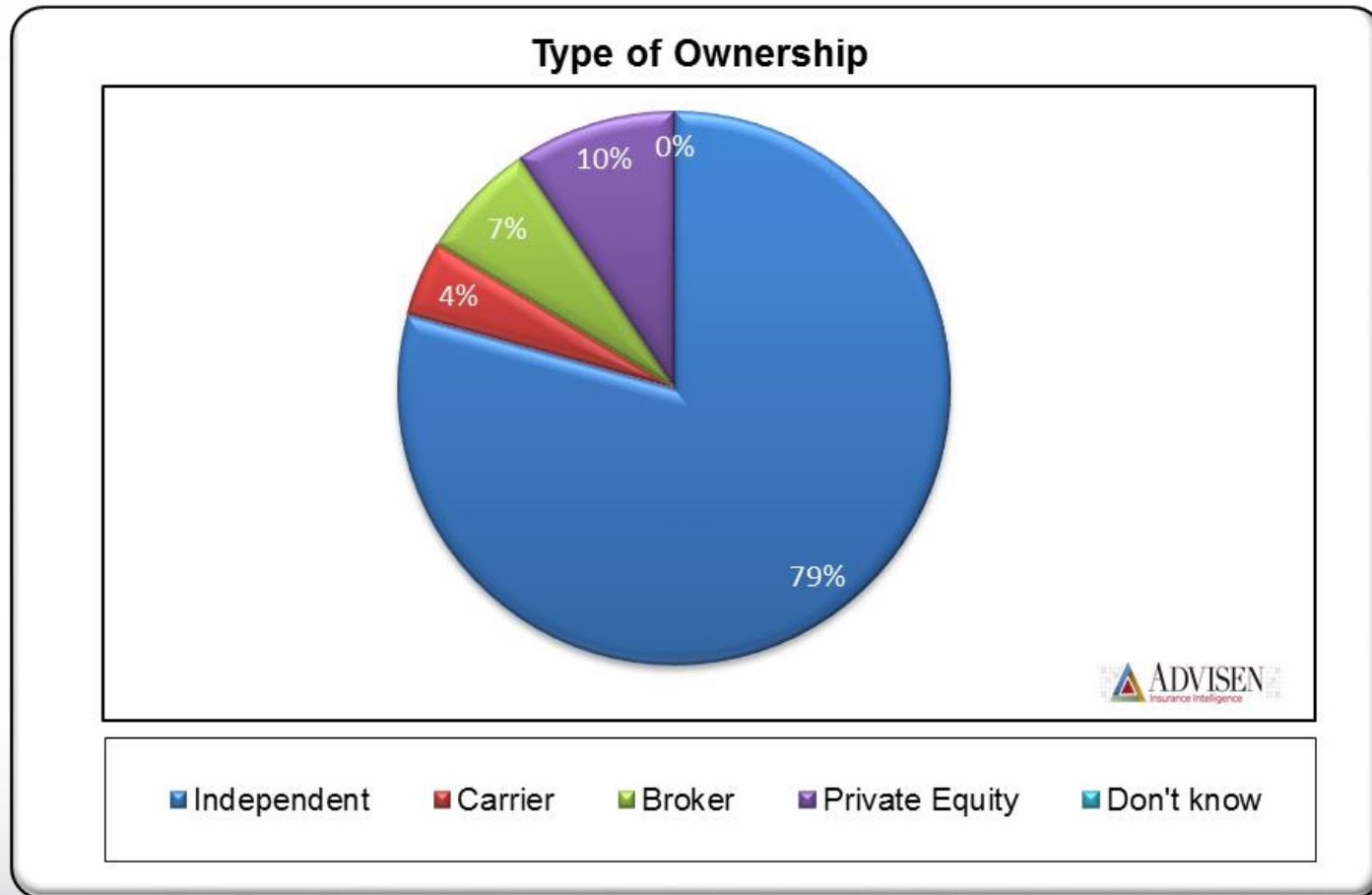
Key Findings: We're holding onto renewals

75% of the PA's report renewal retention between 80 – 100%, with the average being 85%



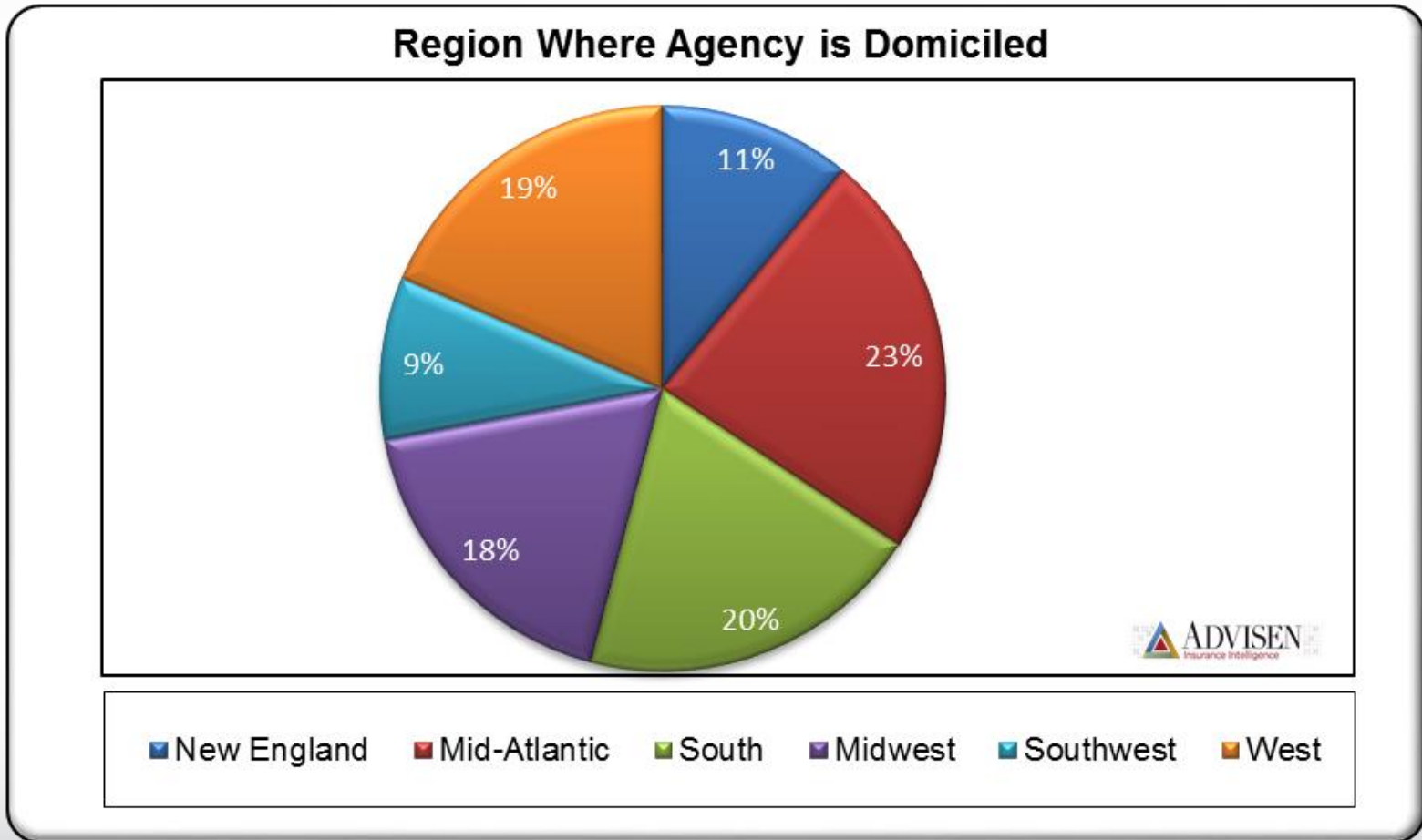
Key Findings: About the Administrators

We're independent! - 79% are independent, 10% PE



Key Findings: About the Administrators

We're Diverse!



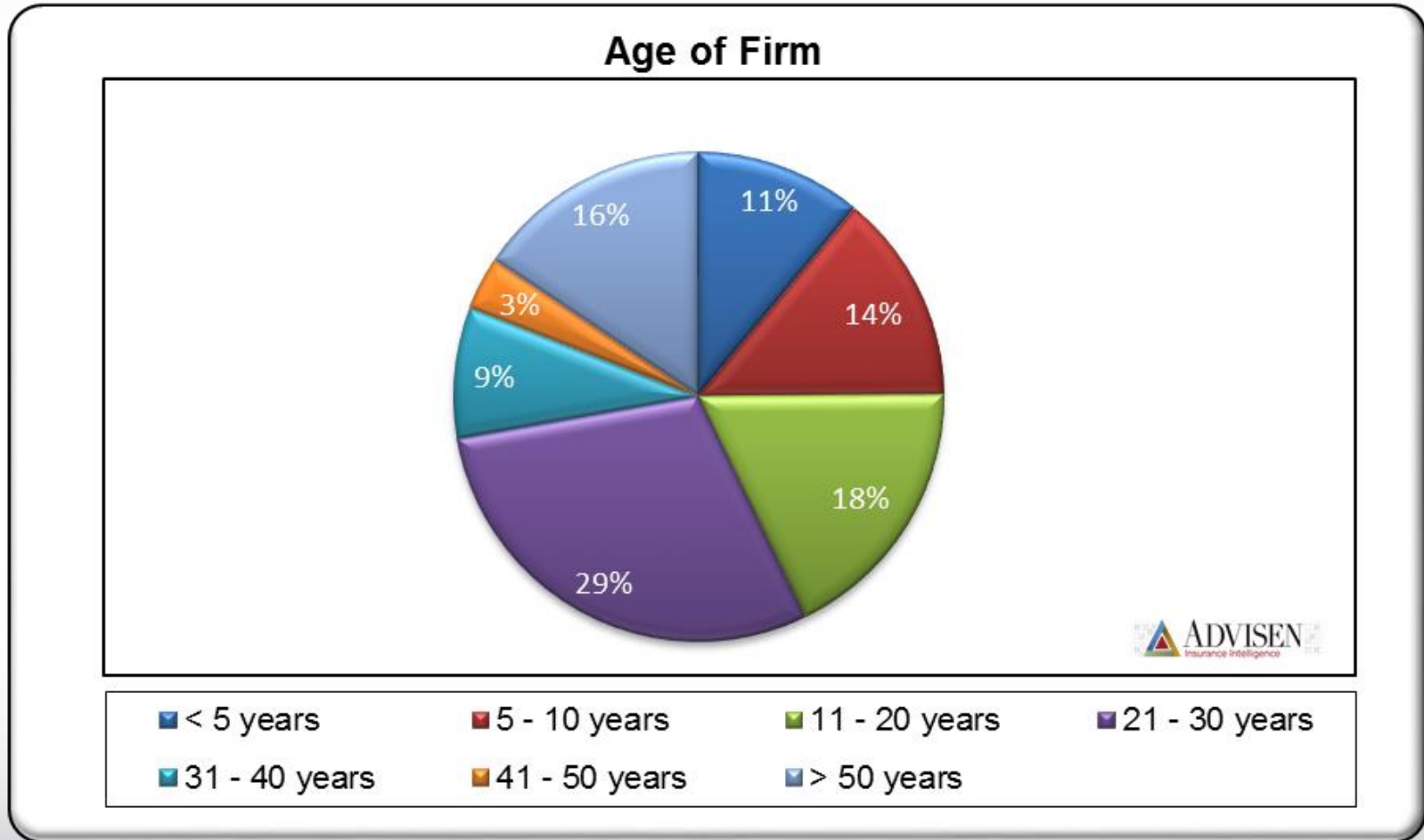
Key Findings: About the Administrators

We're Old!, errr...Experienced!



Key Findings: About the Administrators

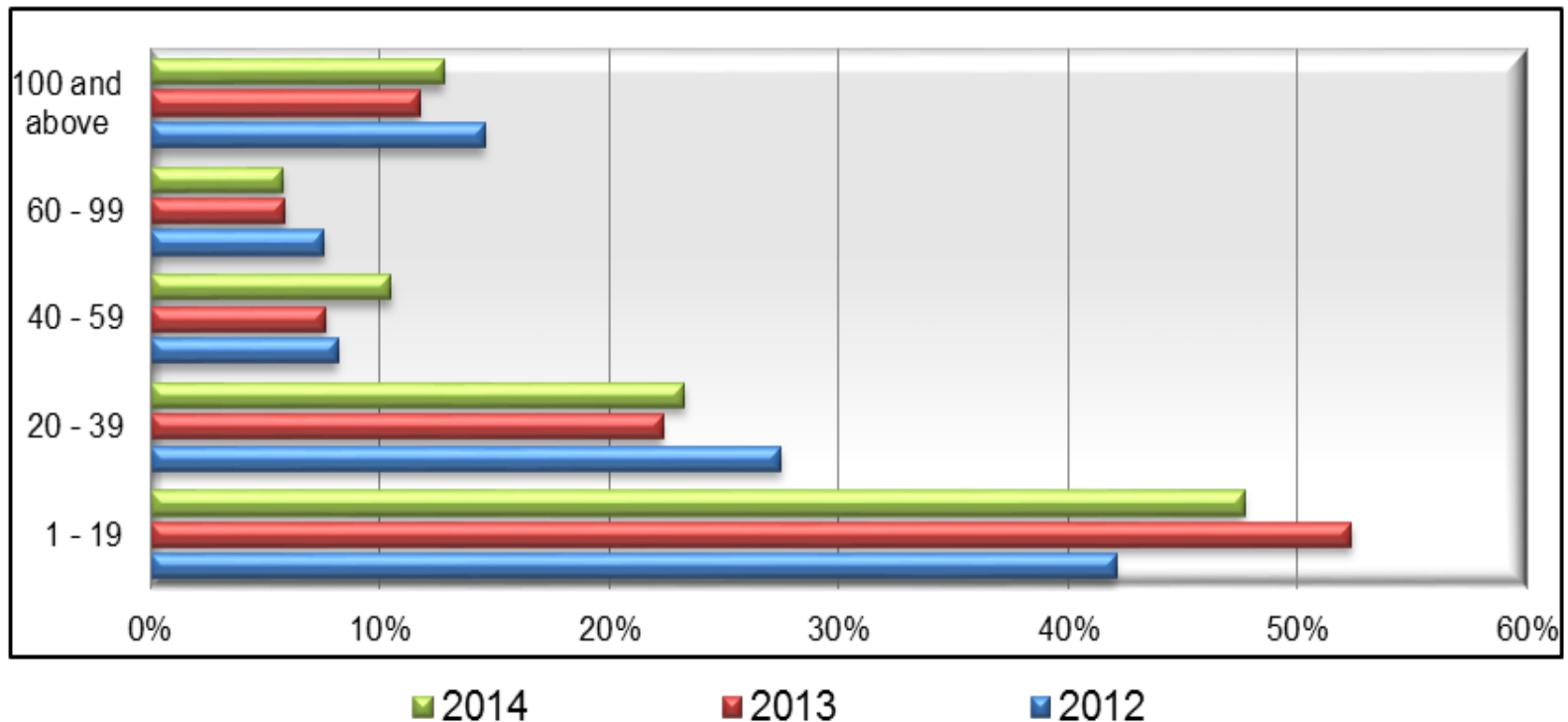
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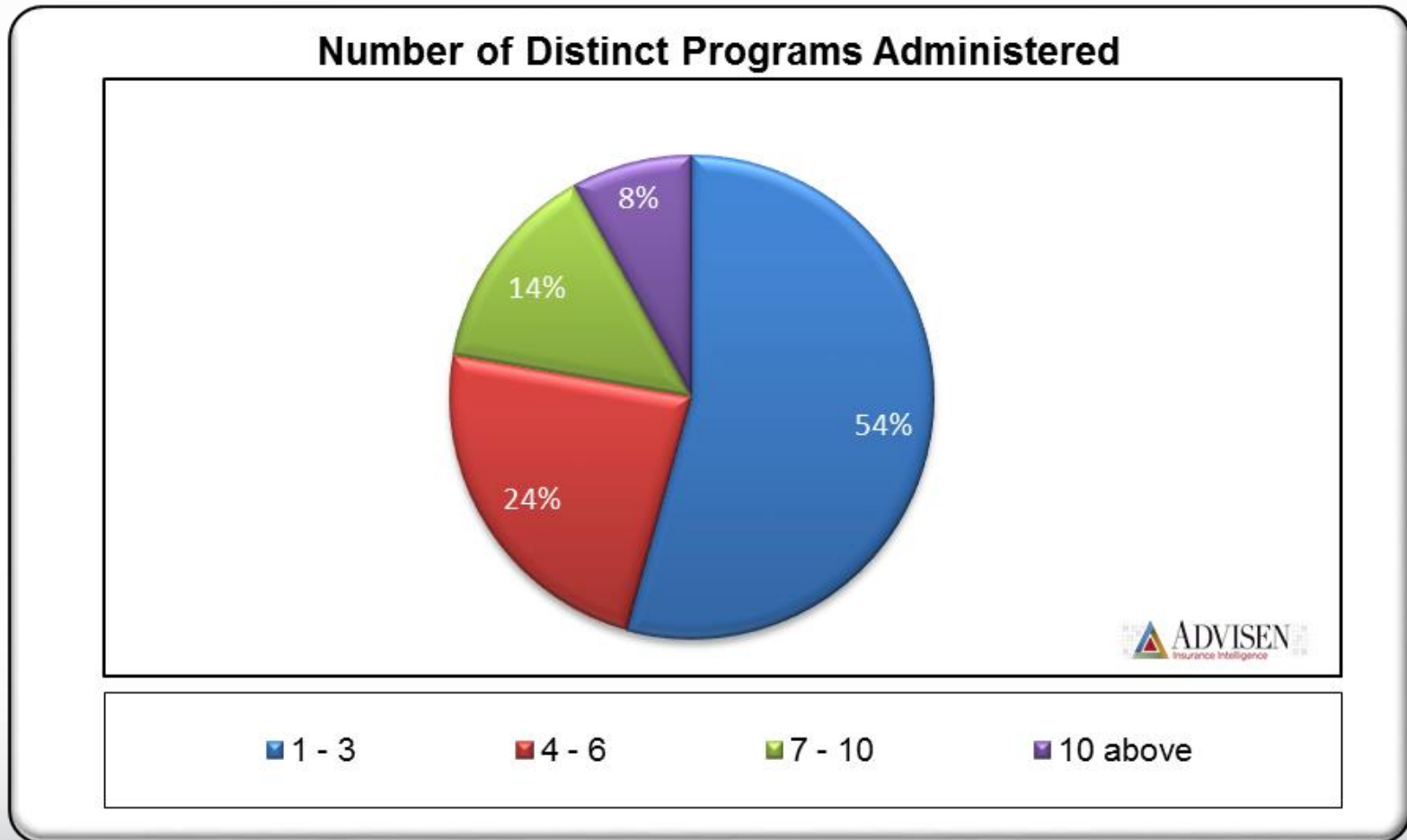
We're Small! –ish.

Distribution of Administrator Employee Counts



Key Findings: About the Administrators

We're Focused!



Key Findings: About the Administrators

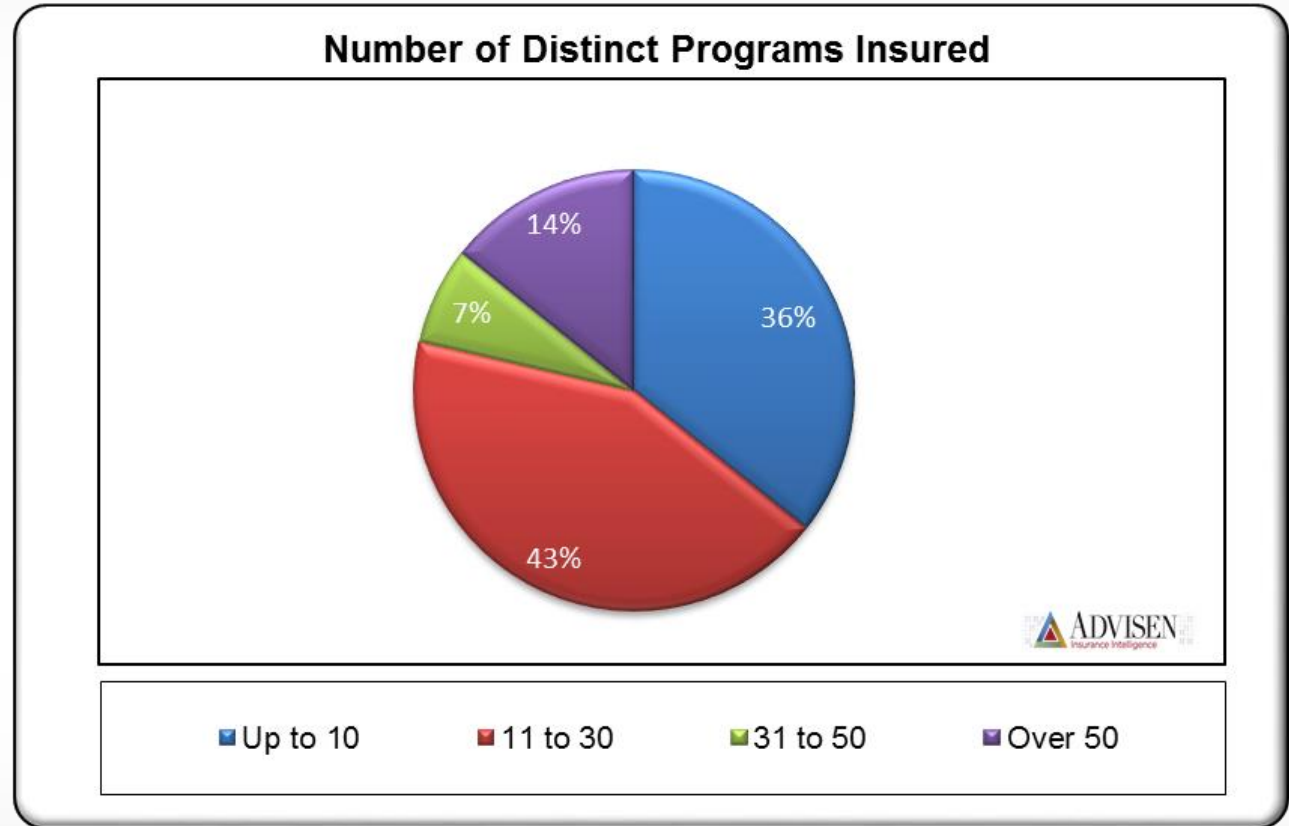
We're FOR SALE!

- 14% of PA's reported being sold in the past three years, up from 7%.
- The # of PA's looking to sell sometime soon increased from 10% to 16%
- Interestingly – The # of PA's looking to acquire fell from 53% to 43%
- Not interestingly – The larger firms exhibited a greater tendency to acquire and the smaller, a great propensity to sell.



Key Findings: About the Carriers

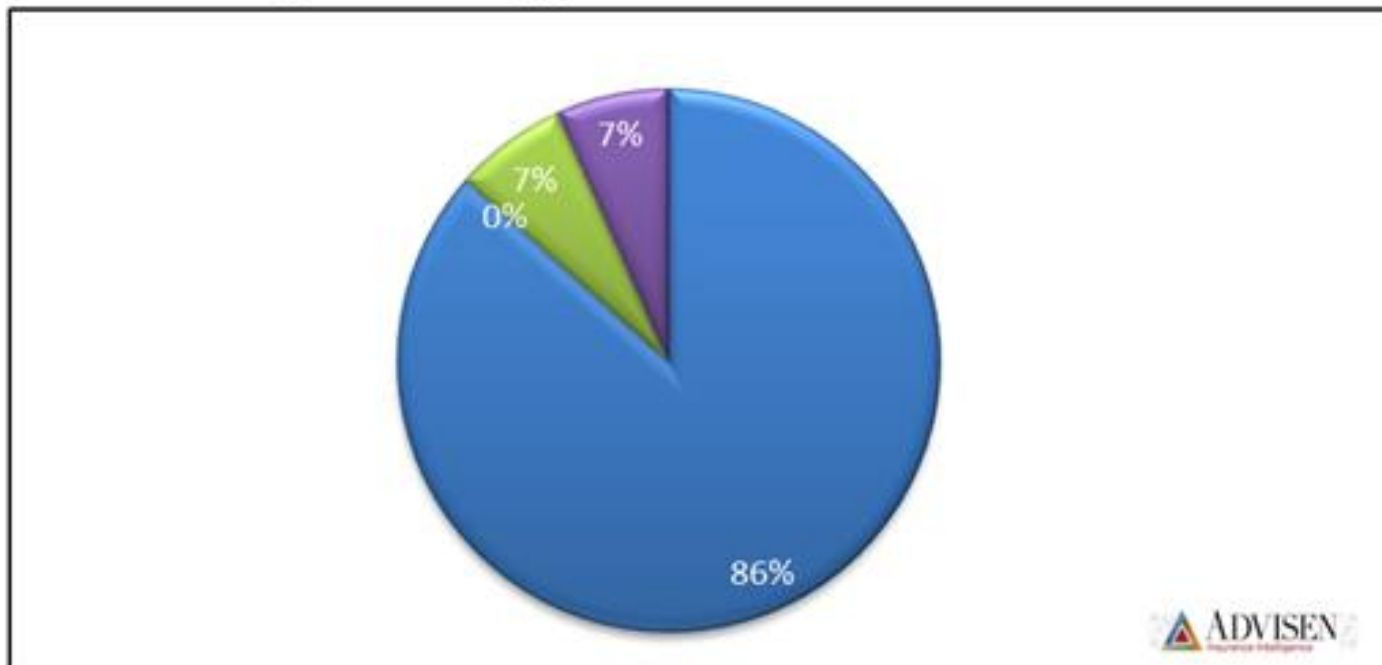
- Nearly half of the carriers insure 11 – 30 distinct programs
- 36% insure up to 10 distinct programs
- 14% insure more than 50 distinct programs
- 7% insure 31-50 distinct programs



Key Findings: About the Carriers

- 86% plan on growing in the program business space over the next three years

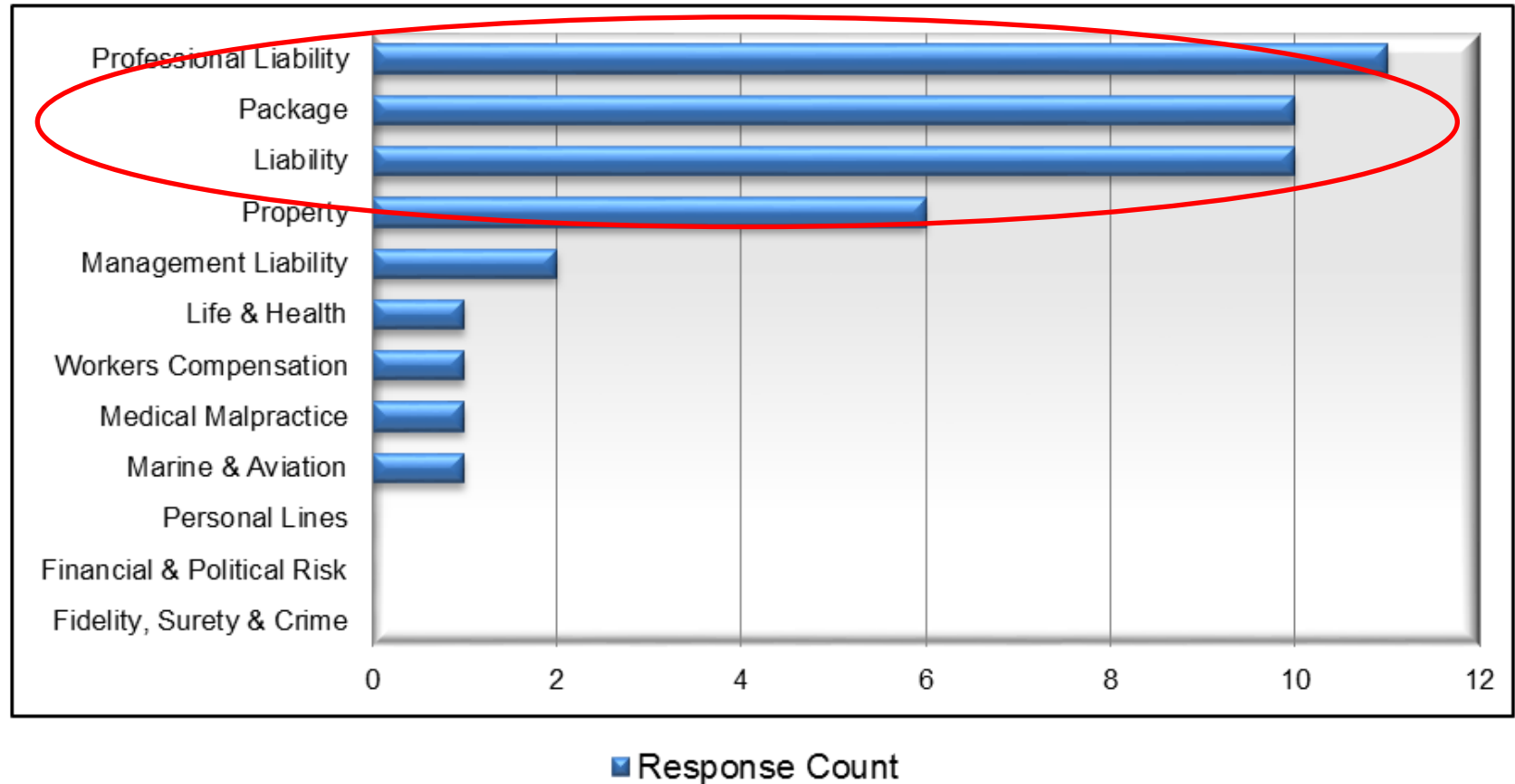
Program Strategy Over the Next Three Years



■ Expand ■ Contract ■ Stay about the same ■ Don't Know

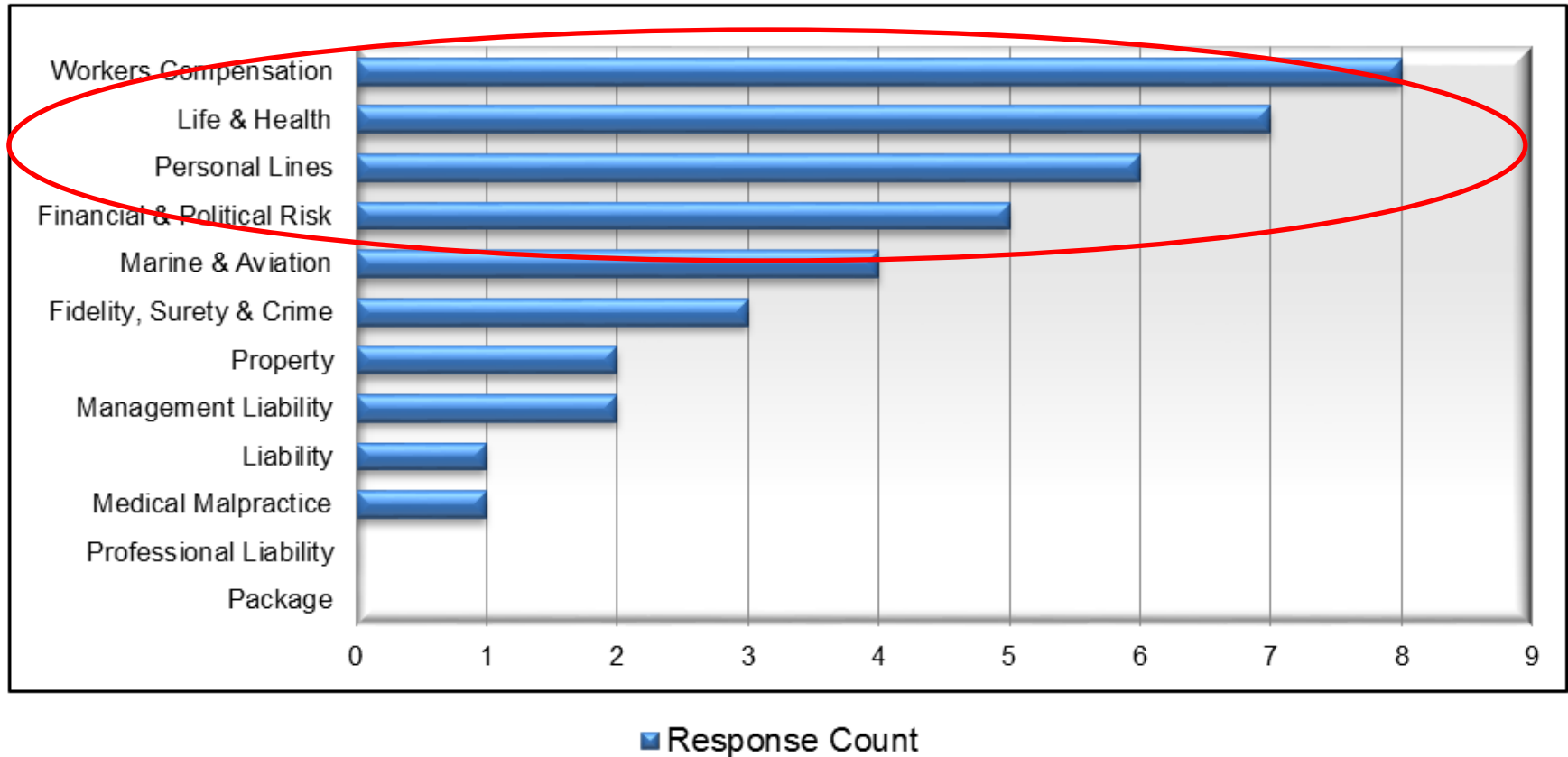
Key Findings: About the Carriers

Lines of Business Which are Best Fits for Programs



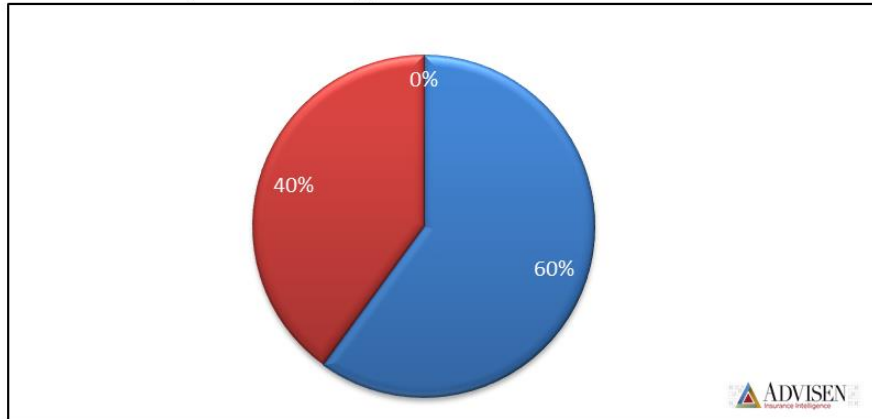
Key Findings: About the Carriers

Lines of Business Which are Worst Fits for Programs



Key Findings: About the Carriers

Tendency to Take Programs Net or Use Reinsurance

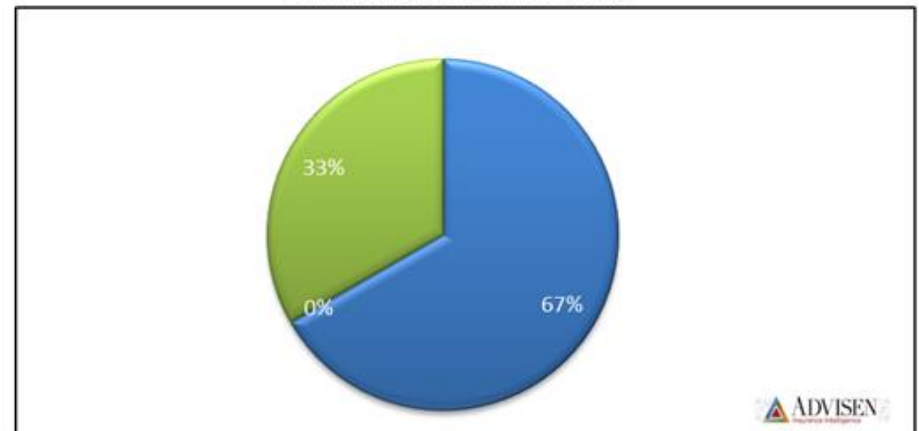


■ Net ■ Reinsurance ■ Don't Know

60% are take a net position on risk

Of those that buy reinsurance, 67% purchase program specific cover

Structure of Reinsurance



■ By the program ■ Across all programs ■ Part of corporate program

Introducing our Panel

Marc Willner
EVP, Ironshore
Programs

Grace Meek
SVP, Allied World

Dan Moore
VP, Chief Marketing
Officer The
Redwoods Group

Jim Blinn
EVP, Advisen

Michael Sillat
Pres./CEO WKFC



Chris Pesce –Supreme
Moderator
Pres. Maritime Program
Group

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Jim Blinn

Executive Vice President
Advisen Ltd.



Mark Willner

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Ironshore Programs

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Grace Meek
Senior Vice President
Allied World



Dan Moore
Vice President and
Chief Marketing Officer
The Redwoods Group

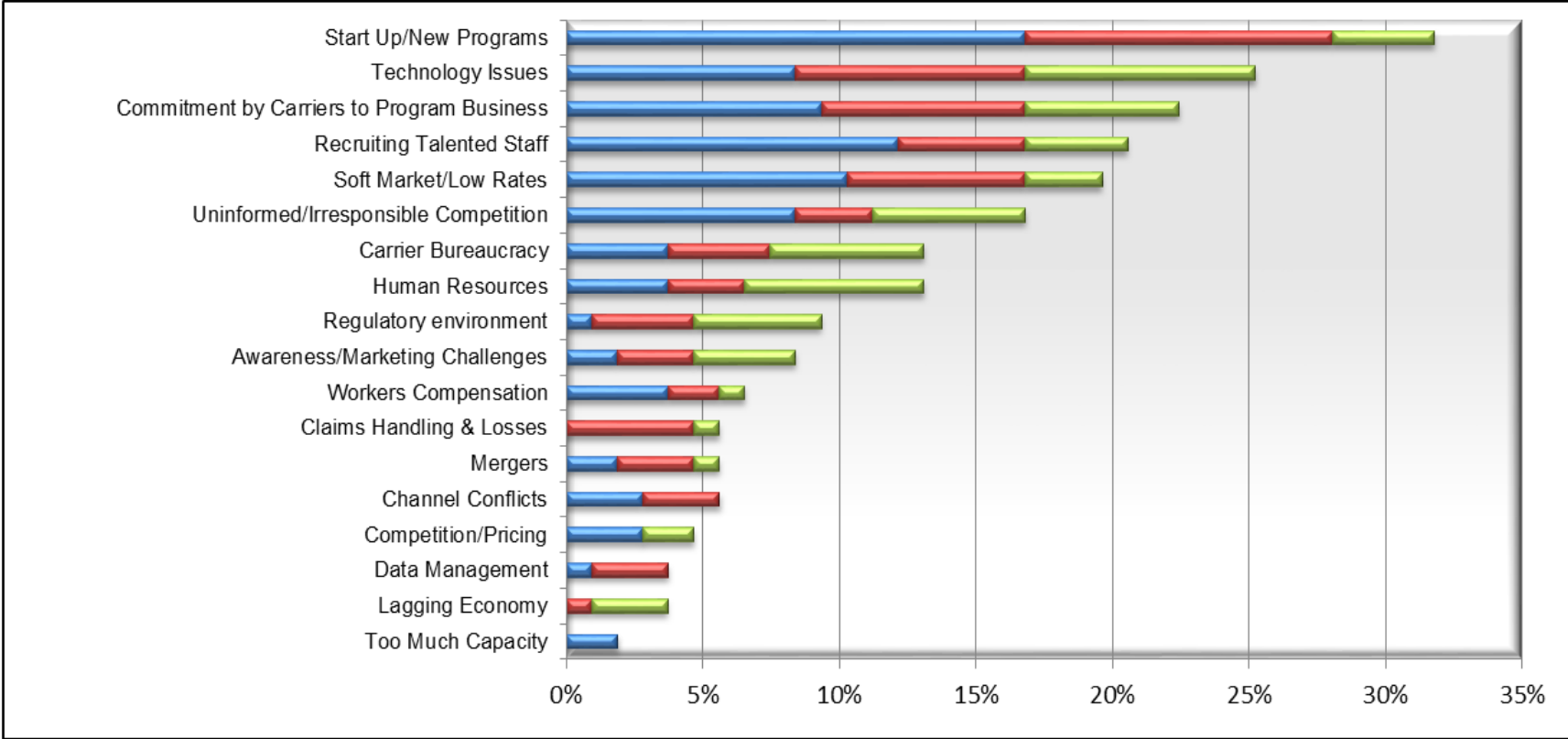


Michael Sillat
President and CEO
WKFC Underwriting
Managers/Ryan Specialty

Panel Discussion: Carrier Program Business Strategy

- # 1 Issue PA's face is lack of carriers for a start-up program
- #2 is technology

Administrators' View: Issues and Challenges Faced by the Program Business

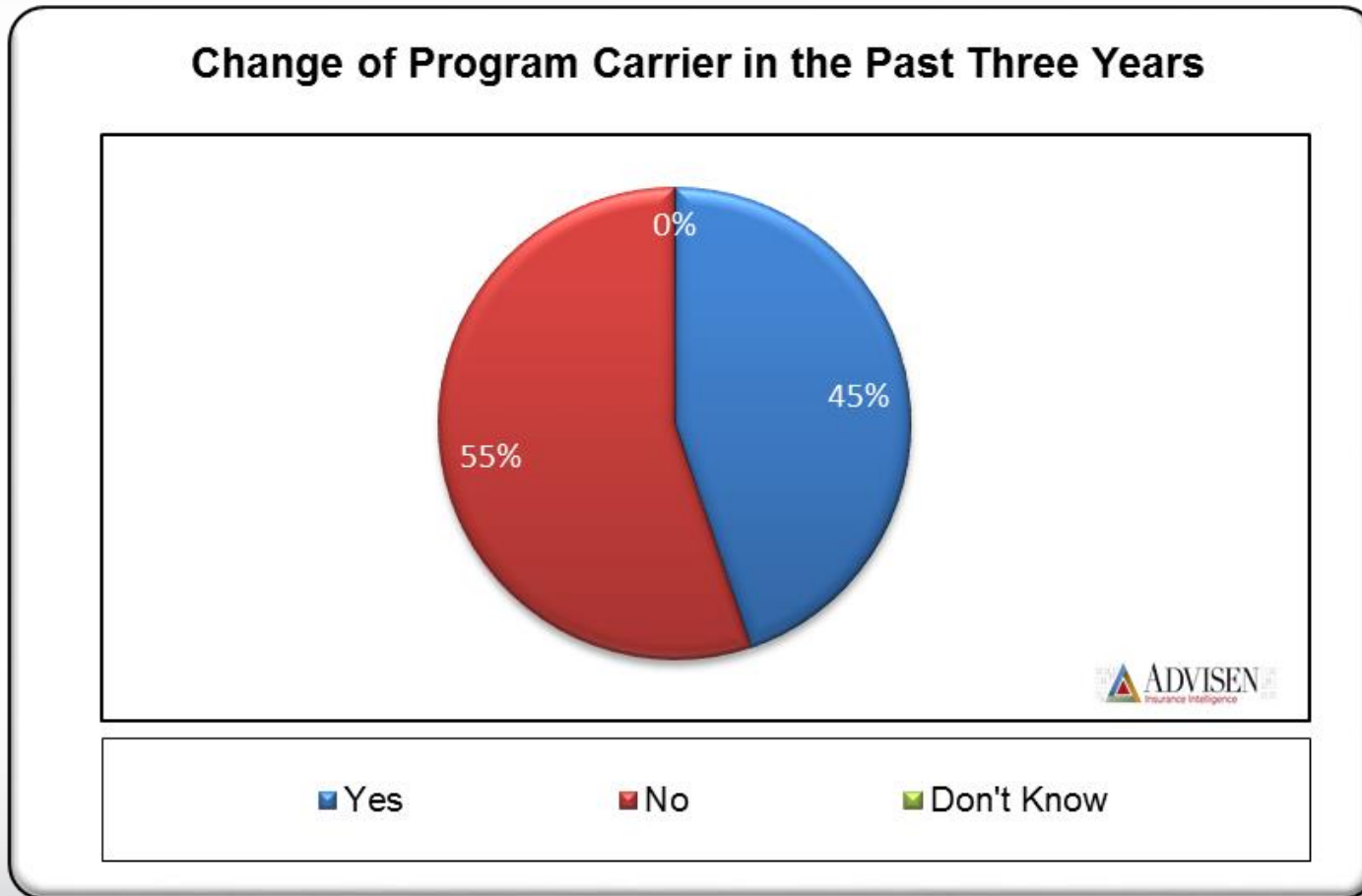


■ First ■ Second ■ Third



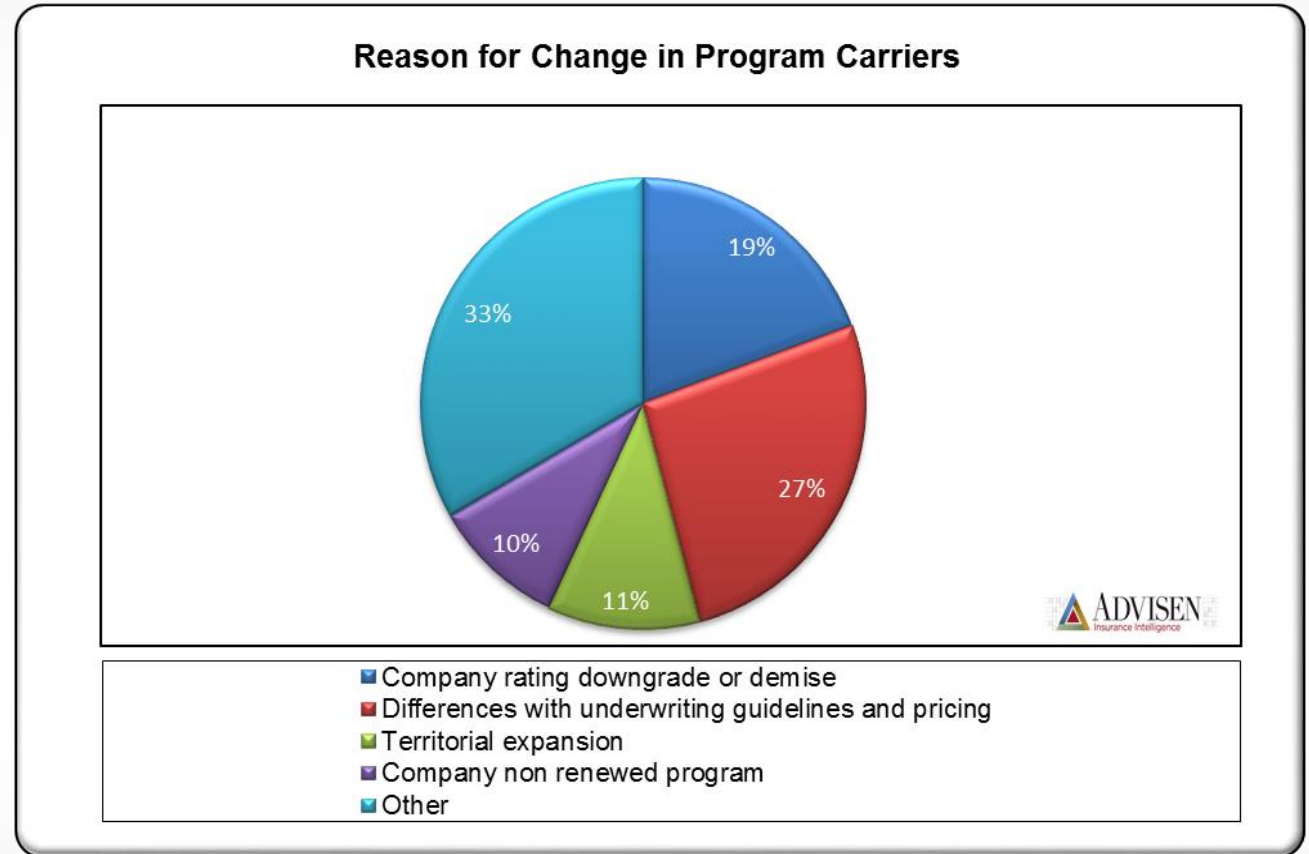
Panel Discussion: Carrier Program Business Strategy

- 45% of PA's surveyed reported changing a carrier in the past three years



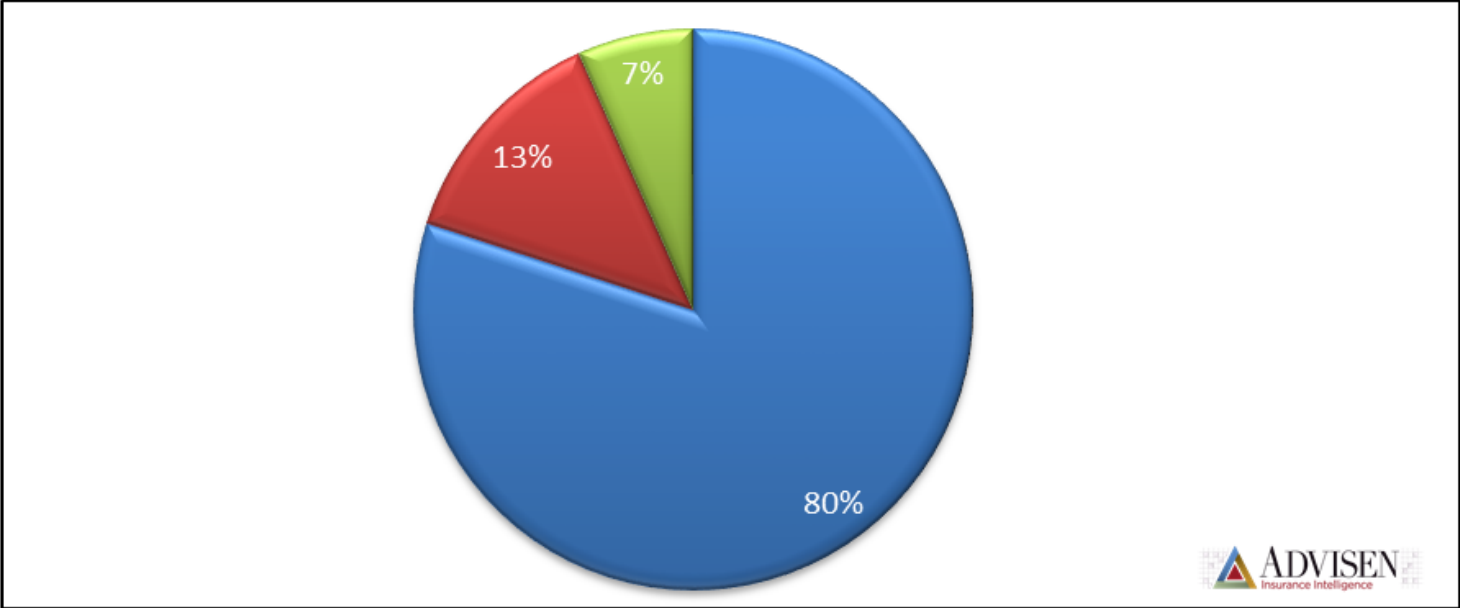
Panel Discussion: Carrier Program Business Strategy

- 27% changed carriers due to differences in philosophy with respect to guidelines and pricing.
- 33% responded “Other”, company sold, additional carriers, change of leadership, capacity, etc.



Panel Discussion: Carrier Program Business Strategy

Opinion on Whether Program Administrators Apply More Sophisticated (Effective) Techniques for Risk Selection, Pricing and Data Collection Now Than Five Years Ago



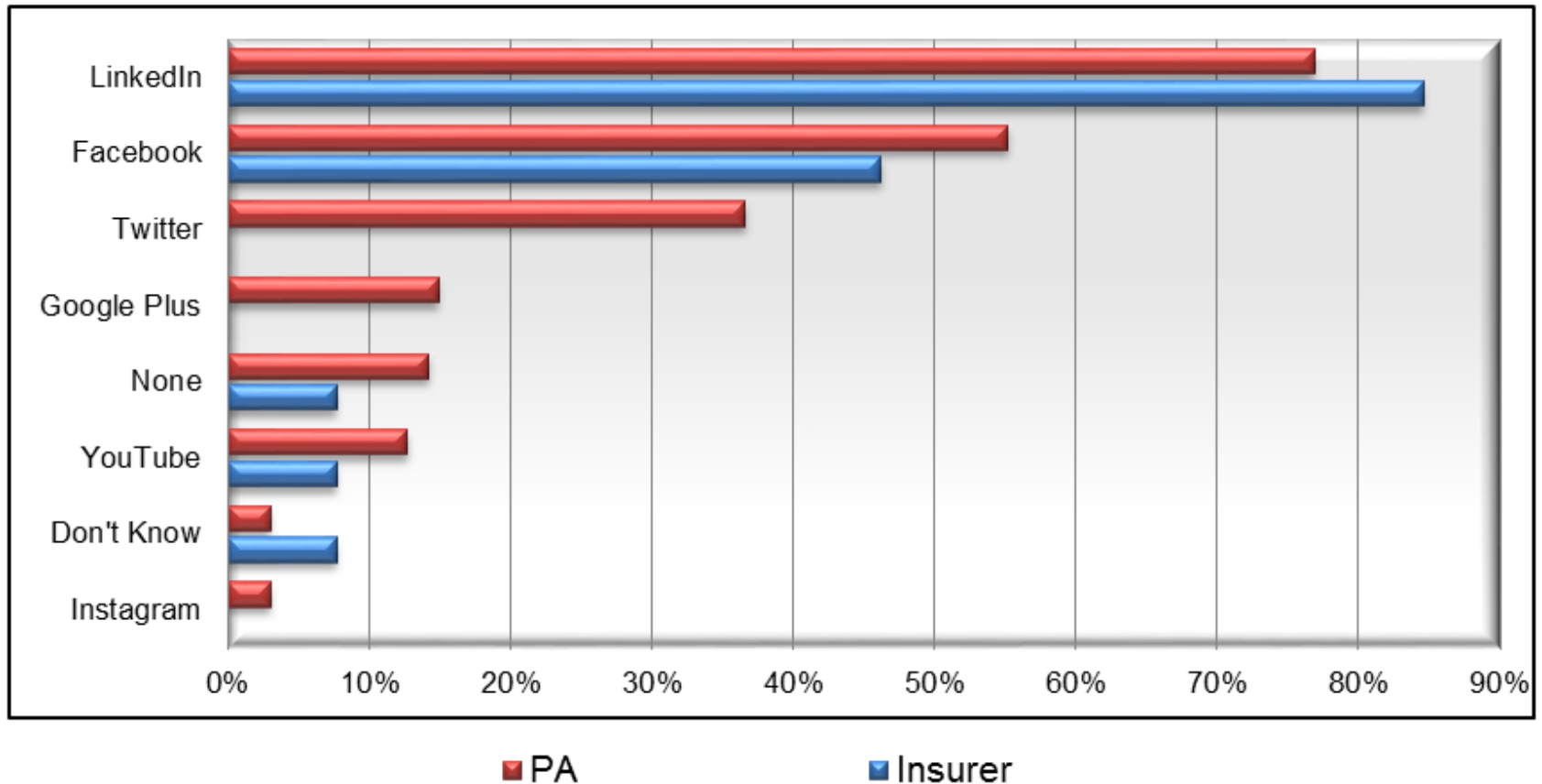
■ Yes

■ No

■ Don't Know

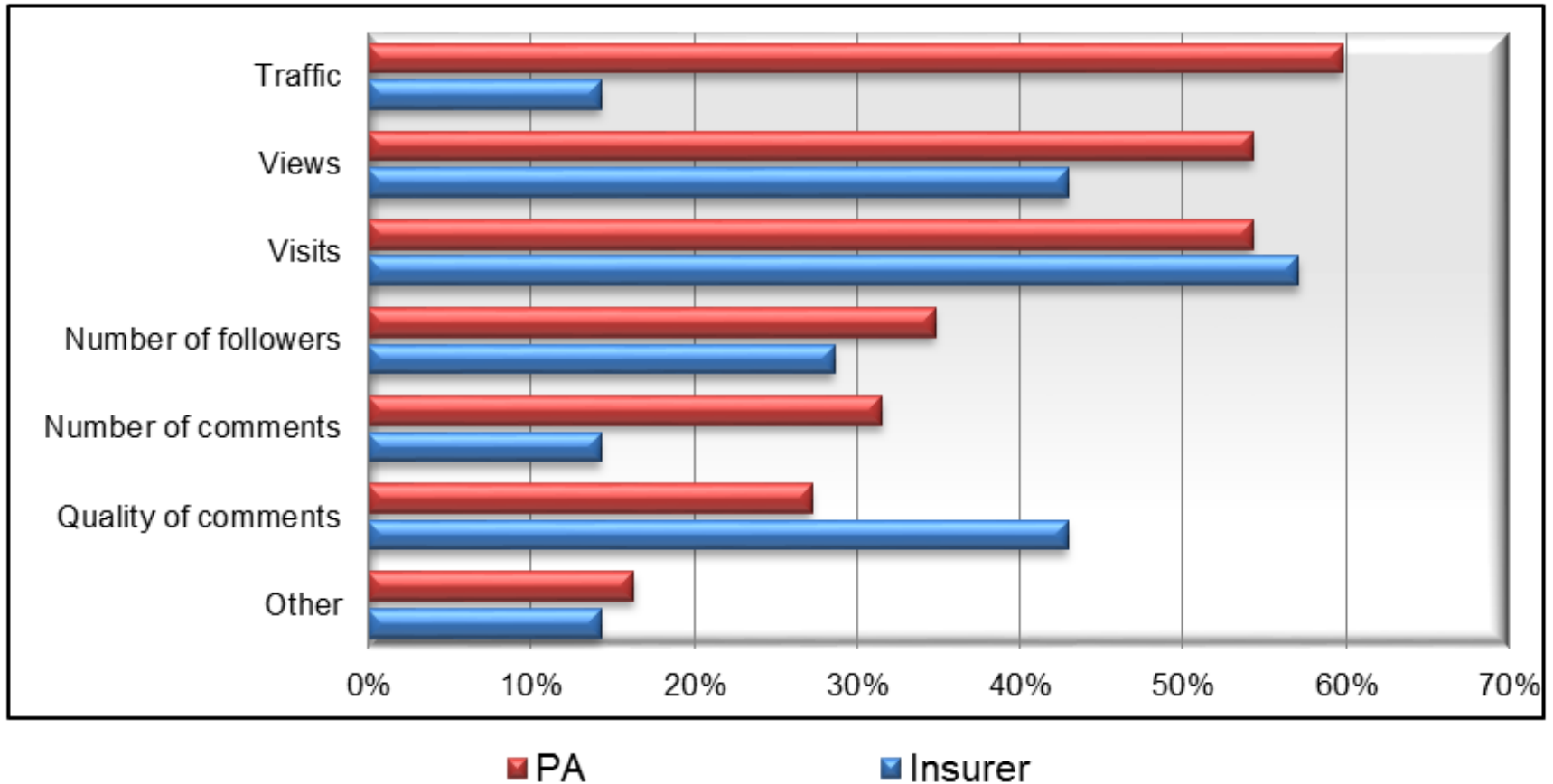
Panel Discussion: Social Media

Comparative Analysis of Social Media Channels Utilized



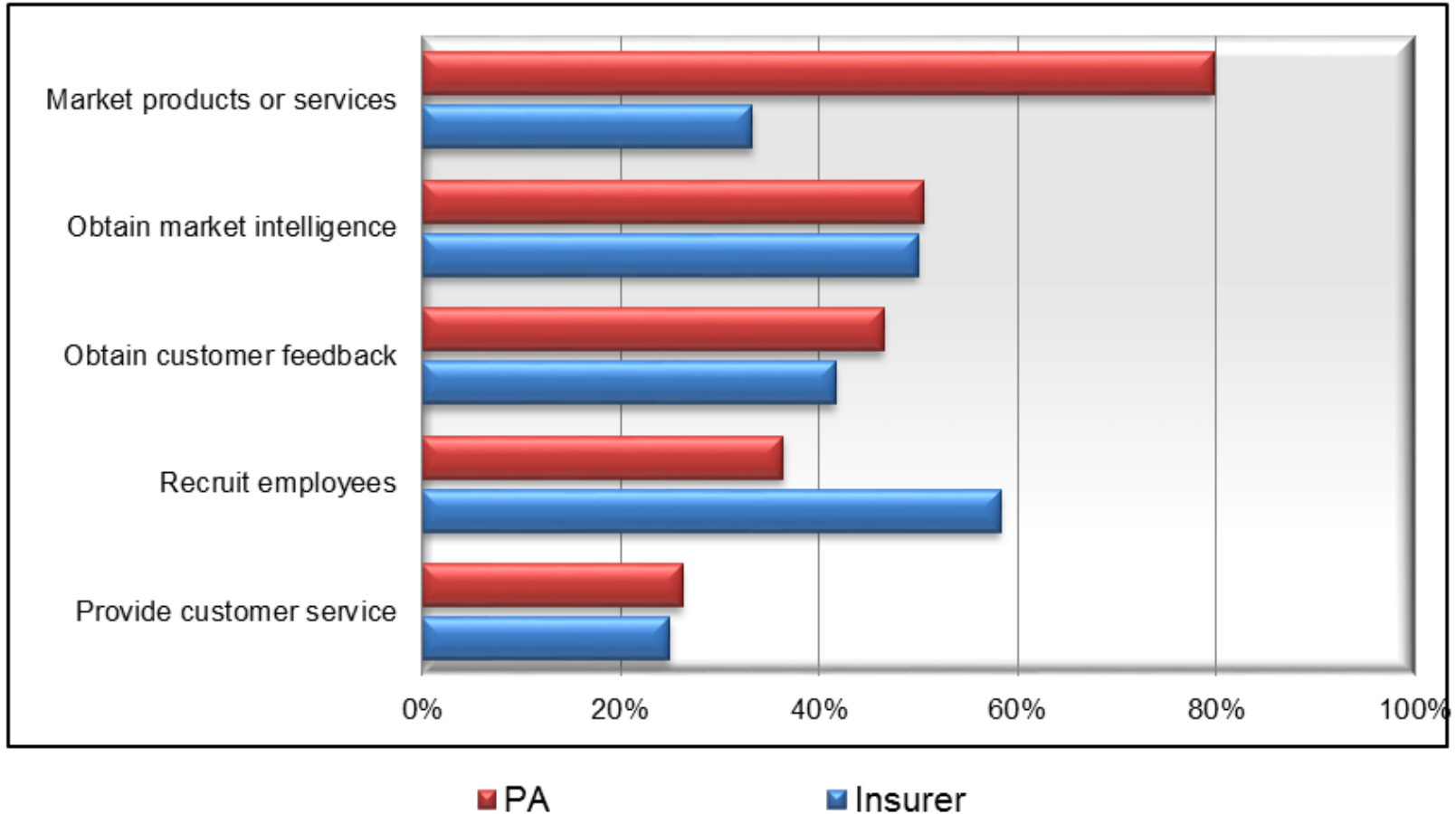
Panel Discussion: Social Media

Measurement of Social Media Value



Panel Discussion: Social Media

Comparative Analysis of Social Media Use



Panel Discussion: Employment/Recruiting/Compensation

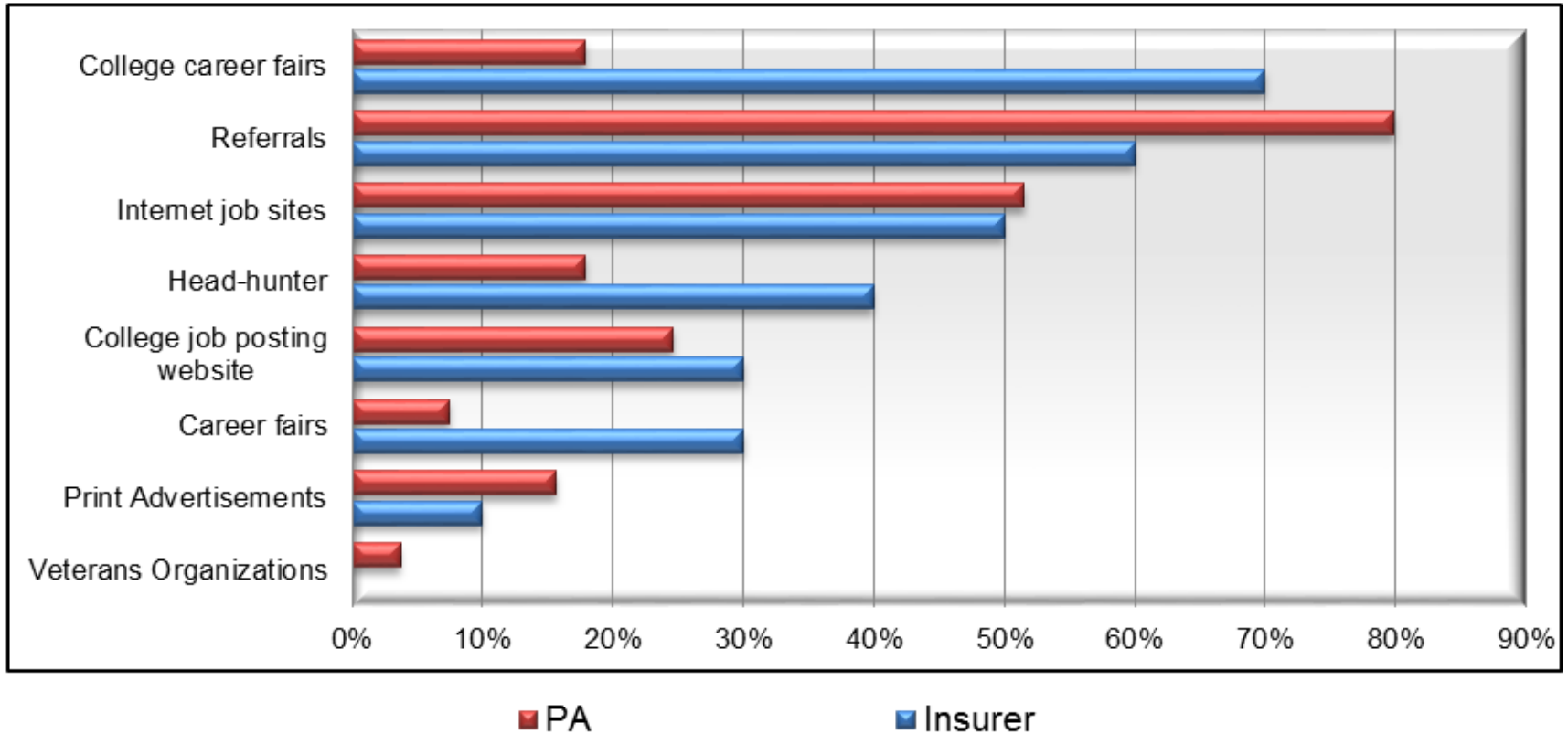
“With retirements, the industry will need to fill 400,000 positions by 2020. Despite this deficit, and the employment opportunities, among the future job pool—high school students—over 40 percent say they are not interested in pursuing insurance as a career” - Peter Miller, President and CEO of The Institutes

Do we have a reputational issue?



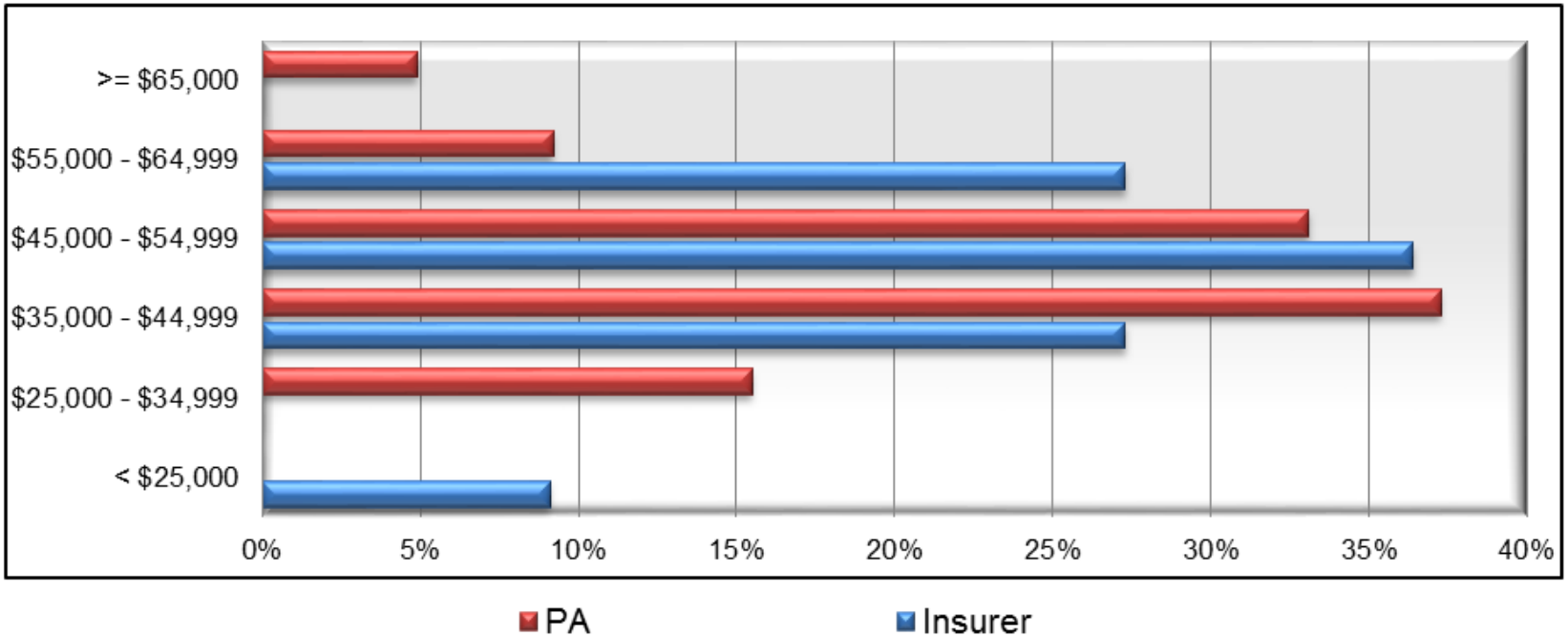
Panel Discussion: Employment/Recruiting/Compensation

Mode of Recruitment for Starting Underwriters



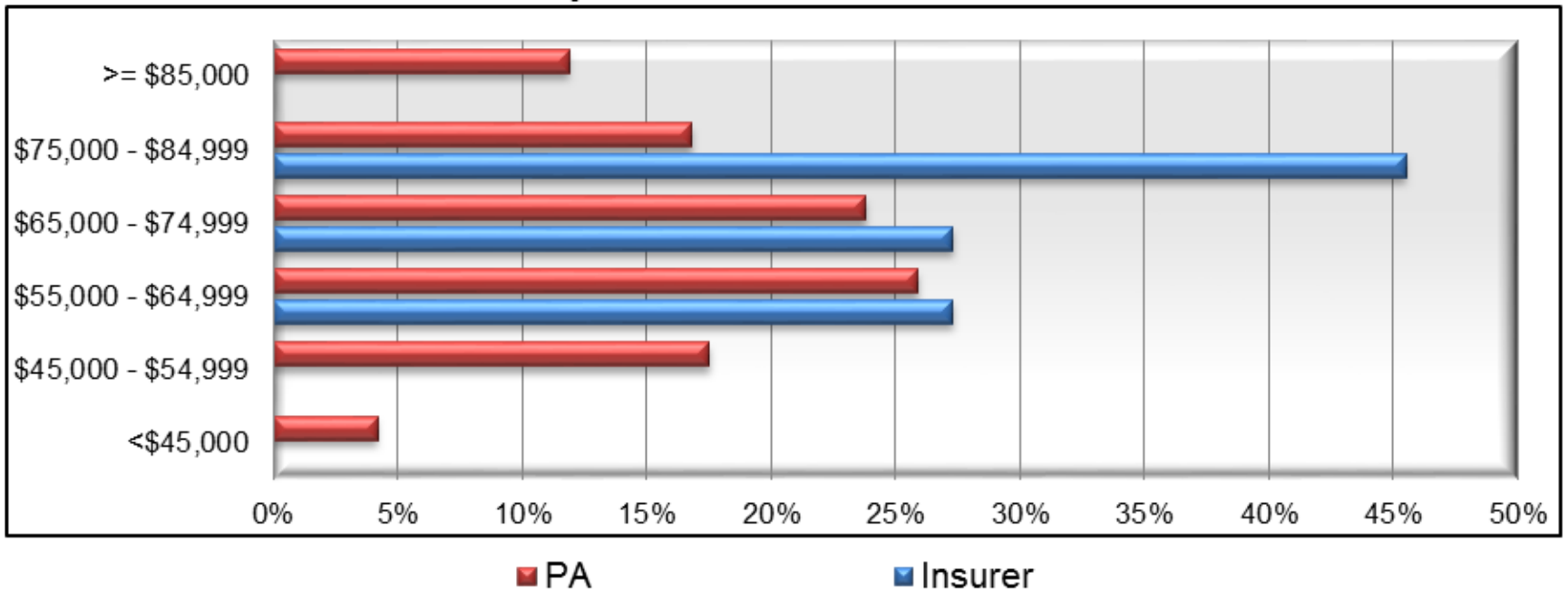
Panel Discussion: Employment/Recruiting/Compensation

Comparative Analysis of Compensation for Starting Underwriters



Panel Discussion: Employment/Recruiting/Compensation

Comparative Analysis of Compensation for Experienced Underwriters



Questions?

