AmWINS Group, Inc.

STATE OF THE PROGRAM BUSINESS MARKET

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ON YOUR TEAM.

Partnerships with program administrators are essential for retailers looking to tap into the fast-growing program business market.

Program business is one of the fastest growing sectors of the insurance marketplace. According to a recent study from the Target Markets Program Administrators Association (TMPAA), from 2016-2018, the industry saw a 12% increase in premium administered, with 2018 ending at $40.5 billion in written premium. During that timeframe, 25% of program administrators (PAs) recorded at least 20% growth in premium.*

For retailers looking to capitalize on this growth, success requires combining a wide range of knowledge about various classes of business with a high level of specialization, which program administrators are uniquely positioned to provide. Retailers should also look for PAs with proven underwriting skills, profitable return on investment, actuarial expertise, and effective supporting technology that can scale with increases in business.

PAs also serve as valuable front-line underwriting for time-strapped and profit-focused carrier partners. “There is a real focus on underwriting profitability now, and the whole program space has become very data-driven as a result,” says Bob Petrilli, President, AmWINS Underwriting. “When you look to start new programs, it’s essential you have valid loss history to be able to model several years of data. That’s quite different than in the past, when it had been more about getting premium in the door.”

Carriers, especially those with limited knowledge on niche industries, also look to PAs for their vertical expertise. “In the past, carriers didn’t want to give up the pen—they wanted to go after business themselves,” says Ben Francavilla, President, AmWINS Program Underwriters. “Today, they’ve realized that a better way is to utilize PAs that are knowledgeable in the space, underwrite efficiently, and do so profitably.”

PRICING TRENDS

Across nearly every sector of program business, pricing conditions mirror those of the property-casualty sector overall. Increases are being seen across all lines with the exception of workers’ compensation. Auto, marine and aviation, property lines, and excess liability are seeing the most significant rate hikes. Firming is also notable in the growing healthcare space, particularly long-term care.

In a hardening market, quality of underwriting has become more important. “If you’re a successful program manager, and especially if you’re thriving in a market like senior care or auto-heavy programs, you’ve done a good job of underwriting risk. Nevertheless, you still need to prepare your clients for significant rate increases because the market has firmed,” says Francavilla.

Increased new and renewal rates combined with strong growth in the number of accounts written through programs has driven top-line revenue in the sector.

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In 2018, three-quarters of PAs reported increases in gross revenue, compared to 68% in 2016. In addition to growth seen in program business overall, the insurtech boom presents opportunity for retailers to write business more efficiently than in the past. The percentage of PAs reporting involvement with insurtech increased from 58% in 2016 to 80% in 2018.*

Against this backdrop of strong growth, one area of pullback is in Lloyd's-backed programs. "If you have a program backed by London capacity, it is tough—there's a lot of pressure on the distribution cost. Lloyd's used a very broad brush when it painted what lines of business were favorable, and now underwriters are being challenged to maintain their capacity," Petrilli says.

CONTINUED OPPORTUNITY

There are a few potential threats to program business growth, including continued consolidation through mergers and acquisition, as well as alternative capital and non-traditional insurance companies entering the space. However, despite these factors, expectations are that program business overall should continue to gain momentum and attract a larger share of the commercial insurance market. In fact, 84% of PAs and 92% of carriers plan to introduce new programs over the next few years.*

SUMMARY

For retailers, the program marketplace offers versatility through its business model of providing tailored coverages and bringing new products online faster and more efficiently. To capitalize on this opportunity, retailers should partner with a PA that has a proven track record in the program marketplace.

"There's a real benefit in choosing a program administrator that has expertise and has shown profitability over time to their carrier partners," Francavilla says. "For retailers, aligning with PAs is a very efficient, effective way to find insurance solutions for high-hazard risks in niche industries."

SOURCES

*The TMPAA State of Program Business Study 2019.