The TMPAA State of Program Business Study 2021

RESEARCH AND ANALYSIS BY Advisen A ZYWAVE COMPANY

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INTRODUCTION AND EXECUTIVE SUMMARY

"We remain bullish and optimistic on program business overall and are excited to get our production and revenue back on pre-2020 footing and growth moving forward," is a comment echoed by many administrator and carrier respondents in the commentary section.

The COVID-19 pandemic has had an undeniable impact on all sectors including the insurance industry. As the global health issue brought uncertainty and took toll on the economy, the program business demonstrated its resilience and maintained its growth mindset.

Despite reporting a slowdown in the growth of premiums administered and a decline in renewal rates, program administrators remained optimistic, according to ***The TMPAA State of Program Business Study 2021***. "We remain bullish and optimistic on program business overall and are excited to get our production and revenue back on pre-2020 footing and growth moving forward," is a comment echoed by many administrator and carrier respondents in the commentary section.

Administrators and carriers powered through the pandemic, shifting easily to a work-from-home set-up, operating with very little interruption, and even improving productivity. The global lockdown did not deter program business from delivering clients' needs virtually. This performance is seen as one of the major reasons why customer retention levels remained steady amid the challenging environment.

Members of the Target Markets Program Administrators Association (TMPAA) who participated in the poll look to continue the tremendous growth of the program space. Administrators shared their plans of introducing new programs. An overwhelming percentage of carriers surveyed anticipate adding programs and increasing premiums written in the next three years.

Another key event that had a transformative impact on the insurance industry was the wave of social unrest and protests that erupted in 2020, which appeared to have a greater impact on carriers than their administrator peers.

In addition to these, the study also looked into other benchmarking areas aimed at providing key information for strategic planning in program business operations. The 2021 survey includes a comparative analysis of program administrators' and carriers' practices and views regarding work arrangements after the pandemic, social inflation, M&A, cyber coverage, and insurance technology. As with the previous surveys, respondents were also asked to provide comments about emerging risks that are suitable for program business, the opportunities and challenges faced by the industry, and the future of the program business.

The TMPAA State of Program Business Study is a biennial survey that documents the size of the program business and tracks various trends that shape the market. Since it was launched in 2011, the survey has documented the rapid growth of the program business insurance market. From $17.5 billion in commercial insurance revenue in 2010, the program business has grown to $53.8 billion in 2020.

The study reflects the views of 144 program administrators representing 1,041 programs and 51 insurers representing 1,322 programs.

The TMPAA State of Program Business Study 2021 is the eighth in a series of surveys that started in 2011. The 2021 report presents 2020 business results. Since the TMPAA did not conduct the survey in 2020 for 2019 results, most of the comparative analysis in this survey report focuses on changes between 2018 and 2020. We did add some figures for 2019, specifically for premiums administered.

The survey is a source of useful benchmarking data for 535 TMPAA members. The facts and figures from the report help program administrators and carriers in conducting their businesses more efficiently with greater proficiency and profitability.

The research was conducted by the TMPAA in tandem with Advisen Ltd. (A Zywave Company), a global provider of information and analytical tools for risk managers and the commercial insurance industry. The production and publication of the benchmarking report was sponsored by Allianz, Allied World, Amwins Underwriting, Doxa Insurance Holdings, K2 Insurance Services, MGA Systems, and QBE – members of the TMPAA.

METHODOLOGY

For the eighth time, the TMPAA and Advisen collaborated on a survey designed to gain insight into the current state of and ongoing and emerging trends in the program business market.

The online survey, which was conducted between 07 June and 07 September 2021, was completed at least in part by 195 respondents. Out of this number, 144 identified themselves as program administrators – companies offering insurance products targeted towards a particular niche market or class that are placed with one carrier. Fifty-one respondents identified themselves as insurance carriers or firms that delegate binding and underwriting authority to program administrators with whom they have a contractual partnership. The TMPAA identifies companies as program carriers if they have at least two current programs.

The smaller number of respondents compared to 255 in the 2019 poll reflects the heightened consolidation in the program business space as the trend of administrators being acquired by aggregators continues. The total number of programs reflected in this study is 1,041 from program administrators and 1,322 from carriers, which may closely reflect the number of programs considered in previous studies.

In estimating the number of program administrators in the U.S., Advisen reviewed a list of administrators provided by the TMPAA, some of whom are members of the TMPAA and some are not. These administrators were assessed whether or not they fit the TMPAA's definition of a program administrator, the most crucial component of which is having binding authority. Other sources and pieces of information including company websites were also reviewed in the process. Based on this review, we estimated the total number of administrators in the U.S. at more or less 1,000.

As with the previous surveys, the 2021 poll tracked the participants' program size and strategy, the pricing environment, risk appetite, involvement with insurance technology, cyber coverage, risk sharing practices, and view of the hard market.

Any study conducted this year would be incomplete without looking into the impact of the COVID-19 pandemic on the insurance market. For this survey, participants were asked about how the pandemic affected their programs, customer retention levels, and employee recruitment. The survey also gathered views about their adjustment to the work-from-home set-up, specifically how it impacted administrators' ability to meet their brokers' and insureds' needs.

The impact of key events in 2020 including the civil unrest, hurricanes, wildfires and other catastrophes were also covered in the survey.

These topics were designed and reviewed by a committee of TMPAA member Program Administrators and Carriers, the TMPAA Board, and Advisen. As with the previous surveys, the responses were collated and analyzed by Advisen.

Apart from responding to quantitative survey questions, the participants also shared their views through their responses to a series of open-ended questions designed to gather further insight into ongoing trends. Program administrators and carriers provided commentary on the strengths and weaknesses of program business, the opportunities and threats that they are witnessing, and the future of the program space.

Businesses of all sizes responded to this year's survey. Respondents were segmented into three roughly equally sized groups based on premium volume. The smaller companies are those with gross premiums of up to $20 million. The mid-sized firms are those with gross premiums of between $20 million and $75 million, while the larger companies have gross premiums of more than $75 million. A comparative analysis of these group's practices and views was conducted to provide further insight into the various survey topics. Significant differences were also highlighted between the larger and smaller program administrators.

The TMPAA and Advisen wish to point out that other reports regarding the MGA/program business space are based on industry data and not refined down to the TMPAA's description of a program administrator. The ***TMPAA State of Program Business Study*** reflects the views solely of program administrators and carriers who are members of the TMPAA.

KEY FINDINGS

Overall

- As with the rest of other industries, program business was battle-tested by the COVID-19 pandemic. While program administrators reported lower growth in premiums administered and a slight decline in renewal rates in 2020, the industry demonstrated resilience and optimism in a challenging market.

- Consistent with insurance industry reports on commercial P&C premium prices, survey participants reported rate increases across most lines of business.

- Administrators and carriers are looking toward the same direction in terms of growth. Administrators surveyed reported plans to introduce more programs and carriers indicated plans to pursue further expansion through new programs.

- Carriers reported an easier transition to a fully remote workforce when the pandemic hit compared to their administrator counterparts. Both groups reported having the necessary technology platforms in place to support working in the new normal. Both groups are also looking at a hybrid or flexible work mode when the pandemic is over.

- The pandemic had a very little impact on the program business in terms of productivity. Administrators and carriers both saw productivity improve as their employees worked from home. It is important to note though that a greater percentage of carriers (45 percent) reported that productivity improved either a lot or dramatically.

- The global lockdown did not stop administrators from meeting the needs of their brokers and insureds. Similarly, carriers either usually or always met the needs of administrators virtually.

- Administrators' and carriers' responses on the impact of the pandemic on customer retention levels are in sync. Around a third of administrators polled reported that customer retention levels either stayed the same or improved amid the pandemic. Almost a similar percentage of carriers said that their program administrators' customer retention levels either stayed the same or improved. Nearly a fifth from both groups reported losing a small percentage of customers owing to the pandemic.

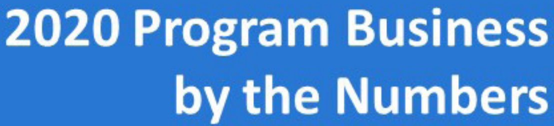
- While the percentage of administrators using a Lloyd's syndicate for program business dropped from 58 percent in 2018 to 45 percent in 2020, commentaries highlighted that administrators still choose the Lloyd's syndicate because of capacity, stability, financial soundness, longstanding relationships, and flexibility.

- Some administrators are turning to fronting, participatory fronting or alternative capital markets for their program business. Respondents of this survey, however, were split in their views of the fronting approach. Those who use it either occasionally or frequently (31 percent) say fronting provides them more flexibility and allows them to use their dedicated reinsurance facility to assume risk. Some who rarely use fronting (31 percent) only utilize it as needed. The rest (30 percent) prefer the traditional markets.

- A greater percentage of carriers reported that their program loss ratios were impacted by natural catastrophes in 2020 with close to half saying they were either moderately or significantly affected. This compares to more than a fourth of administrators.

- The wave of civil unrest and protests that erupted in 2020 appear to have had a greater impact on carriers than on their administrator peers. More carriers (30 percent) reported that their program loss ratios were impacted either slightly or moderately by the riots. This compares to only 15 percent of their administrator counterparts.

- A greater number of carriers (53 percent) provided mid-term premium refunds in 2020 compared to 39 percent of administrators.
- Similarly, more carrier respondents (43 percent) believe that social inflation is impacting rates. This compares to 33 percent of administrators surveyed.
- Cyber take-up rates showed a slight increase for both administrators and carriers. Still, there is plenty of room to grow for cyber insurance in the program space.
- A third of both administrators and carriers polled said that insurance technology is causing program administrators to consider a change in distribution.
- There appears to be a disconnect when it comes to views on program administrators' utilization of artificial intelligence (AI) or machine learning. A greater number of administrators (53 percent) reported that they do not use AI. On the other hand, only 39 percent of carriers said that their program administrators do not utilize AI. Among those who do use AI, usage is greater in the area of underwriting.
- Program administration is a large business at $53.8 billion in premiums in 2020. The estimated size of the market rose 32.8 percent from $40.5 billion in premiums in 2018.
- Program business is growing more quickly than the overall commercial insurance marketplace. While the size of program business rose 32.8 percent between 2018 and 2020, the growth in direct premiums earned for commercial lines increased by only 9.33 percent over the same period.
- Since TMPAA inaugurated the market study, program premiums rose 207 percent from $17.5 billion in 2010 to $53.8 billion in 2020.
- The estimated number of program administrators in the U.S. held steady at 1,000 despite active consolidation in the industry.



2020 Program Business by the Numbers

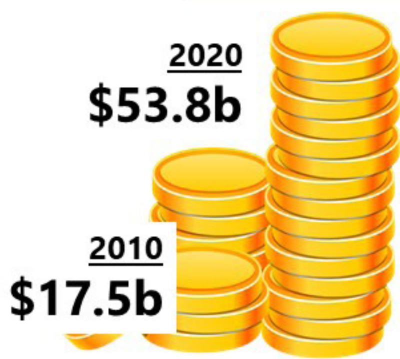
The TMPAA State of Program Business Study 2021

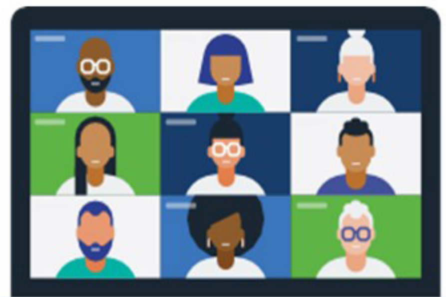
$53.8 billion in premiums in 2020

Premiums	Year
$40.5 billion	2018
$53.8 billion	2020

32.8% increase in estimated size of the program business

207% increase in program revenues from $17.5 billion in 2010 when TMPAA inaugurated the market study





Despite active M&A activity, the estimated number of program administrators in the U.S. held steady at

1,000

Despite the pandemic, the program business showed resilience and optimism.

Program business continues to outperform the overall commercial insurance marketplace.

While the size of the program business rose 32.8% between 2018 and 2020, the growth in direct premiums written for commercial lines increased by only 9.33% over that period.

2018	2020
81%	72%

The number of administrators who reported increases in premiums administered declined from 81% in 2018 to 72% in 2020.

A slightly lower percentage of administrators reported increases in gross program administration revenues in 2020.

Reported increases

Year	Reported increases
2018	75%
2019	77%
2020	71%

Average renewal rate went down from **84.5%** in 2018 to **83%** in 2020

The percentage of administrators reporting profit margins of more than 26% increased materially from 31% in 2018 to 41% in 2020.

The program business faced significant headwinds in 2020.

Some administrators and carriers reported losing some customers due to the pandemic.

ADMINISTRATORS

Response	%
Lost a substantial amount of customers	3%
Lost a moderate amount of customers	6%
Lost a small amount of customers	18%
Retention levels remained steady	57%
Retention levels improved	16%

CARRIERS

Response	%
Lost a moderate amount of customers	5%
Lost a small amount of customers	18%
Retention levels remained steady	56%
Retention levels improved	15%
Don't know	5%

39% of administrators had to issue mid-term premium refunds in 2020.

Response	%
Yes, to all insureds	2%
Yes, to some insureds	37%
No	57%
Don't know	4%

TARGET MARKETS
Program Administrators Association

Advisen
A ZYWAVE COMPANY

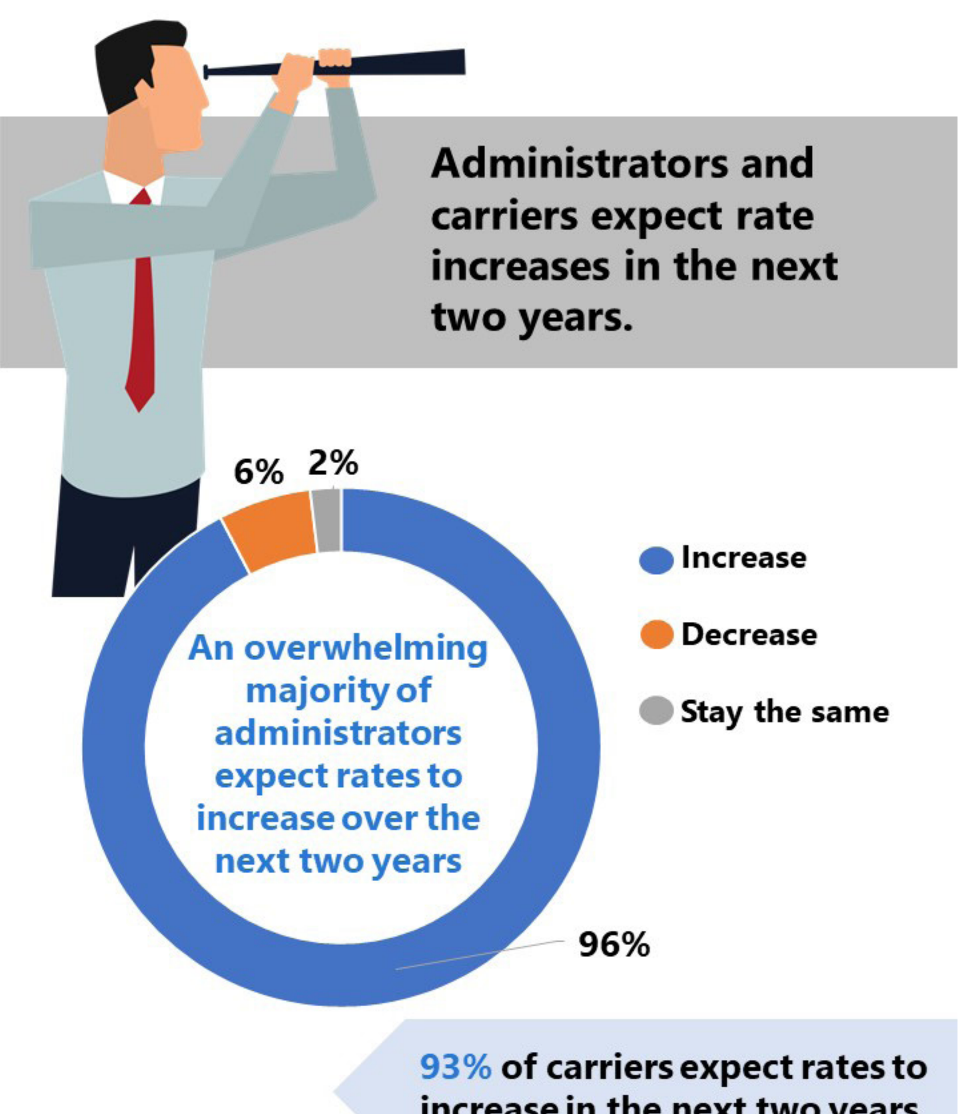
The program space saw rate increases across most lines of business in 2020.

A greater percentage of administrators reported increases for most LOBs

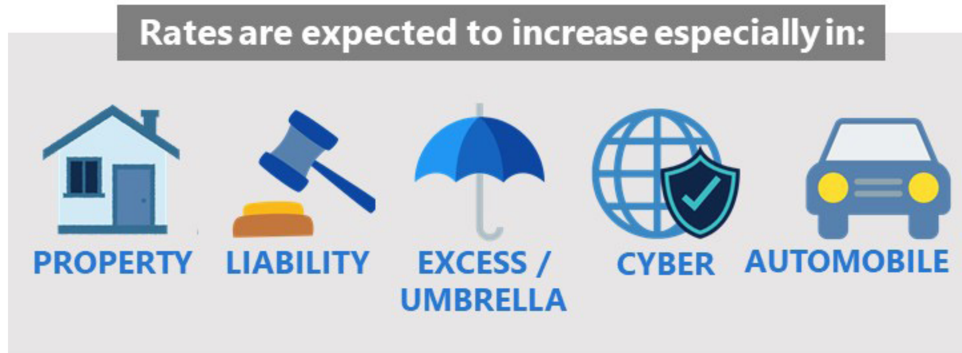
- Financial & Political Risk (100%)
- Automobile (98%)
- Management Liability (94%)
- Excess / Umbrella (92%)
- EPLI (90%)
- Medical Malpractice (87%)
- Marine & Aviation (86%)
- Professional Liability (86%)
- Property (86%)
- Package (85%)
- Liability (84%)
- Cyber (78%)
- Fidelity, Surety & Crime (73%)
- Workers Compensation (24%)

As with the previous poll, workers compensation stood out as the only LOB where reports of rate decreases far outweighed increases.

TARGET MARKETS
Program Administrators Association



93% of carriers expect rates to increase in the next two years

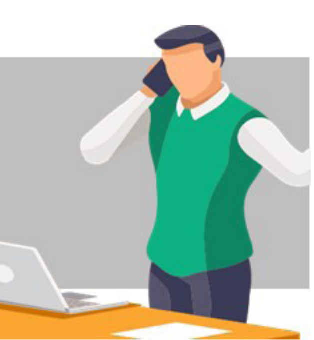


83% administrators polled plan to introduce new programs in the next two years

100%
of carriers polled plan to expand within the next three years by partnering with either existing or new administrators.

All carriers surveyed anticipate increasing the amount of premium written in the next three years.

As the world locked down, administrators and carriers easily transitioned to working from home.



And became more productive too!

found the transition to work-from-home mode either easy, somewhat easy or very easy.

had either fully or partially set up remote working infrastructure before the pandemic hit.

said their teams might work flexibly or on a hybrid set-up when the pandemic is over.

TARGET MARKETS
Program Administrators Association

Administrators and carriers met their clients' needs virtually.

98% ADMINISTRATORS | **98%** CARRIERS

said they were usually or always able to meet their program administrators' needs virtually.

65% of carriers said the pandemic had a very little or moderate impact on the way they interact with program administrators.

CUSTOMER RETENTION

73% Administrators	71% Carriers

said program administrators' customer retention levels either held steady or improved during the pandemic

24% Administrators	23% Carriers

said program administrators lost either a small or moderate amount of customers due to the pandemic

The natural catastrophes and the civil unrest in 2020 had a greater impact on carriers' program loss ratios.

No · Slightly · Moderately · Significantly · Don't know

NATURAL DISASTERS

ADMINISTRATORS

55%
18%
18%
10%

CARRIERS

26%
28%
23%
20%
3%

CIVIL UNREST

ADMINISTRATORS

82%
8%
5%
2%
3%

CARRIERS

64%
26%
5%
5%

TARGET MARKETS
Program Administrators Association

Administrators and carriers say social inflation is affecting rates.

33% Administrators	43% Carriers

believe that the increased frequency of big losses is impacting rates either a lot or a great deal.

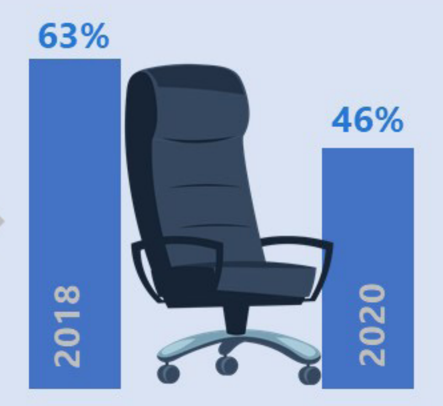
57% Administrators	54% Carriers

said social inflation is impacting rates either slightly or moderately.

Most carriers polled have no plans to acquire administrators.

As with the 2019 survey, **8%** of carriers expressed plans to acquire administrators to grow their business.

Percentage of carriers who said a hard "no" to acquiring administrators



What administrators are looking for in a potential acquirer

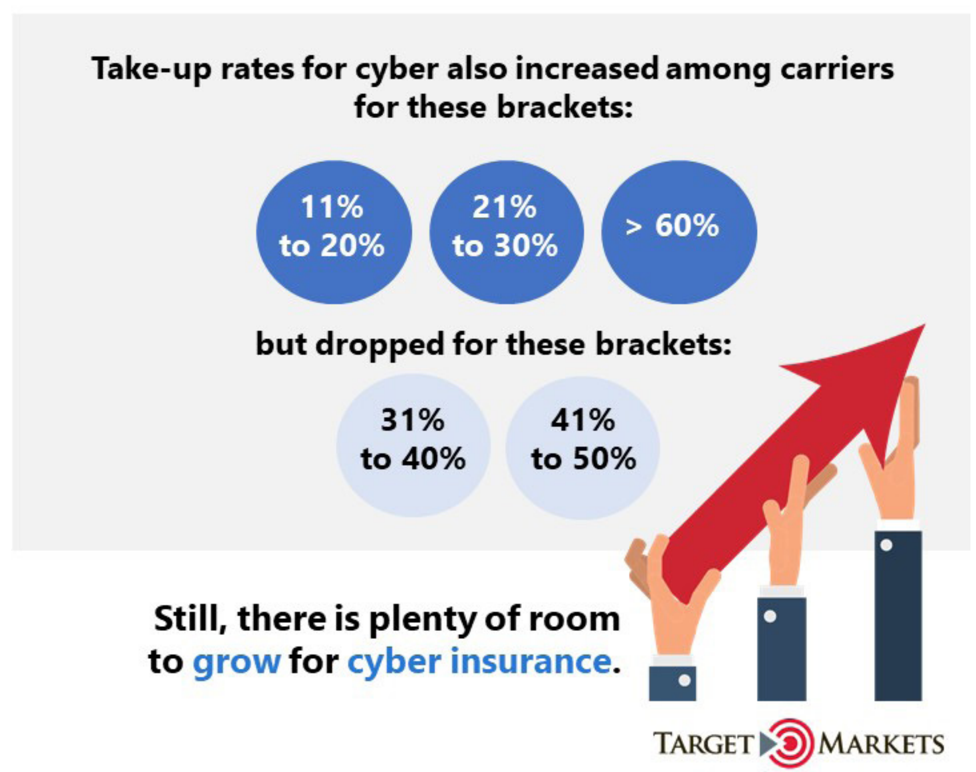
A good fit in terms of culture and values

Flexible

Understands the business

Take-up rates for cyber improved among administrators as the percentage of respondents reporting

in terms of percentage of insureds purchasing cyber cover went up between 2018 and 2020.



PROGRAM ADMINISTRATORS

Demographics

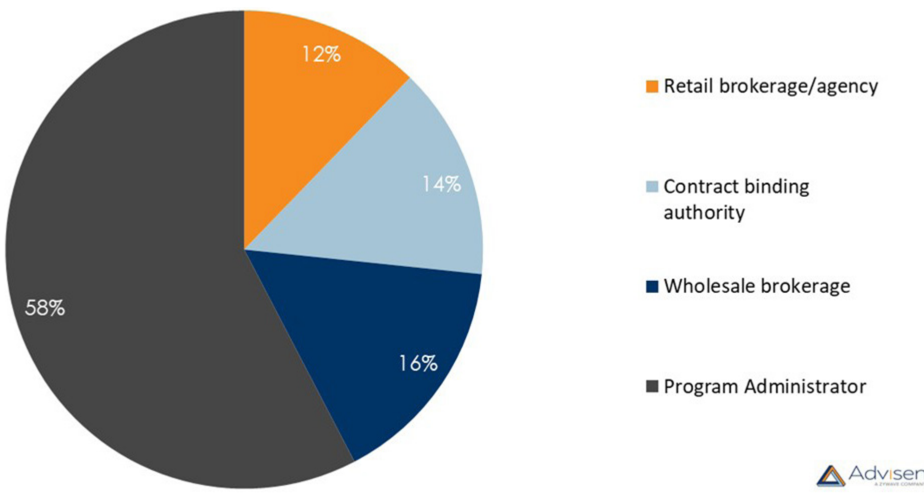
A total of 144 program administrators representing 1,041 programs participated in **The TMPAA State of Program Business Study 2021**. This is materially lower than the 194 respondents in the 2019 survey and the 166 participants in the 2017 poll.

As with the previous surveys, respondents vary significantly in terms of number of programs administered, revenues, and gross premiums written. These differences are key to understanding specific details about the survey participants' views and practices.

Program Administrator Information

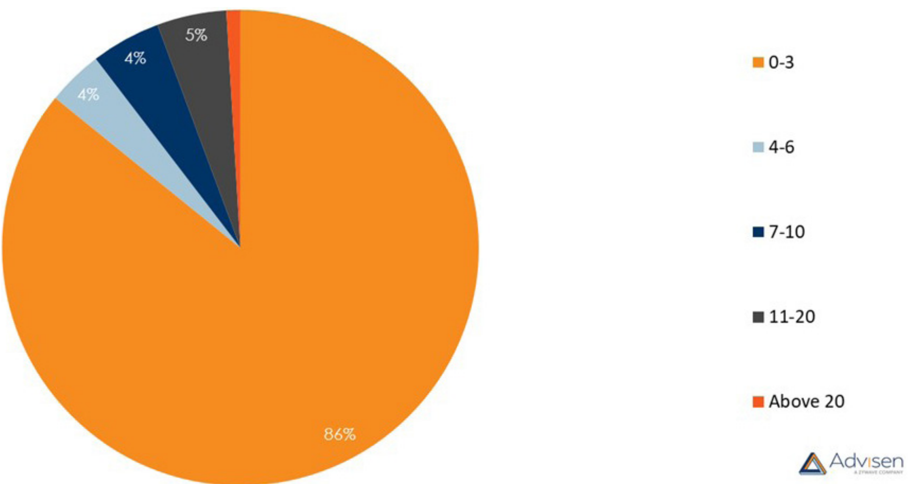
More than half of this survey's respondents identified themselves as program administrators. Sixteen percent describe themselves as wholesale brokerage, 14 percent as a contract binding authority, and 12 percent as Retail Brokerage/ Agency. This is vastly different from the profile of the 2019 poll participants where 82 percent said they are program administrators. A common denominator among all respondents is that they have at least two current programs.

DESCRIPTION OF FIRM



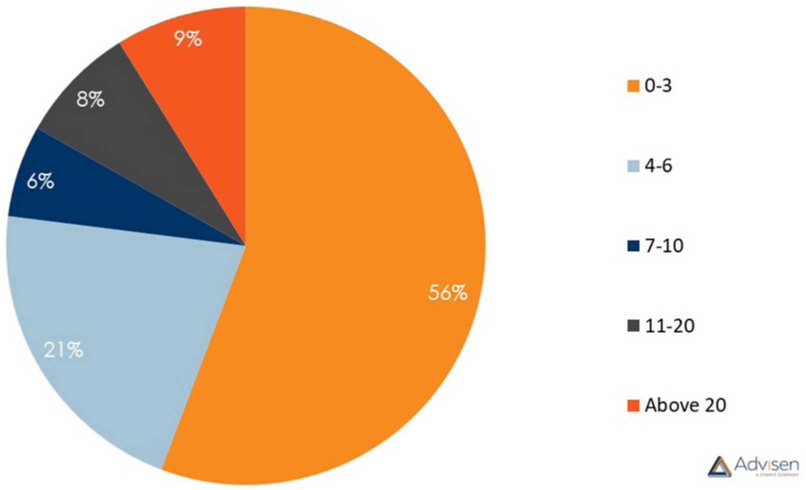
With the spate of acquisitions in the program space, the TMPAA and Advisen thought it best to ask survey participants about the number of separately branded program administrator agencies they are providing information on. The majority of respondents said they were providing information on zero to three agencies. Five percent provided information on 11 to 20 agencies, four percent on four to six agencies, and another four percent answered on behalf of seven to 10 agencies. The remaining one percent provided information for more than 20 agencies.

NUMBER OF SEPARATELY BRANDED PROGRAM ADMINISTRATOR AGENCIES RESPONDENT IS PROVIDING INFORMATION ON



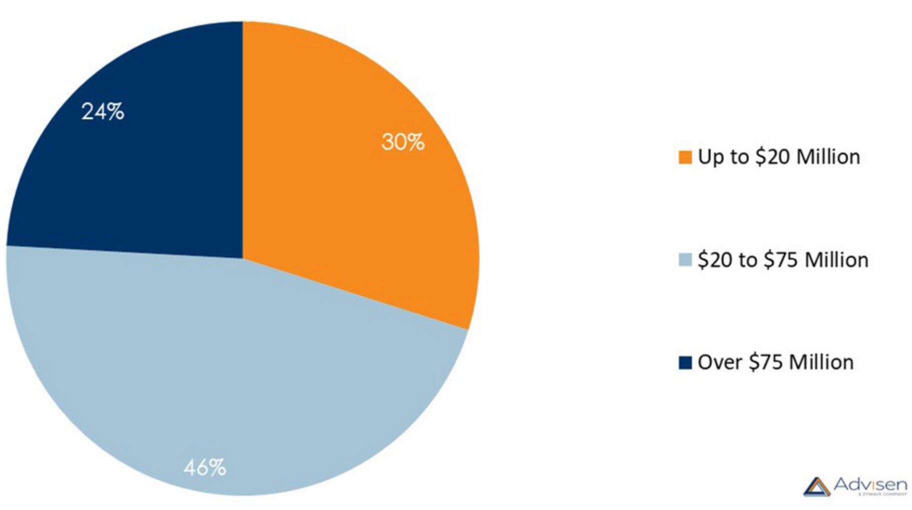
A little over half of the administrators polled responded on behalf of less than three programs in the aggregate, while a fifth answered for four to six programs. Nine percent of the administrators responded for more than 20 programs, eight percent answered for 11 to 20 programs, and six percent represented seven to 10 programs.

NUMBER OF PROGRAMS ADMINISTRATOR IS RESPONDING FOR

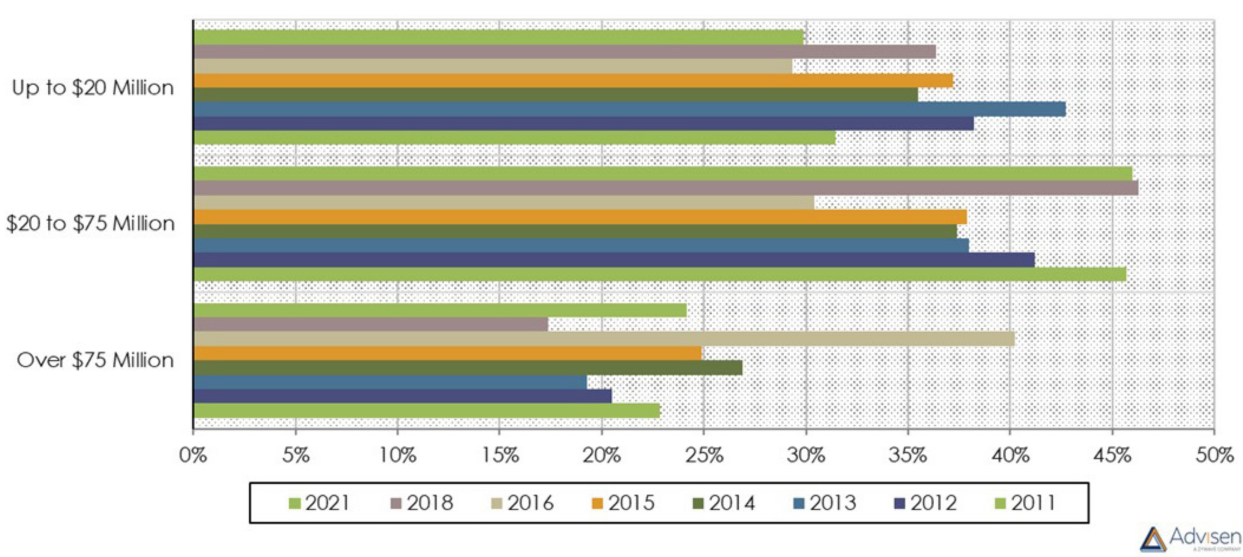


Compared to the previous poll's participants, this year's respondents are slightly larger in terms of gross written premiums. Forty-six percent of the administrators polled say their total gross written premiums for programs is $20 to $75 million, 30 percent say up to $20 million, while the remaining 24 percent say over $75 million.

GROSS WRITTEN PREMIUMS ADMINISTERED

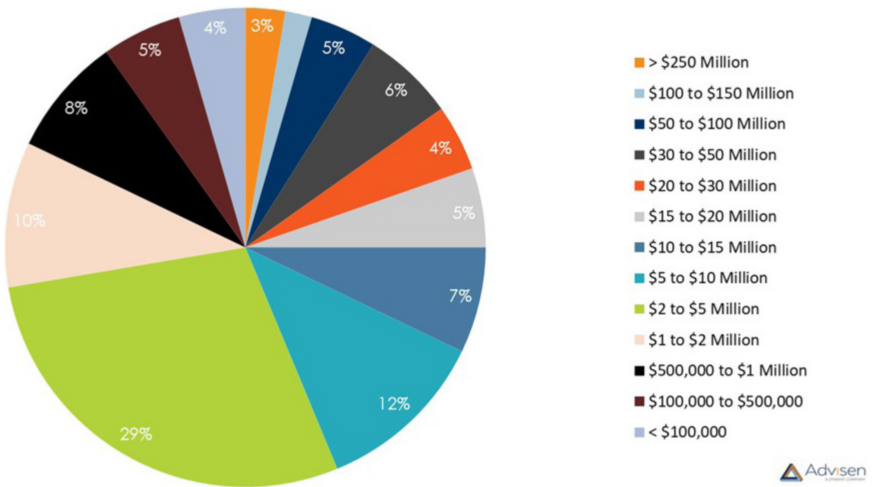


GROSS WRITTEN PREMIUMS FOR PROGRAMS ADMINISTERED (2011-2021)



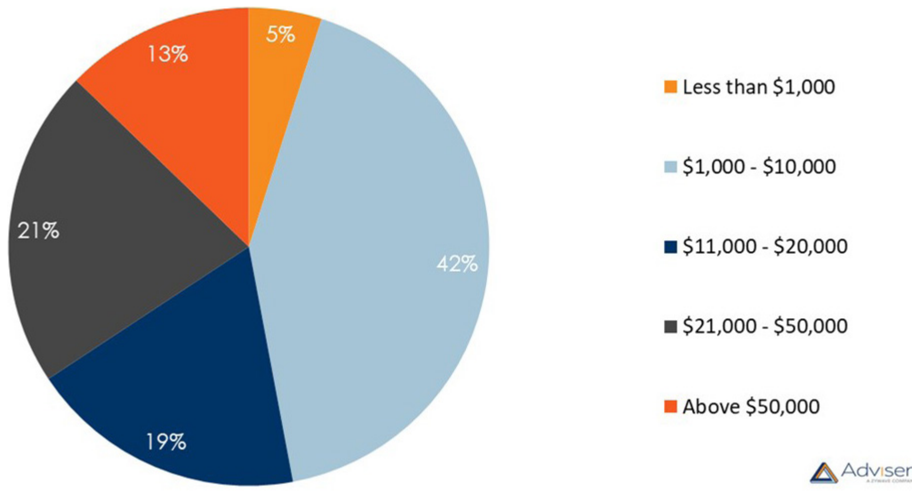
As with the previous poll, 56 percent of program administrators surveyed are from small firms with gross program administration revenues of less than $5 million. The percentage of firms reporting revenues of between $5 million and $30 million declined from 32 percent in 2018 to 28 in 2020. Those who reported revenues of more than $30 million increased from 11 percent in 2018 to 15 percent in 2021.

PROGRAM ADMINISTRATION GROSS REVENUES (NOT PREMIUMS) IN 2020



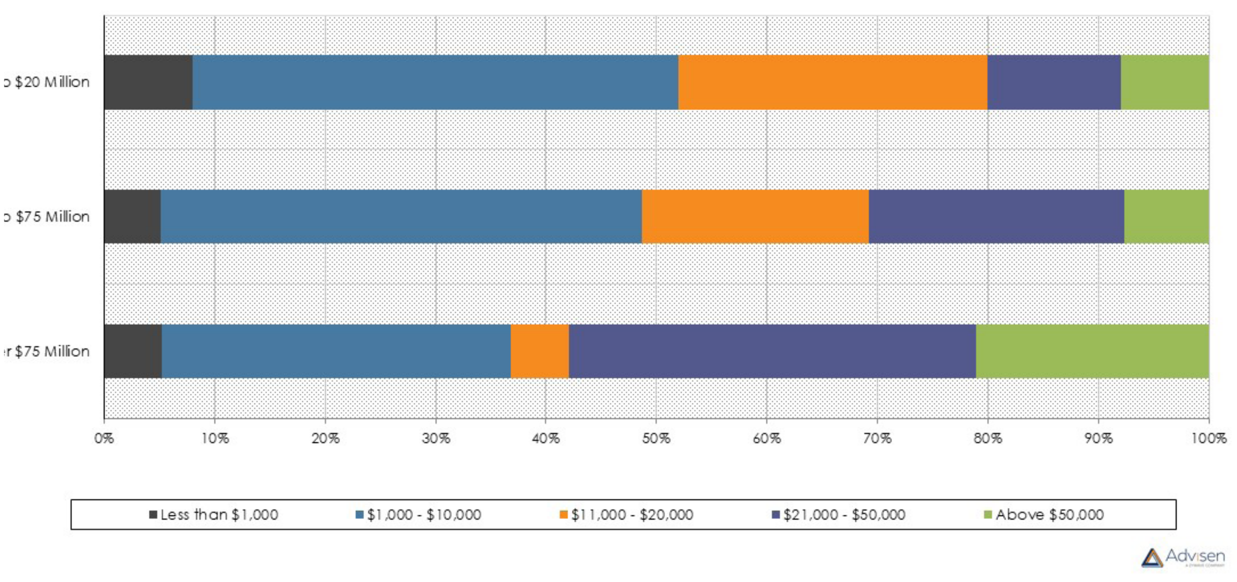
Administrators polled tend to be small in terms of average premium per account. Forty-two percent of the administrators surveyed said $1,000 to $10,000, 21 percent said $21,000 to $50,000, 19 percent said $11,000 to $20,000. Thirteen percent of those polled reported an average premium per account of more than $50,000, while five percent said less than $1,000. This reflects the fact that programs typically are not designed for really large businesses – but more main street accounts. As such, there is a large number of businesses out there that can be addressed with a tailored program that only addresses a small slice of the total pie.

AVERAGE PREMIUM PER ACCOUNT



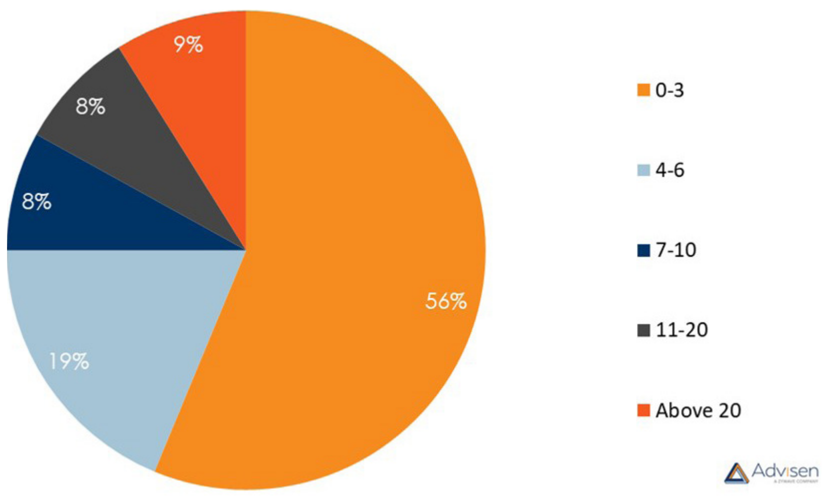
Consistent with the previous survey, larger administrators or those with revenue over $75 million recorded the highest average premium per account among the three revenue brackets.

AVERAGE PREMIUM PER ACCOUNT BY SIZE OF ADMINSTRATOR



This year's respondents are also small in terms of the number of distinct programs they administer. A little over half of the survey participants administer three or fewer distinct programs, while 19 percent administer four to six programs. Nine percent of administrators surveyed reported administering more than 20 programs, eight percent administer 11 to 20 programs, and another eight percent handle seven to 10 distinct programs.

NUMBER OF DISTINCT PROGRAMS ADMINISTERED



Program Business in a Hard Market

The TMPAA State of Program Business Study began tracking the share of rate changes in the 2017 poll. Reporting on 2016 data, the survey found that liability, management liability, professional liability, excess/umbrella, and workers compensation showed an almost 50-50 share between increases and decreases. On the other hand, fidelity, surety and crime; marine and aviation; property; financial and political risk; medical malpractice; and package had a bigger share of respondents reporting decreasing premiums. At the time, automobile liability insurance was the outlier with meaningful price increases reported. A number of respondents even identified auto as one of the greatest challenges faced by the program business.

Following a decade of soft market conditions, the insurance industry started witnessing hard market conditions in 2019. TMPAA program administrators reported rate increases across most lines, especially in automobile, marine and aviation, property, excess/umbrella, and financial and political risk. Workers compensation stood out as the only LOB that posted more declines.

As the hard market persisted in 2020, administrators who responded to the program business survey continued to see a greater share of increases for all LOBs except workers compensation.

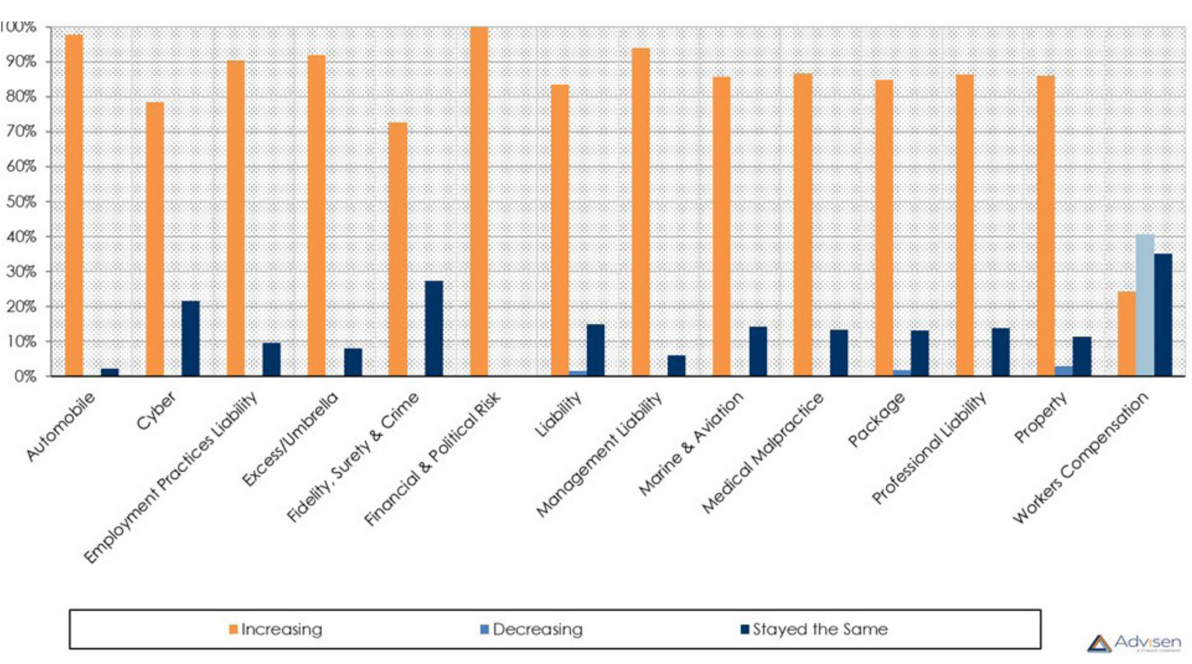
"We're seeing the impacts of the inflation – both social and general inflation. Also, weather events and the COVID-19 economy (e.g. supply chain concerns) all support rate correction. We'll continue to see this current rate trend for at least another year," said Glenn D. Skrynecki, Senior Vice President – Program Business, QBE North America.

The LOBs with the highest share of respondents reporting increasing premiums included financial and political risk (100%), automobile (97%), management liability (94%), and excess/umbrella (92%). Some were the same LOBs that showed highest increases in the 2019 poll. New to the survey is employment practices liability which had a 90 percent share of administrators reporting increases.

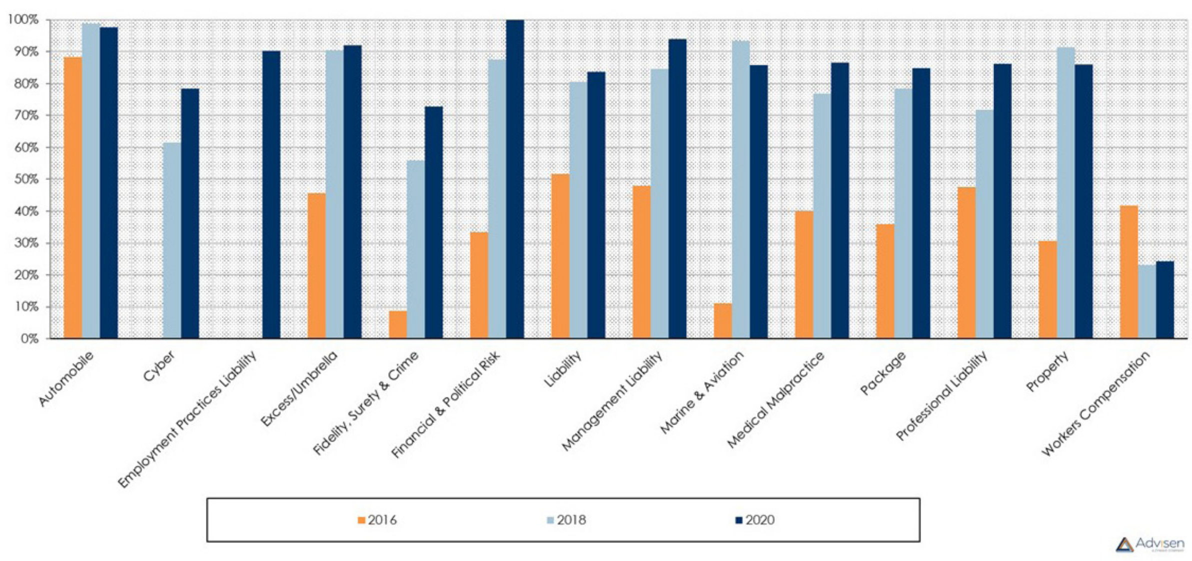
While workers compensation continued to be the outlier with a greater share of administrators posting rate declines, the line started seeing increasing premiums in the second quarter of 2020. Analysts reported that prices are now flattening.

"We're seeing the impacts of the inflation – both social and general inflation. Also, weather events and the COVID-19 economy (e.g. supply chain concerns) all support rate correction. We'll continue to see this current rate trend for at least another year," said Glenn D. Skrynecki, Senior Vice President – Program Business, QBE North America.

SHARE RATE INCREASES/DECREASES BY LINE OF BUSINESS (2020)



COMPARITIVE ANALYSIS OF SHARE OF RATE INCREASES (2016 VS. 2018 VS. 2020)



The survey's findings are in sync with Willis Towers Watson's Commercial Lines Insurance Pricing Survey (CLIPS), which showed that prices charged on policies underwritten on the fourth quarter of 2020 were 10 percent higher than those charged in the fourth quarter of 2019. The report indicated price increases across most lines, with the umbrella/excess and directors' and officers' liability recording the largest increases.

Similarly, the Council of Insurance Agents & Brokers (CIAB) Q4 2020 Commercial Property / Casualty Market index showed that "Q4 2020 was the third consecutive quarter where all lines, including workers compensation, had an increase in premiums." According to the report, the average premium price increase was 10.2 percent, compared to 11.3 percent in Q3 and 10.1 percent in Q2 across the major lines.

The CIAB report pointed to cyber as having one of the highest premium increases among all LOBs in Q4 2020. This trend is also reflected in responses to the program business survey as the percentage of administrators reporting increases in cyber rose from 61 percent in 2018 to 78 percent in 2020.

As the COVID-19 pandemic and natural catastrophes hit the already-hard insurance market, rates continued to increase in 2021. The CIAB's Q2 2021 Commercial Property / Casualty Market Index shows that premium prices increased in Q2 2021, though the rate of increase continued to moderate.

Commenting on the threats faced by program business, one administrator said that "Risks from increased natural disasters are increasing losses and causing further market hardening."

Another respondent said the "Hard market makes securing capacity a challenge."

Some administrators focused on the hard market's impact on programs. One respondent said that the "Hardening market is squeezing out new or unprofitable programs." Another administrator echoed this view, saying "Underperforming programs will be squeezed out in this hardening market, but the programs with a unique value add will be sought and even acquired by carriers needing demonstrable growth."

One survey respondent believes that the program space "thrives in a hard market where carriers tighten their underwriting guidelines – we suffer in a soft market when carriers look to buy business and ignore previous loss control concerns."

Program Business Shows Resilience and Optimism Amid the Pandemic

One noteworthy finding of ***The TMPAA Program Business Study 2021*** is that the percentage of administrators reporting premium increases declined despite reports that rates went up across most LOBs. Advisen analysts point to the reduction in exposure units and the fact that some program administrators and insurers had to issue mid-term premium refunds in 2020 that could have led to the drop in premium increases.

After increasing from 76 percent in 2016 to 81 percent in 2018, the percentage of administrators who reported increases in premiums administered in 2020 dropped to 72 percent.

Among administrators who reported increases in 2020, 22 percent said premiums administered rose by four to 10 percent, 16 percent increased by more than 30 percent, another 16 percent went up by 11 to 20 percent, and nine percent each rose by 21 to 30 percent and one to three percent.

On the other hand, those who reported premium declines increased marginally from 16 percent in 2018 to 17 percent in 2020. Of this number, five percent declined by 21 to 30 percent, another five percent dropped by four to 10 percent, four percent went down by four percent, and three percent declined by 11 to 20 percent.

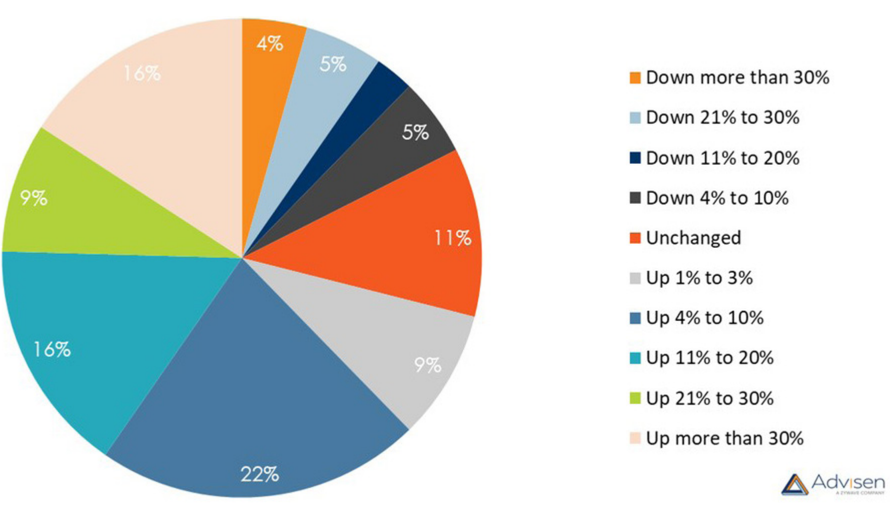
Eleven percent of respondents saw premiums administered unchanged. This is materially higher than three percent who reported no changes in 2020.

Despite the reported decline in premium increases, administrators see a bright future for the program space. “We remain bullish and optimistic on program business overall and are excited to get our production and revenue back on pre-2020 footing and growth moving forward,” an administrator respondent said.

Commenting on the overall growth of the market, Ben Francavilla, President of Amwins Program Underwriters believes that “the growth trajectory will continue in the program space as it parallels growth in the E&O space in general.”

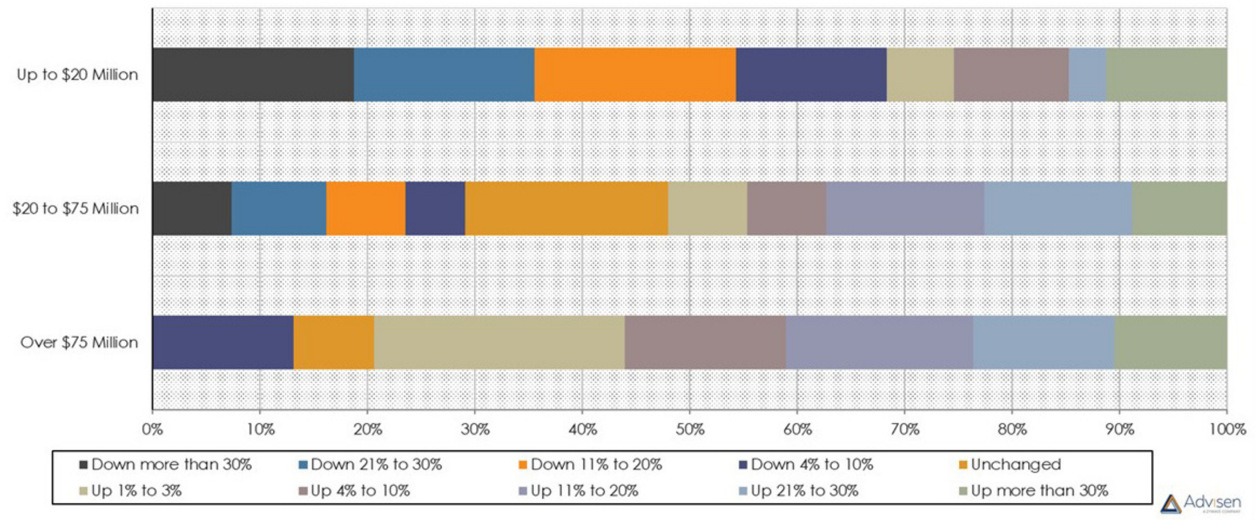
For Glenn Skrynecki, “people want to get in the game, the program market continues to attract best-in-class talent and capital, which is fostering growth and driving revenue for many companies. Factor in carriers that want to capitalize on program administrator expertise and technology, the program market will continue to grow.”

PERCENTAGE CHANGE IN PREMIUMS ADMINISTERED IN 2020



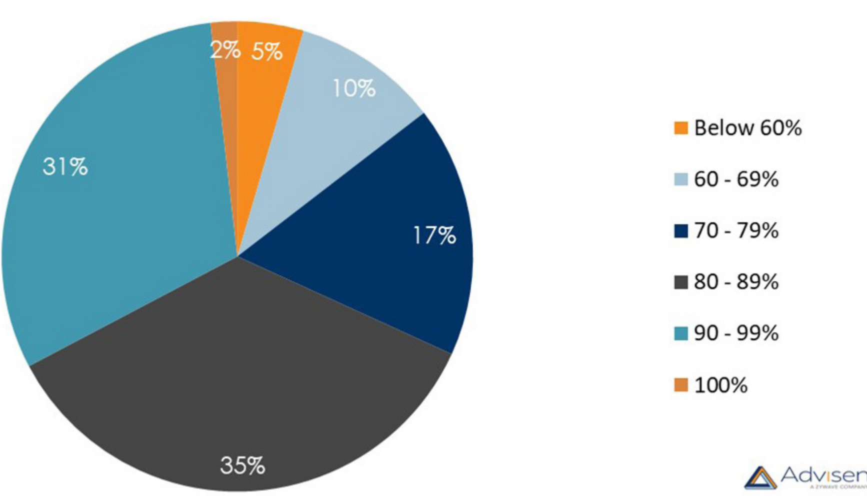
Unlike in 2018 when smaller administrators posted the greatest proportion of premium increases among the three revenue groups tracked by the survey, the larger administrators or those with revenues over $75 million reported the greatest proportion of premium increases in 2020.

PREMIUM INCREASES BY SIZE OF FIRM



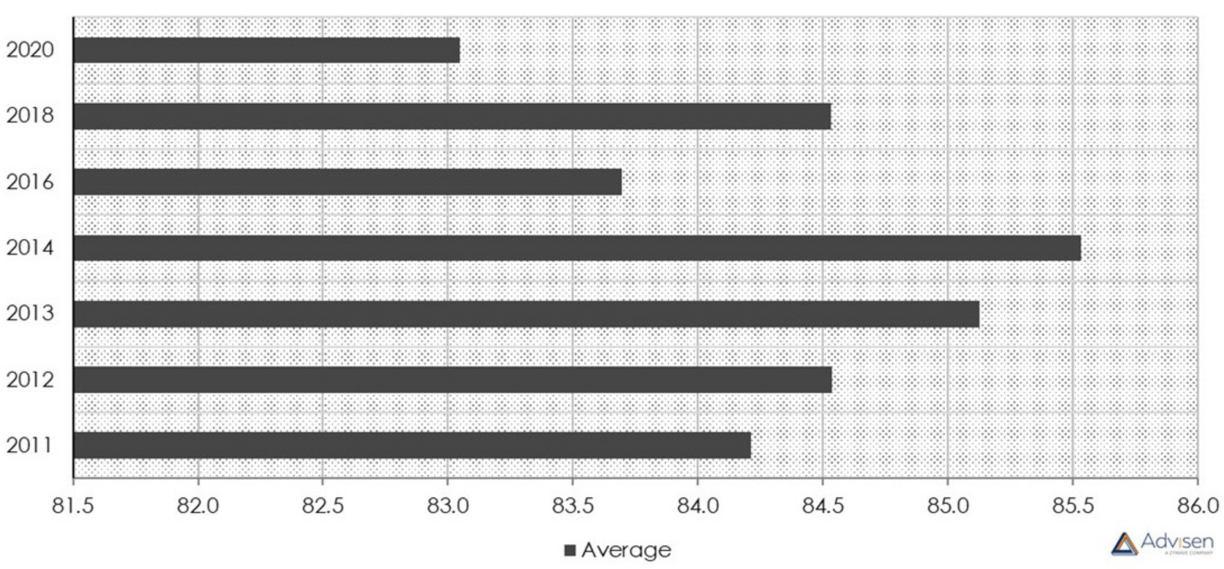
Thirty-three percent of the administrators polled posted renewal rates of over 90 percent in 2020, slightly higher than 29 percent who reported similar retention rates in 2018. Thirty-five percent registered renewal rates of between 80 percent and 89 percent significantly lower than the 50 percent reported in the previous survey. Administrators with retention rates of 70 to 79 percent increased from 13 percent in 2018 to 17 percent in 2020, while those with renewal rates of 60 to 69 percent remained at 10 percent. Those with renewal rates of less than 60 percent barely budged from four percent in 2018 to five percent in 2020.

POLICY COUNT RENEWAL RATE



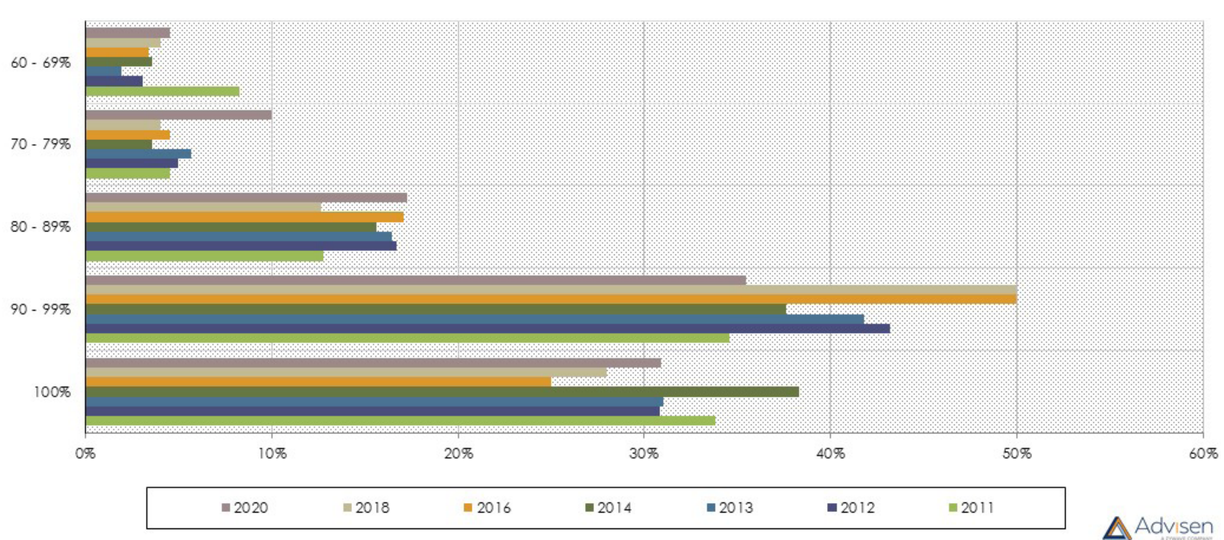
Average renewal rates saw a marginal decline from 84.5 in 2018 to 83 percent in 2020.

AVERAGE RENEWAL RATE BY YEAR



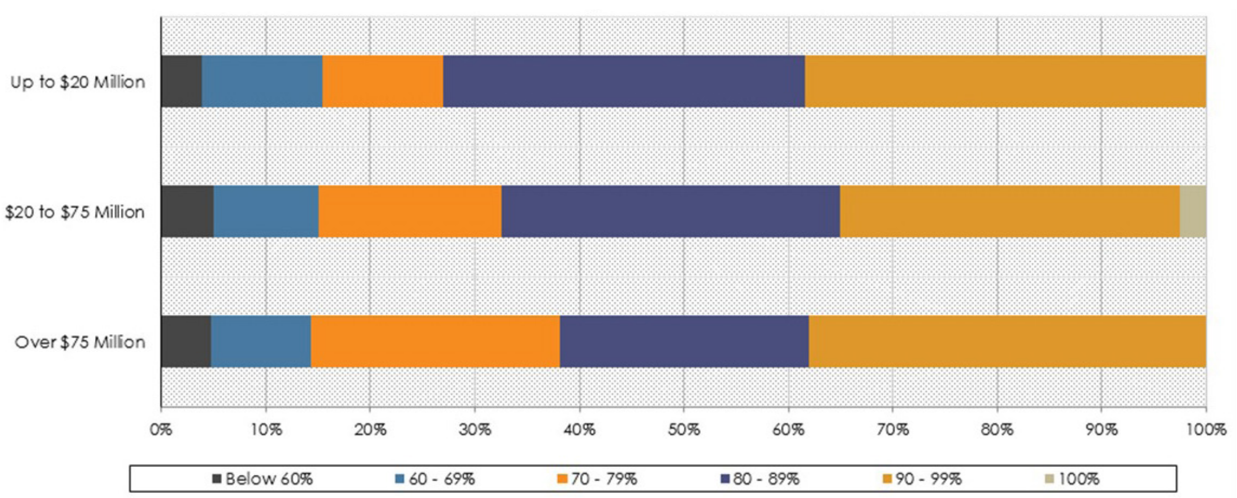
The trend of increasing percentage of administrators reporting 100 percent renewal rates continued in 2020. Similarly, those reporting renewal rates of 80 to 89 percent, 70 to 79 percent, and 60 to 69 percent also increased. It is in the 90 to 99 percent bracket that the survey saw a material decline in 2020.

COMPARATIVE ANALYSIS OF RENEWAL RATES (2011 - 2020)



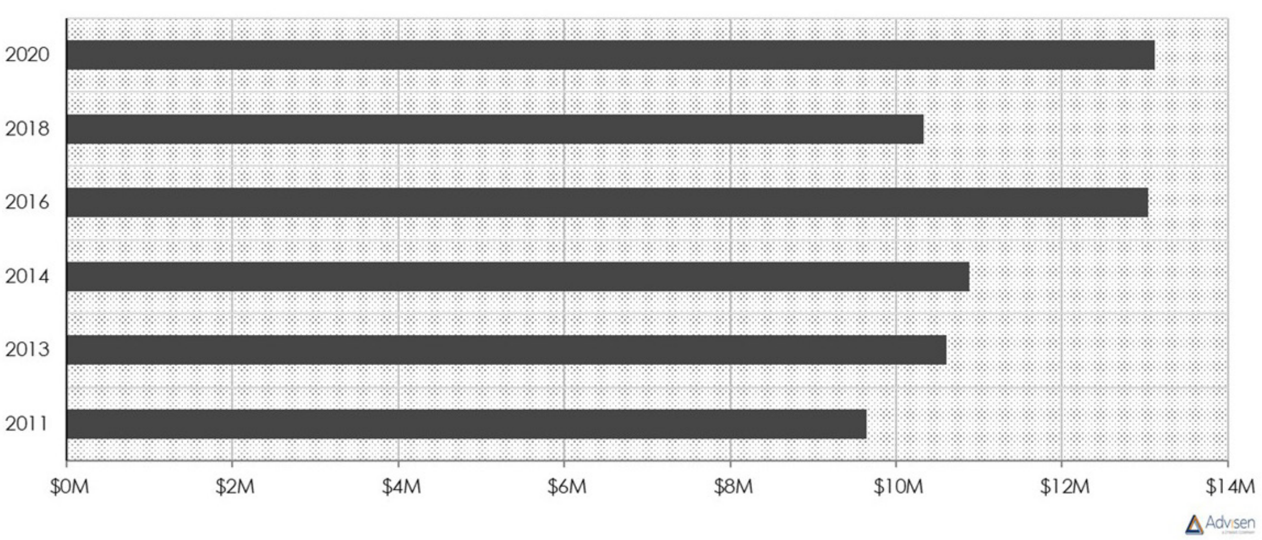
Consistent with the previous surveys' results, smaller firms had the greatest proportion of programs with over 90 percent renewal rates. However, all administrators who reported a 100 percent renewal rate came from the mid-sized firms or those with revenues of $20 million to $75 million.

RENEWAL RATE BY SIZE OF ADMINISTRATOR



After a significant decline between 2016 and 2018, average respondent revenue increased from $10.3 million in 2018 to $13.1 million in 2020.

AVERAGE REVENUE BY YEAR



For program administration revenues, the TMPAA and Advisen asked administrators to provide data for both 2019 and 2020 to get a clearer picture of the changes that happened during the pandemic.

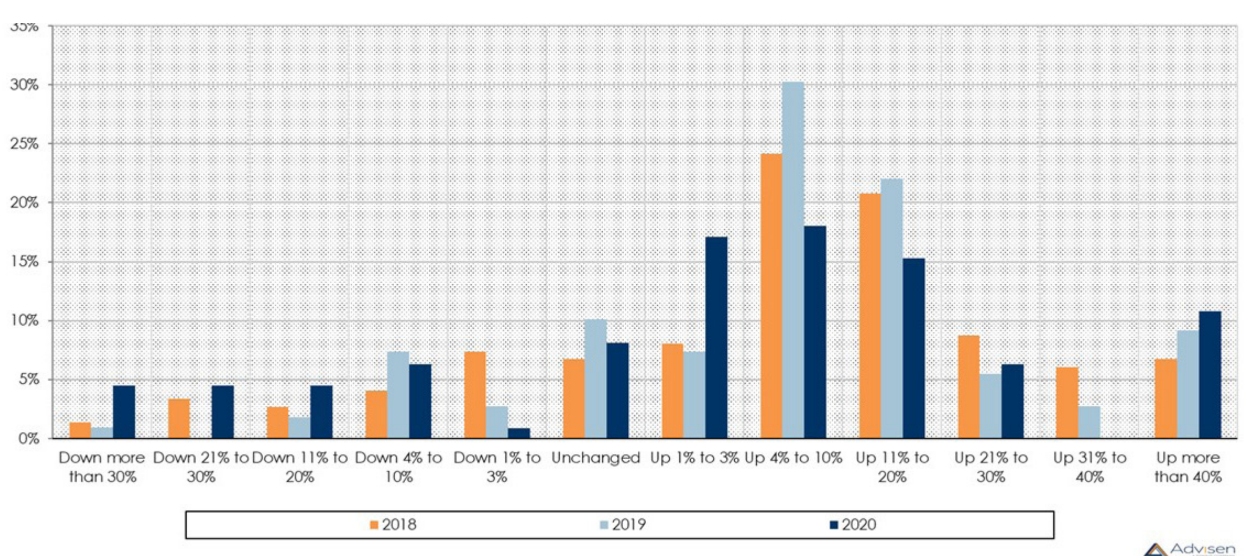
A comparative analysis of change in revenues showed that fewer administrators reported revenue increases in 2020 – the height of the pandemic – compared to the pre-pandemic years of 2018 and 2019.

Seventy-one percent of administrators reported increases in program administration gross revenues in 2020, fewer than the 77 percent who posted increases in 2019 and 75 percent in 2018. On the other hand, 22 percent reported declines in 2020, materially higher than the 13 percent who reported lower revenues in 2019 and the 18 percent in 2018. Eight percent reported no changes in 2020, lower than the 10 percent who did not see any changes in 2019 and marginally higher than the seven percent in 2018.

Of those who reported increases in 2020, 11 percent said program administration revenues rose by more than 40 percent, 17 percent rose by one to three percent, 18 percent increased by four to 10 percent, 15 percent saw increases of 11 to 20 percent, six percent registered increases of 21 to 30 percent, and four percent reported increases of 31 to 40 percent.

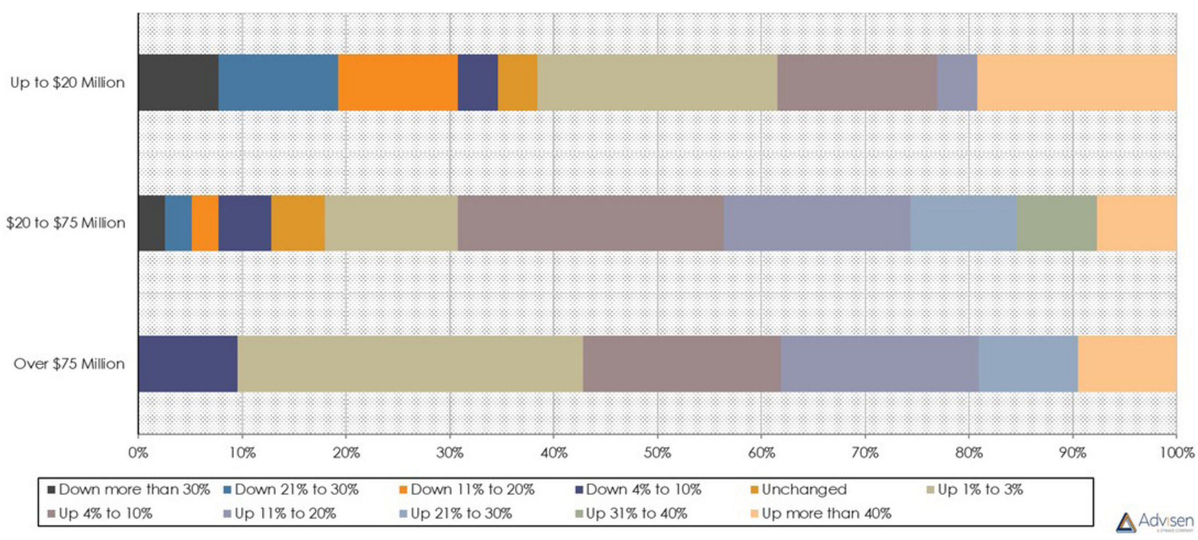
On the other hand, among those who reported declines in 2020, one percent declined by one to three percent, six percent saw declines of four to 10 percent, five percent said program administration revenues went down by 11 to 20 percent, another five percent by 21 to 30 percent, and five percent by more than 30 percent.

BY WHAT PERCENTAGE DID YOUR PROGRAM ADMINISTRATION REVENUES CHANGE IN 2018 VS 2019 VS 2020?



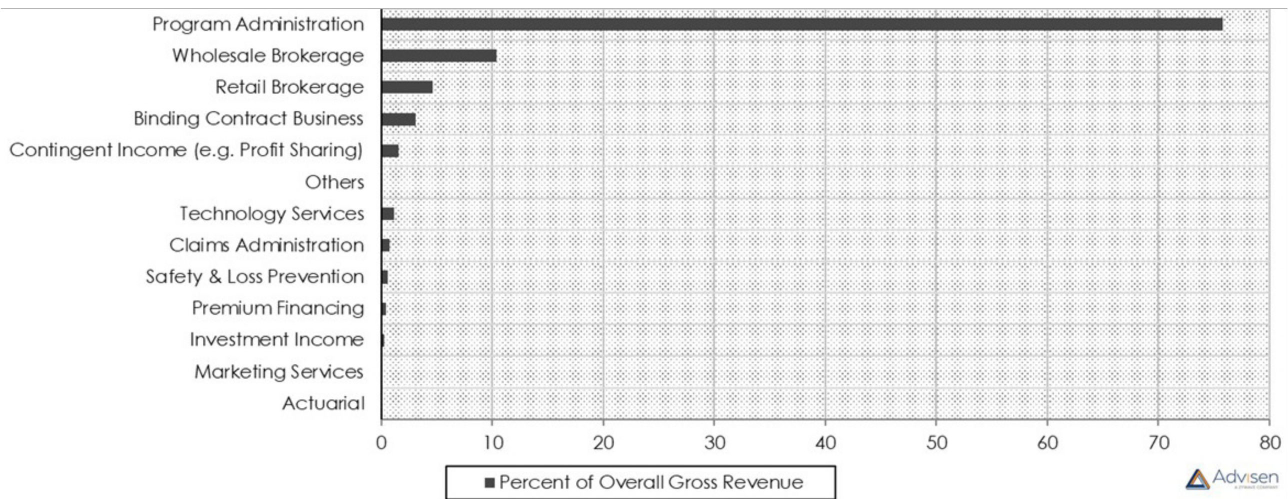
Reversing the trend in previous years when smaller firms or those with revenue of less than $20 million reported the highest proportion of revenue increases, the 2021 poll saw a bigger percentage of larger firms posting revenue increases.

PROGRAM ADMINISTRATION REVENUE CHANGE BY SIZE OF ADMINISTRATOR



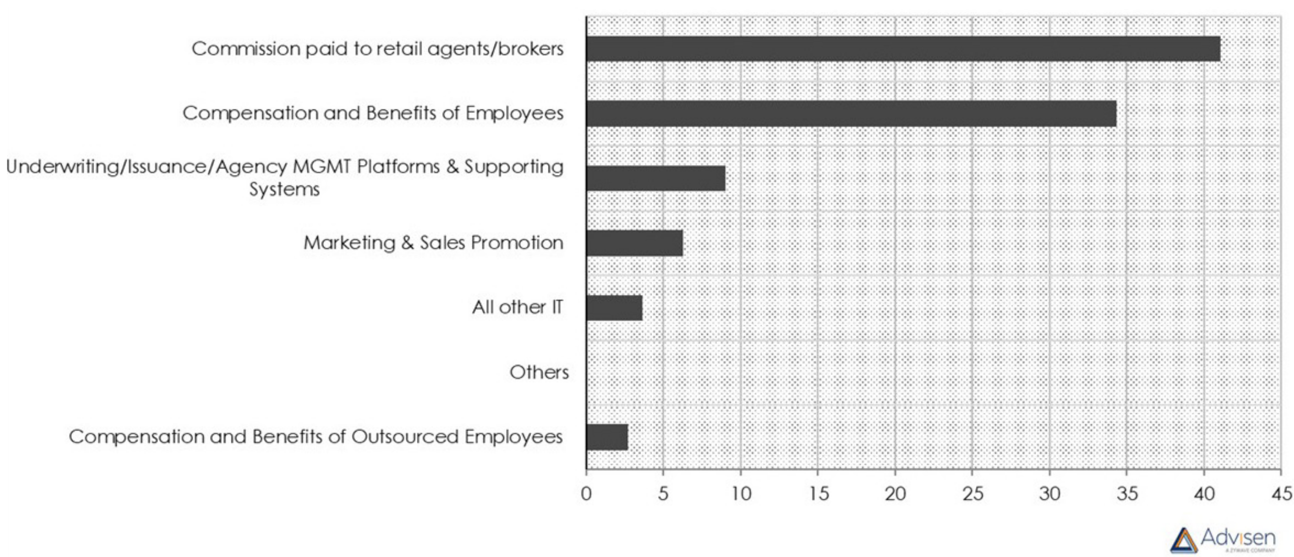
The largest segment in terms of the approximate split of overall revenues was program administration followed by wholesale brokerage and retail brokerage. This has been a consistent finding since the survey started in 2011.

APPROXIMATE SPLIT OF OVERALL GROSS REVENUES IN 2020 (IN%)



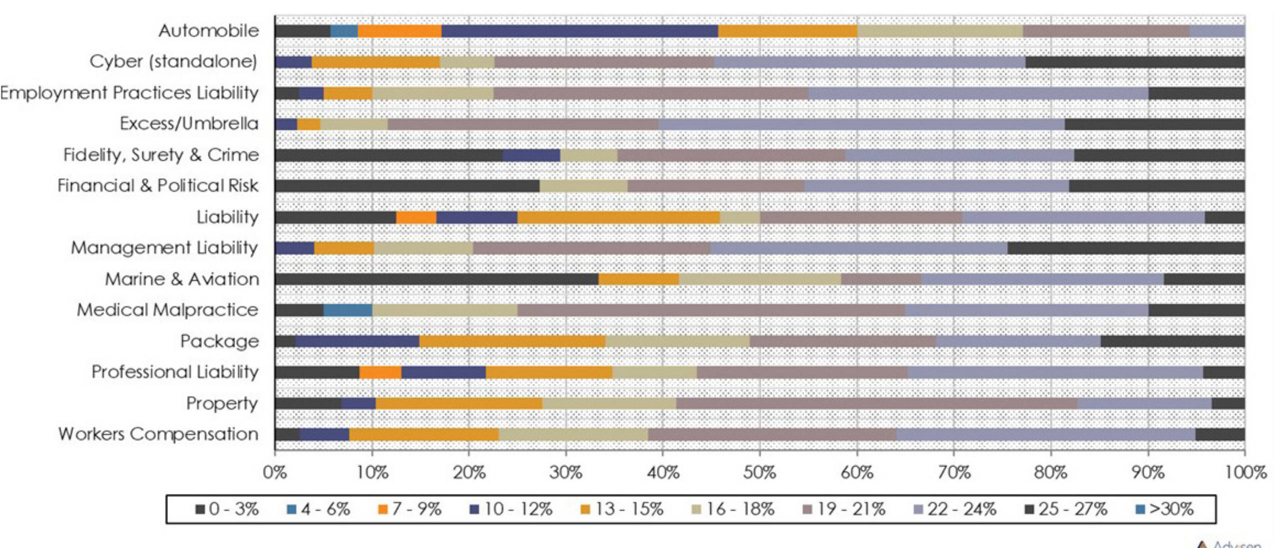
At 41 percent, the commission paid to retail agents/brokers remained the largest segment of the approximate split of overall expenses. Compensation and benefits was the second largest segment at 34 percent. A far third was underwriting / issuance / agency management platforms and supporting systems at nine percent.

APPROXIMATE SPLIT OF OVERALL EXPENSES IN 2020 (IN%)



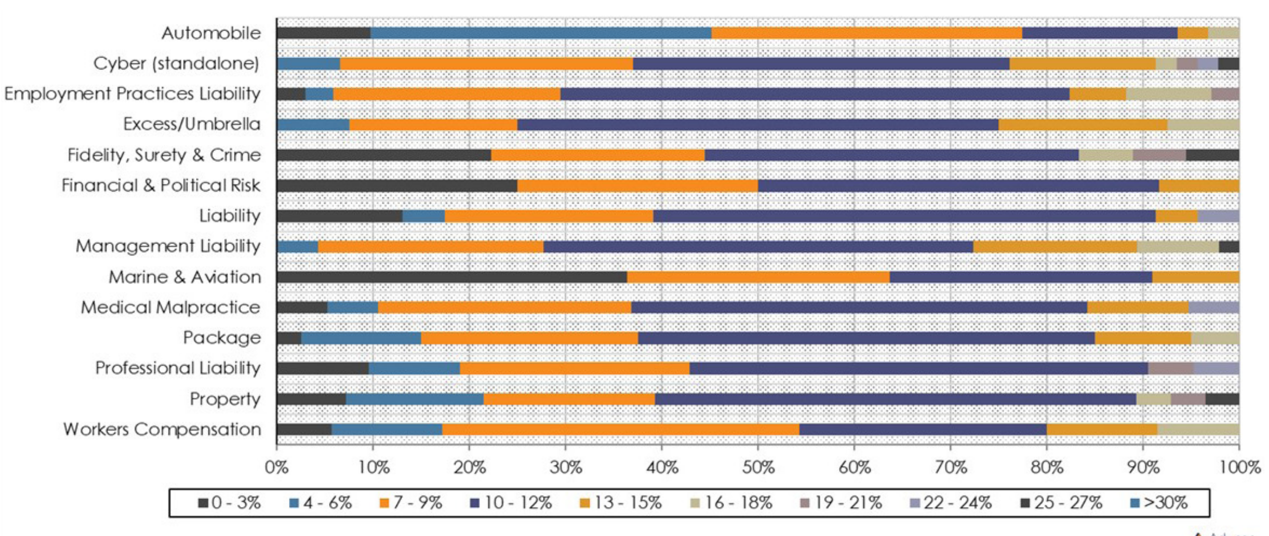
For the 2021 poll, the TMPAA and Advisen also looked into the average commission across 14 lines of business. Survey results show that management liability, cyber, and excess/umbrella had the highest average gross commissions as a percentage of premium. On the other hand, the lowest commissions were reported in marine and aviation, liability, and automobile.

AVERAGE GROSS COMMISSION (% OF PREMIUM)



In terms of average net commission as a percentage of premium, the highest numbers were posted for cyber, fidelity, surety and crime, and property.

AVERAGE NET COMMISSIONS (% OF PREMIUM)



Services Delivered by Size of Administrator

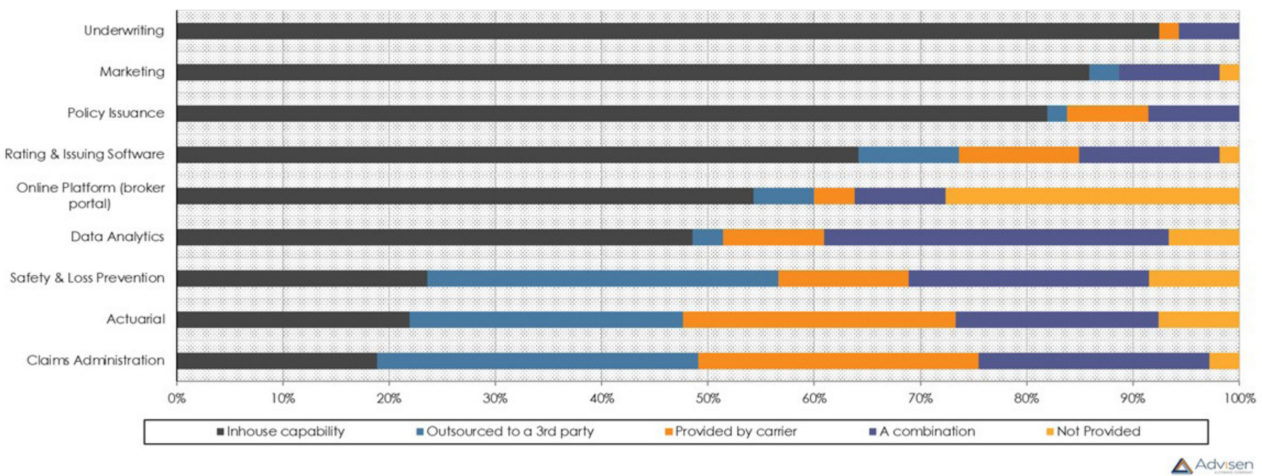
The TMPAA and Advisen looked into the administrators' practices related to delivering key services to their clients. How do administrators deliver services? Do they tend to provide services using their in-house resources or do they prefer to tap third-party firms to offer the services on their behalf? One major finding that the survey tracked through the years is that program administrators have been increasingly bringing more services in-house.

For the 2021 poll, the TMPAA found that a majority of administrators still tend to provide core services including underwriting, marketing, and policy issuance in-house.

Interestingly, however, while the administrators who are delivering underwriting through an in-house mechanism increased marginally (90 percent vs. 92 percent) from the prior survey, declines were witnessed in some services. In the case of marketing, the percentage of respondents delivering this in-house dropped from 91 percent in 2018 to 86 percent in 2020. This change was also reported in rating and issuing software (68 percent vs. 64 percent), data analytics (55 percent vs. 48 percent), claims administration (22 percent vs. 19 percent), and policy issuance (83 percent vs. 81 percent).

On the other hand, those offering actuarial services in-house increased from 18 percent in 2018 to 22 percent in 2020. Similarly, those providing online platform in-house (broker portal) rose from 50 percent in 2018 to 54 percent in 2020.

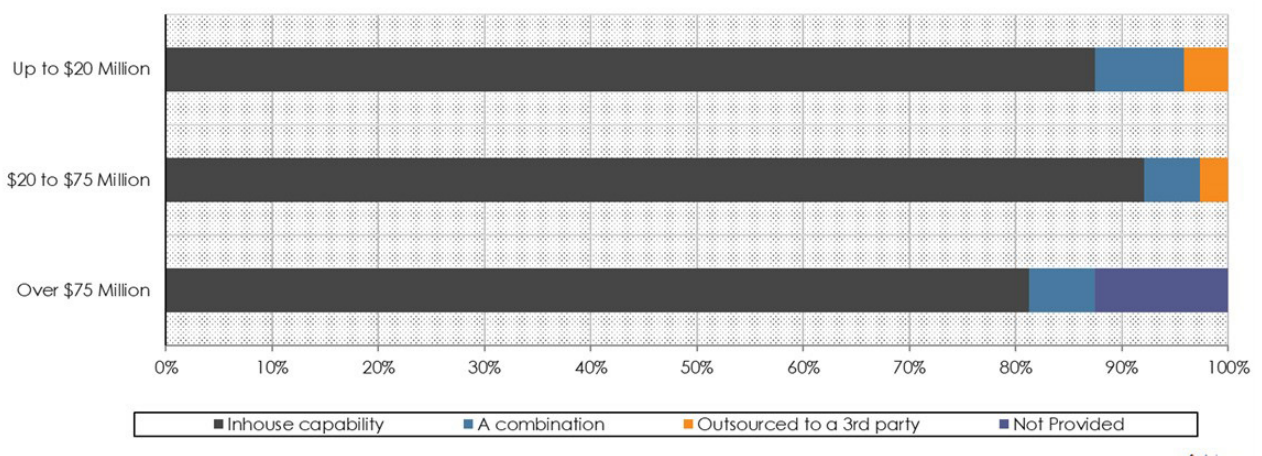
HOW SERVICES ARE DELIVERED



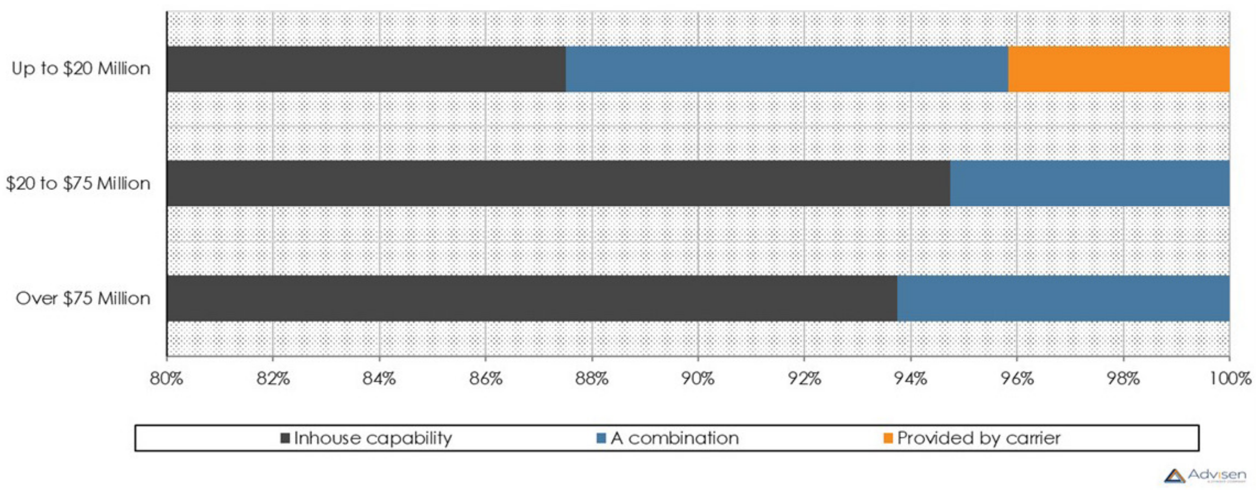
As with the previous polls, the service delivery mechanism employed by program administrators vary significantly by the size of the administrator.

Through the years, a consistent finding of the survey is that core services marketing, underwriting, policy issuance, rating and issuance software services, data analytics, and online platform (broker portal) tend to be provided in-house across all administrator sizes. Also, smaller administrators may not offer as broad a range of services as larger organizations.

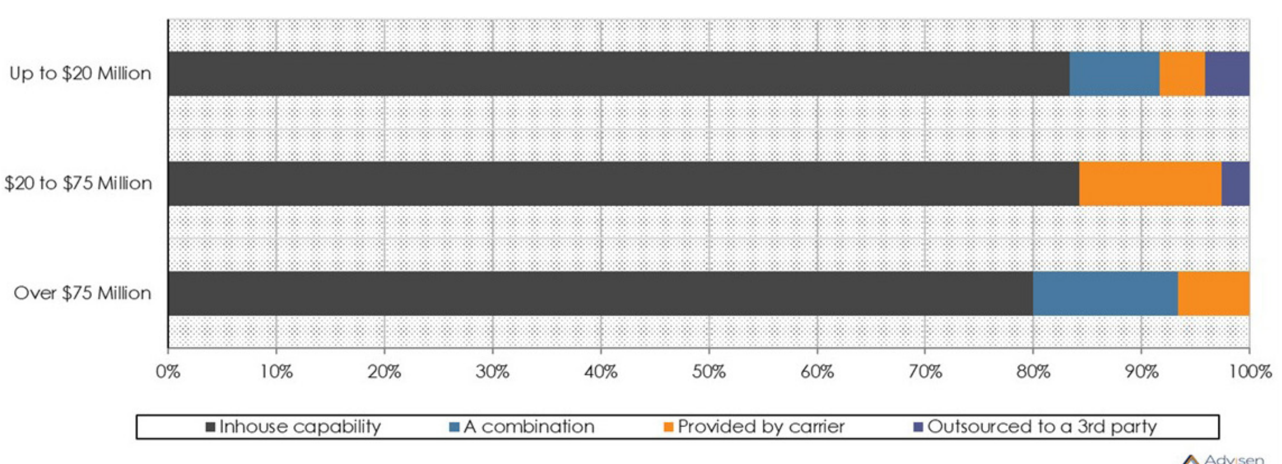
DELIVERY OF MARKETING SERVICES BY SIZE OF ADMINISTRATOR



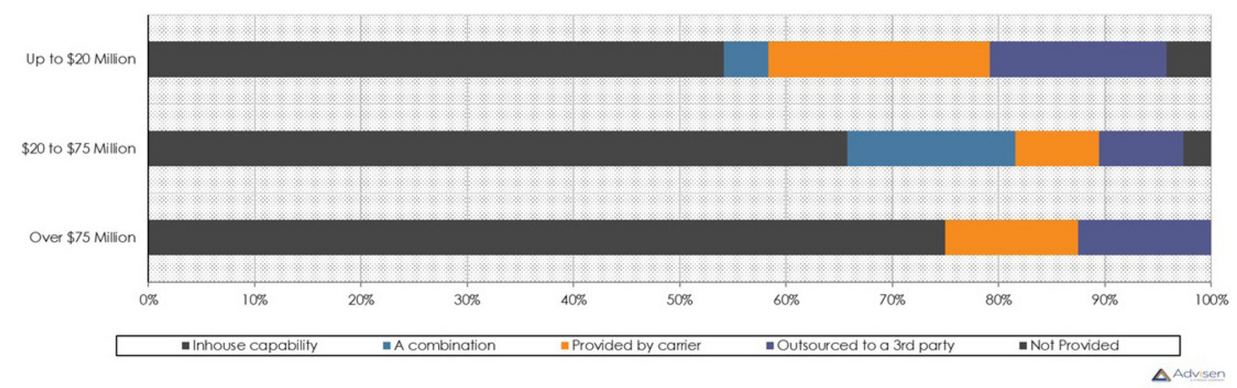
DELIVERY OF UNDERWRITING SERVICES BY SIZE OF ADMINISTRATOR



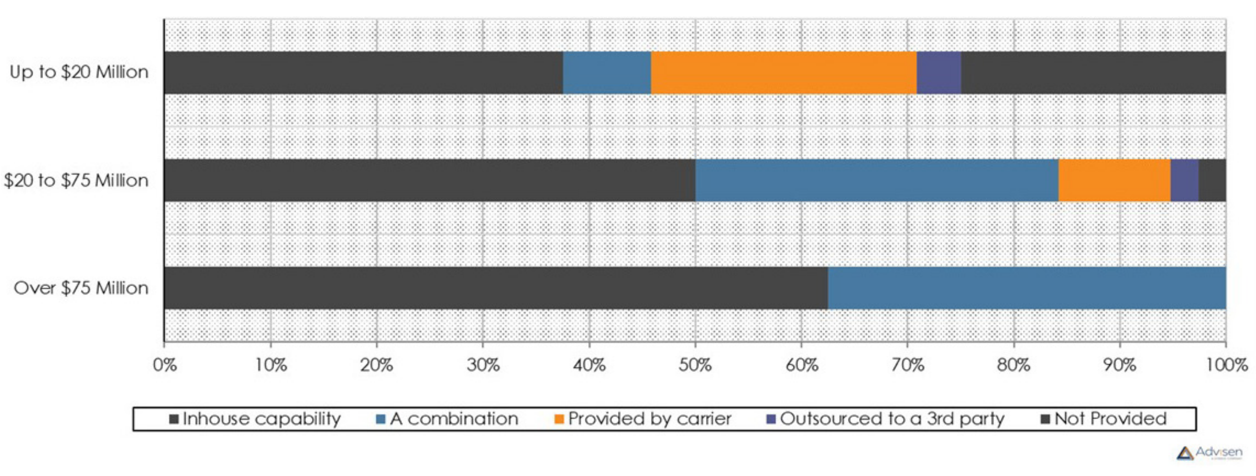
DELIVERY OF POLICY ISSUANCE SERVICES BY SIZE OF ADMINISTRATOR



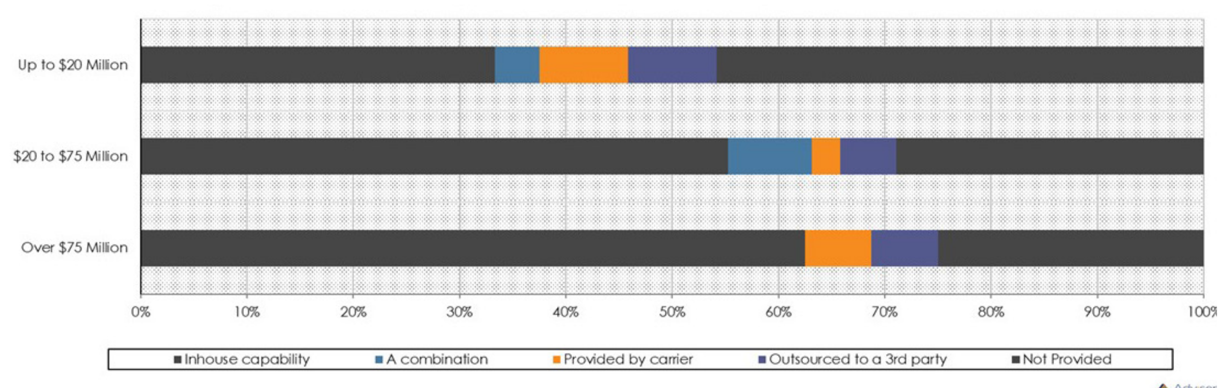
DELIVERY OF RATING & ISSUANCE SOFTWARE SERVICES BY SIZE OF ADMINISTRATOR



DELIVERY OF DATA ANALYTICS SERVICES BY SIZE OF ADMINISTRATOR

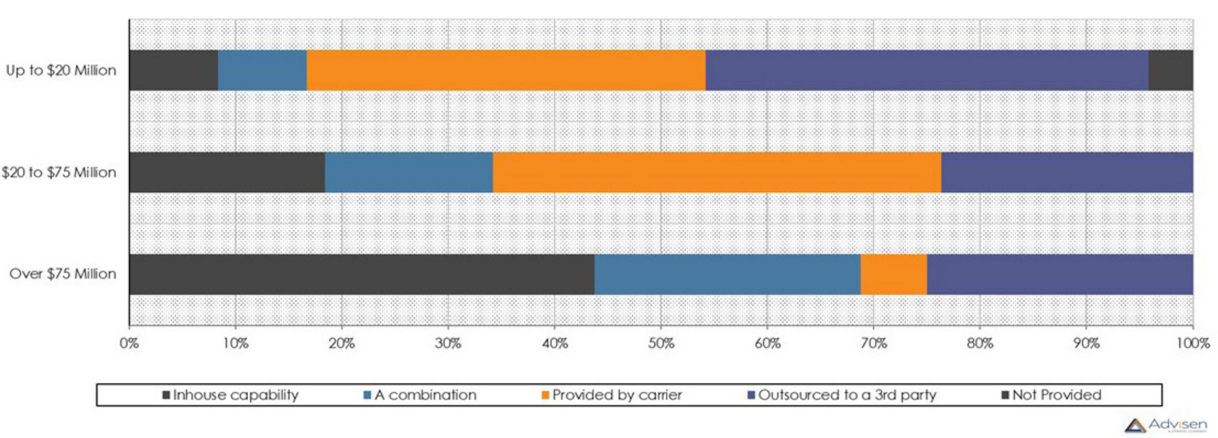


DELIVERY OF ONLINE PLATFORM (BROKER PORTAL) SERVICES BY SIZE OF ADMINISTRATOR



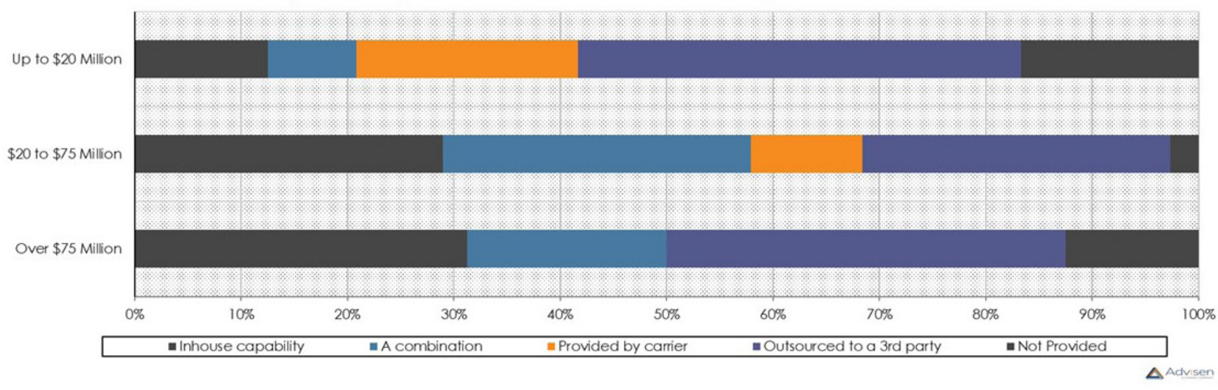
In 2018, respondents from larger administrators reported that they tend to deliver claims administration services by outsourcing it to a third party. This changed in 2020 when many of the larger firms said they tend to offer this service in-house. For mid-sized and small companies, this service tends to be provided by a carrier or outsourced to a third-party provider.

DELIVERY OF CLAIMS ADMINISTRATION SERVICES BY SIZE OF ADMINISTRATOR



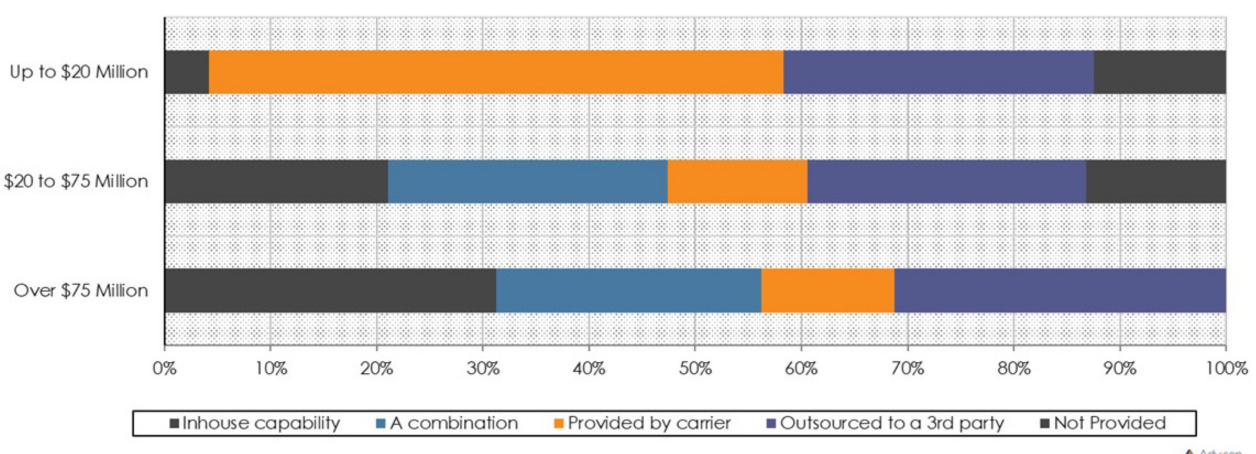
Larger administrators are more likely to provide safety and loss prevention in-house, while mid-sized firms tend to use a combination of methods. Many also outsource to a third-party provider. Unlike in the previous poll when smaller administrators were more likely to use a combination of delivery methods, a greater percentage of smaller firms reported outsourcing safety and loss prevention services in 2020.

DELIVERY OF SAFETY & LOSS PREVENTION SERVICES BY SIZE OF ADMINISTRATOR



In the case of actuarial services, the large firms tend to either use a combination of options or outsource to a third-party. It is interesting to note though that the percentage of large firm reporting an in-house mechanism to deliver actuarial services increased by 10 percent from the previous survey. Mid-sized firms also tend to deliver this service through a combination of options or outsource it to a third-party provider. Many smaller firms continue to deliver it through the carrier, while some outsource it.

DELIVERY OF ACTUARIAL SERVICES BY SIZE OF ADMINISTRATOR



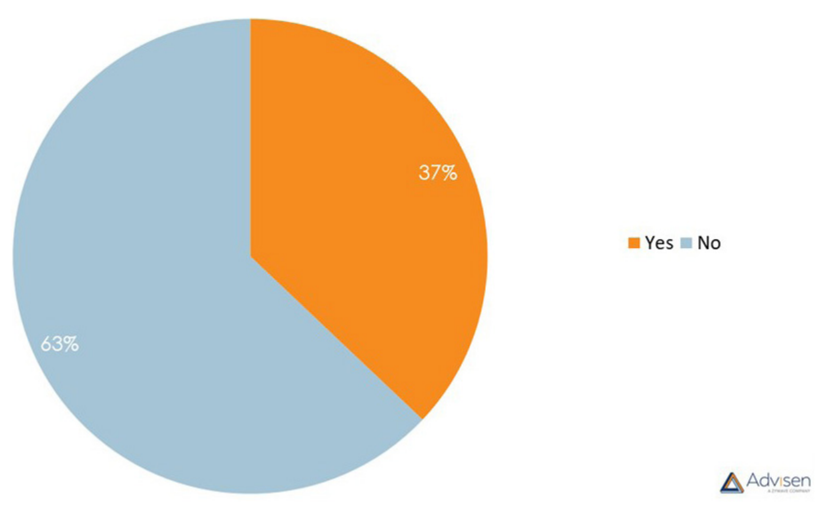
Change in Program Carrier

A crucial component in creating successful programs is the relationship between program administrators and carriers. As previous polls found, administrators look for key attributes such as history of supporting programs long-term, flexibility of underwriting guidelines, underwriting appetite for the program, scope of underwriting authority, responsiveness to referrals outside of underwriting guidelines, claims management reputation, and many other traits.

For the 2021 survey, administrators were asked about their views on replacing their program carriers. Did they change their program carrier in the past three years? What prompted them to change their carriers? Do they plan to change their carriers in the near future?

The survey indicated that the relationships between administrators and carriers are growing more durable. Thirty-seven percent of the program administrators surveyed reported changing their program carriers in the past three years – a slight decline from the 41 percent who said they changed carriers in 2018, and a material decline from the 52 percent recorded in 2016.

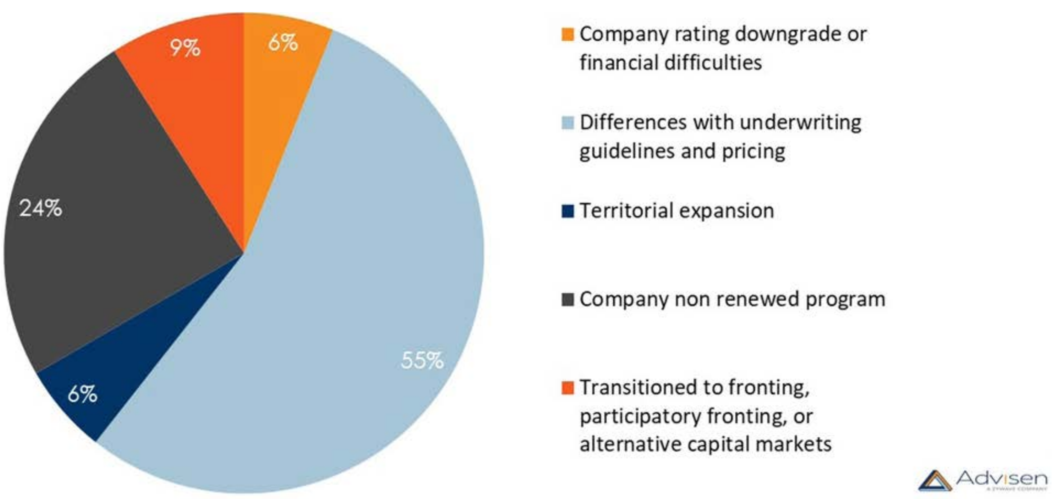
HAVE YOU CHANGED YOUR PROGRAM CARRIER IN THE PAST THREE YEARS?



Differences with underwriting guidelines and pricing is still the main reason why program administrators are prompted to change their carriers. A fourth of those polled said the company non-renewed the program.

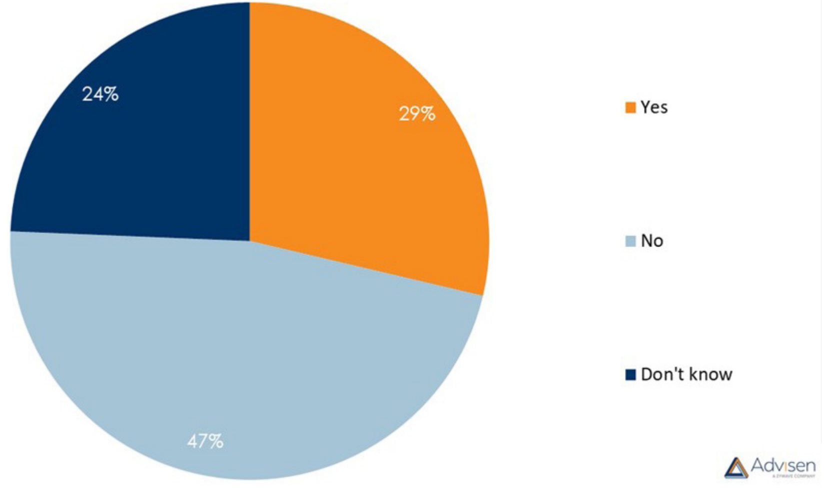
Some respondents offered commentary on why they decided to change their carriers. According to one administrator, "Capacity limitations hurt our growth trajectory. Moved carriers to continue to grow." Another said, "More than one change: rating downgrade, transition to participatory fronting, differences with underwriting guidelines and pricing." For other respondents, their firms were acquired so they were forced to make the change.

REASONS FOR CHANGING CARRIERS IN THE PAST THREE YEARS



Nearly half of the administrators polled said they do not plan to change program carriers in the next 12 months, while a third of those surveyed reported planning on it. Almost of a fourth of those polled have no view on the question.

PLAN TO CHANGE PROGRAM CARRIERS SOMETIME IN THE NEXT 12 MONTHS

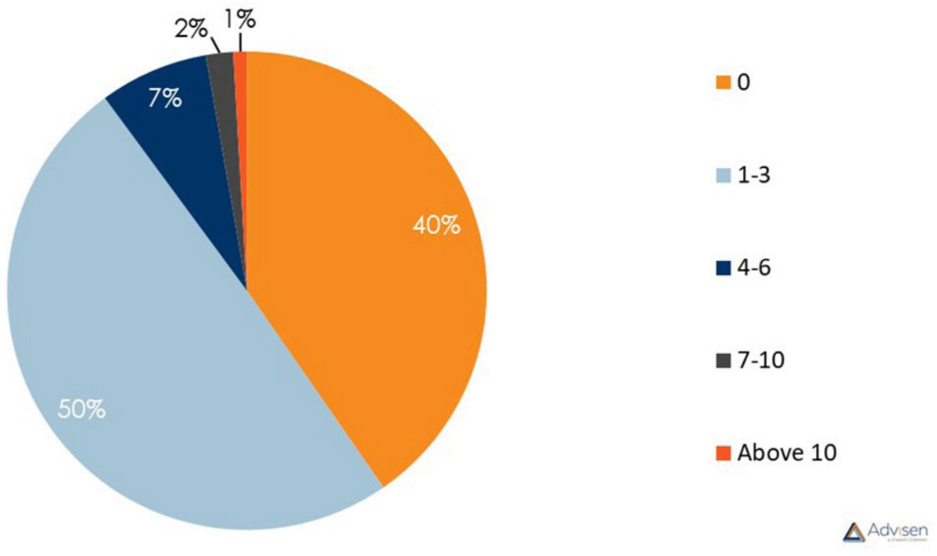


New Programs Introduced

The growth of the industry builds in part on constant innovation and introduction of new programs. Half of the administrators polled launched one to three new programs over the last two years, while seven percent introduced four to six programs. Two percent of those surveyed said they introduced between seven and 10 new programs in the past 24 months, while only one percent launched more than 10 new programs. Forty percent of administrator respondents did not introduce any new programs in the past two years.

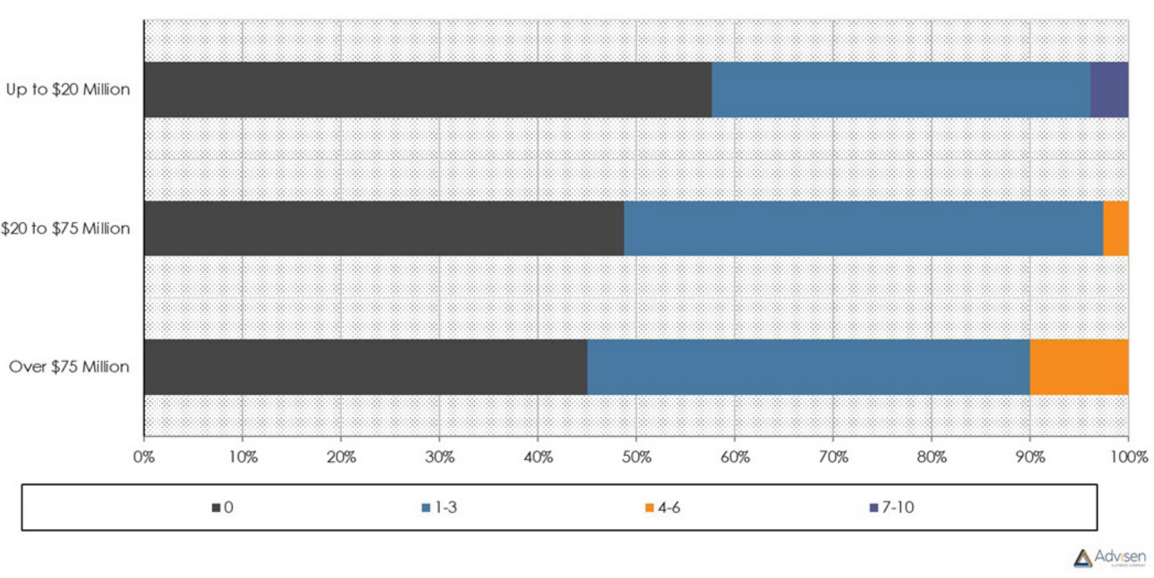
The majority of administrators surveyed plan to introduce new programs in the next 24 months. Sixty-four percent of the administrators polled plan to introduce one to two programs, 15 percent foresee introducing three to four new programs, while the remaining five percent plan to introduce five to six new programs within the next two years.

NUMBER OF PROGRAMS INTRODUCED IN THE PAST 24 MONTHS



The larger administrators or those with revenues of more than $75 million introduced more programs.

NEW PROGRAMS INTRODUCED BY REVENUE SIZE



Plan to Introduce New Programs

Most of the respondents plan to introduce new programs in the next 24 months. Sixty-six percent of the administrators surveyed said they plan to introduce one to three programs, four percent plan to onboard seven to 10 programs, and two percent are looking at introducing more than 10 programs. The number of administrators planning to launch four to six programs increased from six percent in 2018 to 11 percent in 2020.

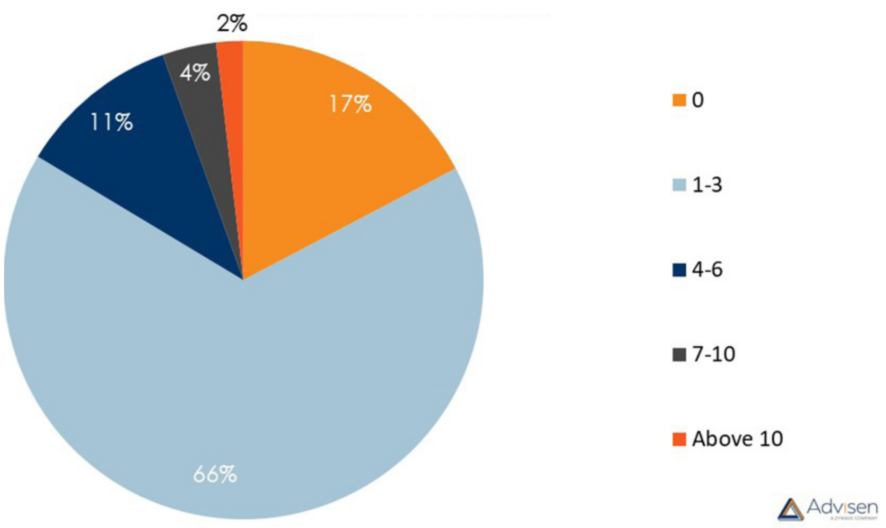
Only 17 percent of those polled have no plans of introducing new programs in the next 24 months.

In offering commentary on the weaknesses of the program business, one carrier respondent pointed to the challenges faced in introducing new programs. “A major weakness of program business involves the expectations surrounding the acquisition or formation of a new program. The lifecycle of the onboarding of a new program may vary significantly depending upon the targeted class, product offering and the availability of historical loss data. Another challenge is the ability of insurers and program partners to establish and maintain alignment on the strategic goals and financial performance of a program,” the survey participant said.

“There is oftentimes a lack of innovation in the actual products, as MGAs seek to me-too filings which have been on the shelf for 10-15+ years. PAs need to identify what coverages, language and differentiators are working vs. not working, and design products which are actually built around modern consumers and exposures. This will lead to ultimately more value on both sides of the equation.”

Another carrier pointed to a lack of innovation in some products. "There is oftentimes a lack of innovation in the actual products, as MGAs seek to me-too filings which have been on the shelf for 10-15+ years. PAs need to identify what coverages, language and differentiators are working vs. not working, and design products which are actually built around modern consumers and exposures. This will lead to ultimately more value on both sides of the equation."

NUMBER OF NEW PROGRAMS PLANNED TO BE INTRODUCED IN THE NEXT 24 MONTHS



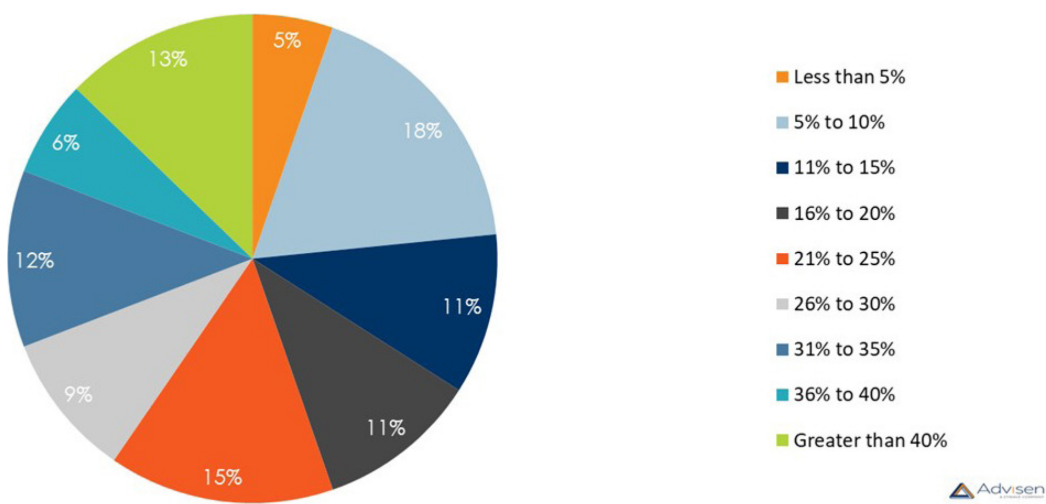
Program Administrator Profit Margin

Administrators were asked about their average program administration profit margin over the past three years. Profit margin is defined as net income as a percentage of revenue after agents' commissions.

Five percent said it was less than five percent, 18 percent said five to 10 percent, 11 percent said 11 to 15 percent, 11 percent said 16 to 20 percent, and 15 percent said 21 to 25 percent. Ten percent of the respondents reported a profit margin of 26 to 30 percent, 12 percent said 31 to 35 percent, six percent said 36 to 40 percent, and 13 percent said more than 40 percent.

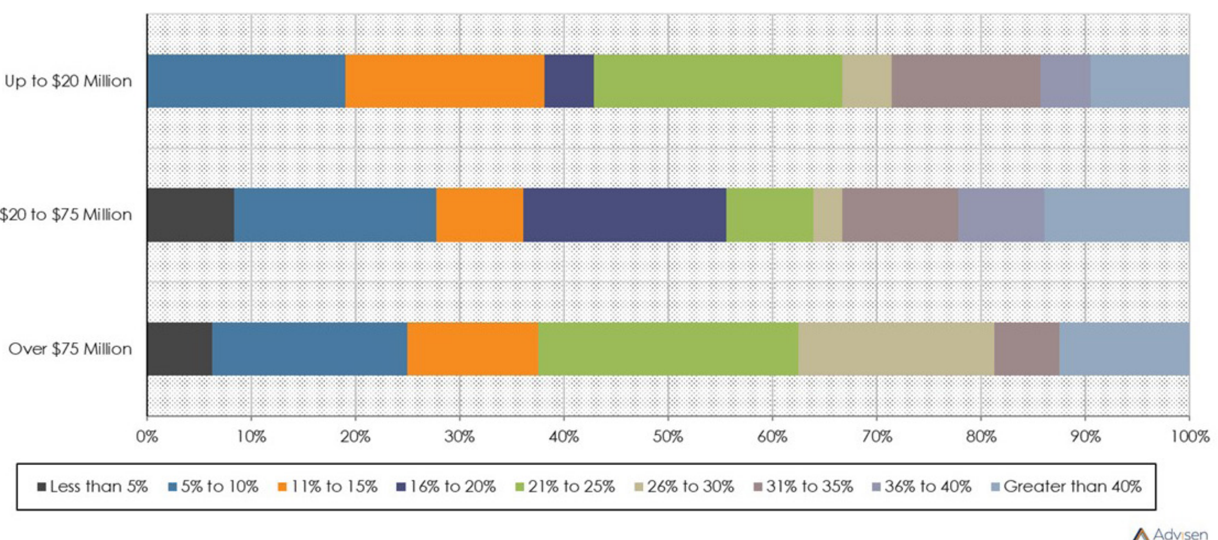
The percentage of administrators reporting profit margins of more than 26 percent increased materially from 31 percent in 2018 to 41 percent in 2020.

PROGRAM ADMINISTRATION PROFIT MARGIN



Unlike the previous survey when larger administrators or those with revenue greater than $75 million registered the highest profit margin among the three revenue groups, the 2021 poll saw mid-sized firms posting the highest profit margin.

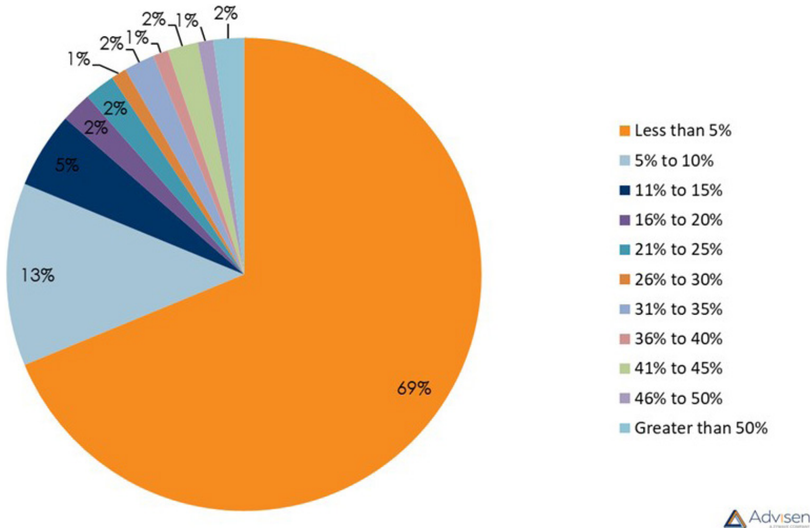
PROGRAM ADMINISTRATION PROFIT MARGIN BY SIZE OF ADMINISTRATOR



Contingent Income

Sixty-nine percent of those polled reported that contingent income as a percentage of their net income is less than five percent, while 13 percent said contingent income represent five to 10 percent of their net income. For the remaining 18 percent of administrator respondents, contingent income represents more than 11 percent of their net income.

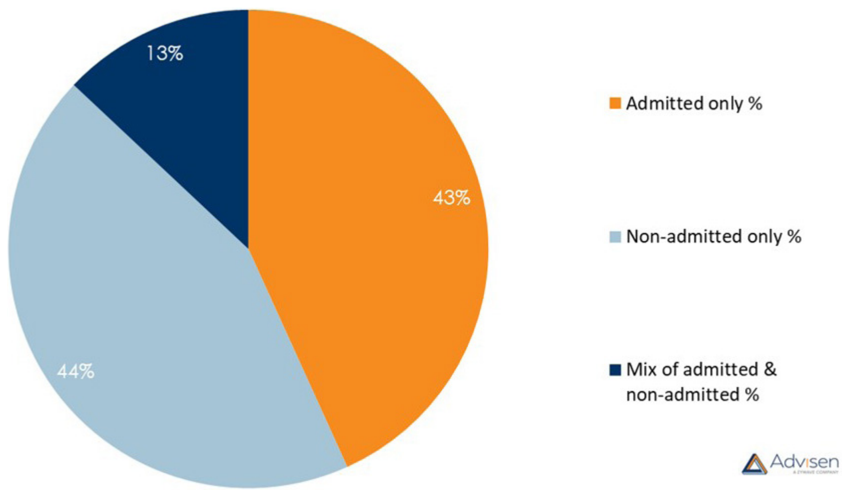
PERCENTAGE OF NET INCOME THAT IS CONTINGENT INCOME



Admitted vs. Non-admitted

Forty-four percent of the administrators polled said they have non-admitted programs only, while 43 percent have admitted programs only. The remaining 13 percent offer a mix of both.

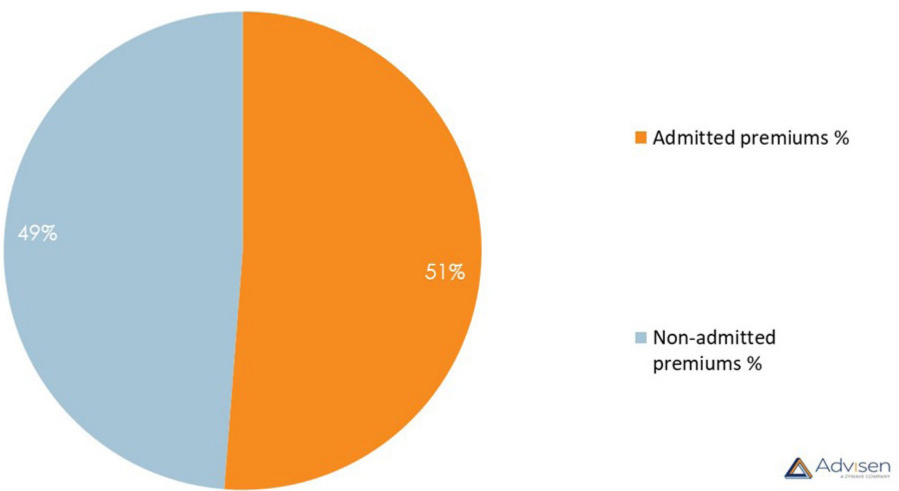
PERCENTAGE OF PROGRAMS THAT ARE ADMITTED VS. NON-ADMITTED



Administrators were asked the question: “Approximately what percent of your program premiums are admitted vs. non-admitted?”

Responses show that approximately 51 percent of premiums are admitted while 49 percent are non-admitted.

PERCENTAGE OF PROGRAM PREMIUMS THAT ARE ADMITTED VS. NON-ADMITTED



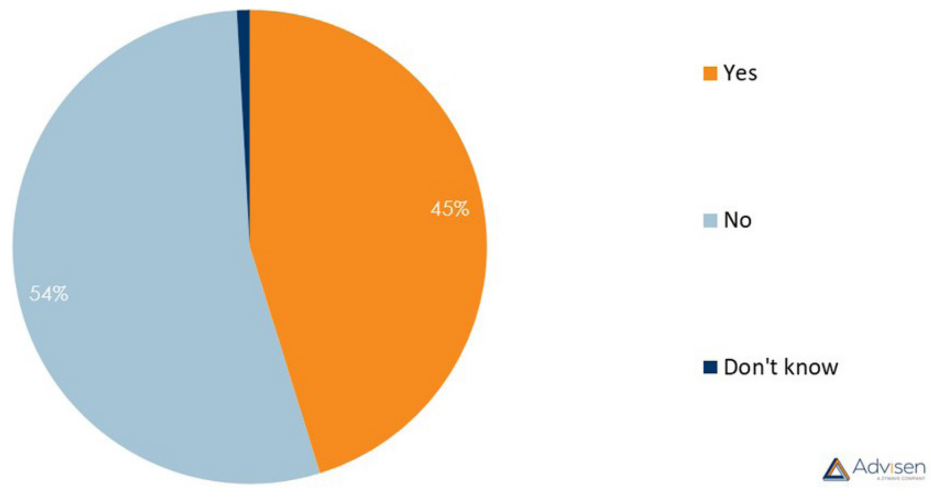
Use of a Lloyd's Syndicate for Program Business

Administrators who reported using a Lloyd's syndicate for any of their program business increased from 42 percent in 2018 to 45 percent in 2020. Conversely, those who do not use a Lloyd's syndicate declined from 58 percent to 54 percent.

Commenting on why they prefer to use a Lloyd's syndicate, administrators enumerated the benefits they gain, including stability, financial soundness, capacity for challenging risks, flexibility, and underwriting appetite. According to one survey participant, the Lloyd's market provides "access to strong capital via long-term relationships."

A number of administrators use Lloyd's syndicate because of its expertise in specialty products. One respondent uses a Lloyd's syndicate because it is more open to "surplus lines, more open to start-ups, and more creative for niche products."

DO YOU USE LLOYD'S SYNDICATE FOR ANY OF YOUR PROGRAM BUSINESS?



Use of Fronting

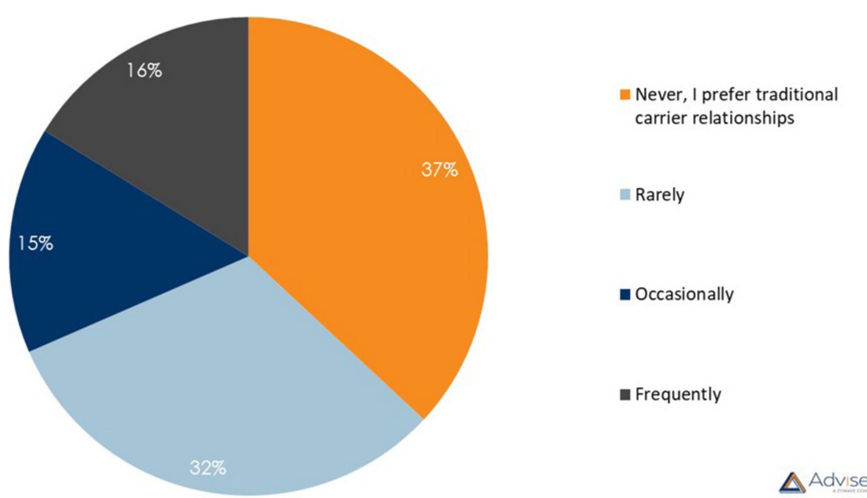
For the 2021 poll, The TMPAA State of Program Business Study sought administrators' views on fronting, a risk management strategy which involves an insurer underwriting a policy to cover a certain risk then cedes the risk to a reinsurer.

While it is not a new risk management technique, fronting had a re-emergence of sorts in recent years as an increasing number of program administrators started exploring fronted-carrier relationships. Recent years have seen a wave of fronting carriers entering the program space with some administrators embracing the trend for the benefits it brings. To gauge the level of adoption of fronting arrangements, the survey added a question about the topic this year.

"Fronting and capital market dialogue has increased in the last 24 months," one administrator respondent said.

Among survey participants, 16 percent reported using fronting frequently for their program business, while 15 percent said they use this strategy occasionally. A third of those polled said they rarely use fronting. The remaining 37 percent prefer traditional carrier relationships over fronting.

USE OF FRONTING, PARTICIPATORY FRONTING OR ALTERNATIVE CAPITAL MARKETS FOR PROGRAM BUSINESS



Responses indicate that administrators are divided in their views of this risk management strategy and many of them explained why in commentaries.

Flexibility appears to be one of the benefits that entice administrators to choose a fronted carrier over a traditional program carrier. "Fronting allows us to utilize our dedicated reinsurance facility to assume risk and provides us more flexibility. Alternative capital is more willing to participate on hard to place lines like commercial auto and crypto," one administrator commented. Another respondent said, "We utilize 100 percent fronting because specialty carriers will consider more difficult classes." This view was shared by a few other administrators: "Very few traditional markets are willing to insure the exposure we are writing." "Severity driven underwriting exposures necessitate alternative fronting or participatory fronting agreements."

For some administrators, fronting gives them the potential to have more control over the administration of their programs. One administrator polled used fronting "for the ability to place our own reinsurance panel."

"Fronting allows us to utilize our dedicated reinsurance facility to assume risk and provides us more flexibility. Alternative capital is more willing to participate on hard to place lines like commercial auto and crypto," one administrator commented.

On the other side of the fence are administrators who have tried fronting and were not satisfied with their experience. "Previously used a fronting carrier; did not find it to be a valuable relationship. Too expensive, no support or collaboration, and no advocacy," a respondent shared. Another administrator said, "Did a front back in 1999-2001 and back in 2010-2013. Carrier did not care about the claims admin as it was not their surplus that was in play. Prefer carrier skin in the game."

Some administrators find that it takes more work to partner with fronted carriers. "Fronts serve a vital purpose for the industry, but they do require more effort and technical expertise to manage," one administrator said. Another respondent said, "We do not currently use a fronting arrangement but would be open to it if a traditional carrier relationship were not available. Generally, there are too many layers of expense associated with a fronting arrangement."

Some administrators simply have not found a fronting carrier that they want to work with. "We have not found a fronting carrier willing to write long-term group or individual disability insurance – our business focus. Therefore, we focus on Lloyd's if we need to go beyond our core admitted insurer partners who are comfortable writing long-term disability insurance," one poll participant explained.

Several administrators polled said they while they do not find the need for fronting now, they are not closing their doors to the strategy. "We have done well without, but would if it made sense," said an administrator.

One respondent even "expect this (fronting) to increase in the future." Already, some are studying how they can incorporate fronting in their future. "Predominantly manage profitable established admitted programs without need to transition at this time. For the 1- programs likely to transition in the next 12 months, consider alternatives/fronts but more cost effective standard or specialty solutions available at this time. Few fronts we have are very good and allow complete underwriting discretion at PA – so exploring how to continue to incorporate the model in the future."

Commenting on threats faced by the program business, one administrator polled talked about the hard market's impact on fronting. "If the market remains hard and fronting companies are unable to wrap their heads around collateralized/unrated reinsurance then the majority of them will fail, simply because their capital will not be put to work. The difficulties experienced by brokers and MGAs when trying to place alternative capital with new fronts seems to be a deterrent, however, the amount of new program business coming to market with A-rated reinsurance behind it is becoming thinner.

INSURERS

Demographics

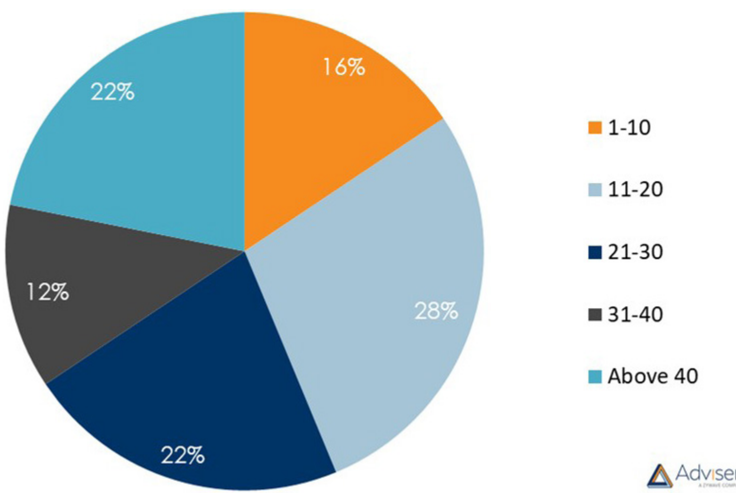
Fifty-one insurers representing 1,322 programs participated in the 2021 survey, a slight decline from the 61 carriers who joined the 2019 study.

Program Information

All 51 respondents confirmed that they are insurance carriers active in the program space who delegate binding and underwriting authority to program administrators with whom they have a contractual partnership. All insurer respondents confirmed that they all have at least two current programs. The TMPAA identifies firms as program carriers if they have at least two current programs.

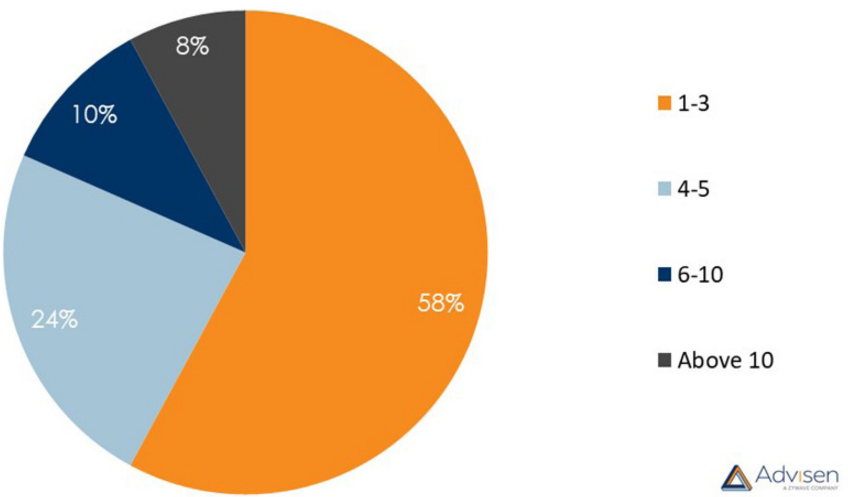
Twenty-eight of the carriers surveyed insure 11 to 20 distinct programs. Twenty-two percent of the respondents insure more than 40 programs, another 22 percent insure 21 to 30 distinct programs, 16 percent insure one to 10 distinct programs, and 12 percent insure 31 to 40 distinct programs. The percentage of carriers insuring more than 21 distinct programs rose significantly from 44 percent in the 2019 poll to 56 percent in the 2021 survey.

NUMBER OF DISTINCT PROGRAMS INSURED



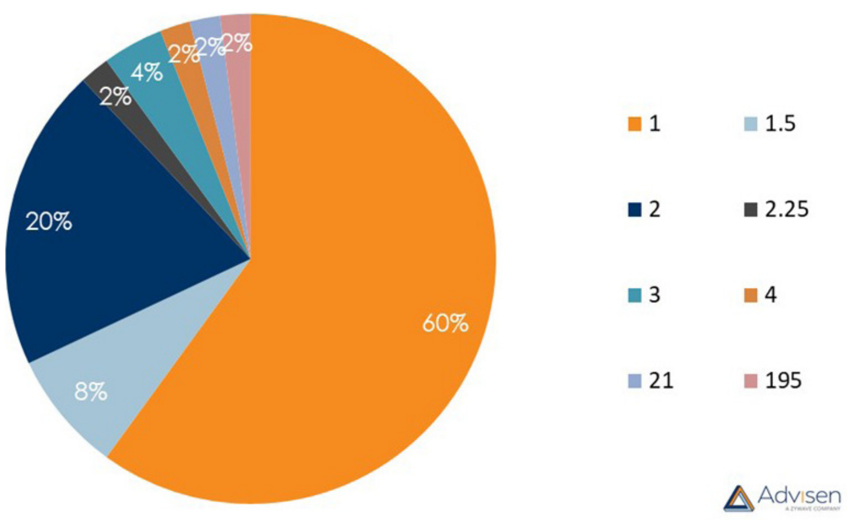
Fifty-eight percent of carrier respondents reported that their program underwriters manage an average of one to three programs – this is slightly lower than the 63 percent recorded in the previous poll. Twenty-four percent of the carriers said the average number of programs managed by their underwriters is four to five, 10 percent manage an average of six to 10 programs, and eight percent manage more than 10 programs. The percentage of carriers whose underwriters manage more than six programs rose from 14 percent in the 2019 poll to 19 percent in 2021.

AVERAGE NUMBER OR PROGRAMS MANAGED BY EACH PROGRAM UNDERWRITER



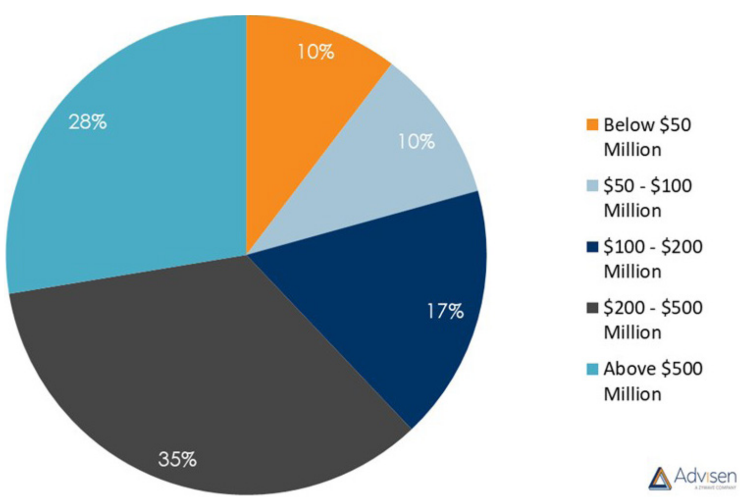
Reporting on the average number of programs offered on their company's paper per program administrator, 60 percent of the carriers polled said one, 20 percent said two, eight percent said 1.5, four percent said three, and two percent each said 2.25, 4, 21, and 195.

AVERAGE NUMBER OF PROGRAMS PER PROGRAM ADMINISTRATOR



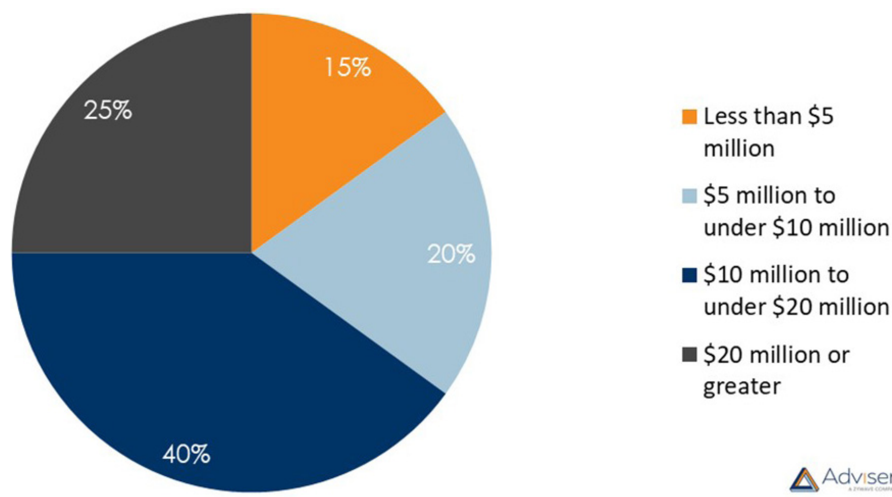
Carriers were asked "What are your total gross premiums from programs and what percentage of your total gross premiums written does Programs represent?" Twenty-eight percent of the carriers polled reported having total gross premiums of more than $500 million, 35 percent said $200 million and $500 million, 17 percent said $100 million to $200 million, 10 percent said $50 million to $100 million, while the remaining 10 percent reported total gross premiums of less than $50 million. Those reporting having total gross premiums of more than $500 million increased from 22 percent in 2019 to 28 percent in the 2020 poll. On the other hand, carriers who reported less than $50 million dropped from 19 percent to 10 percent.

TOTAL GROSS PREMIUMS



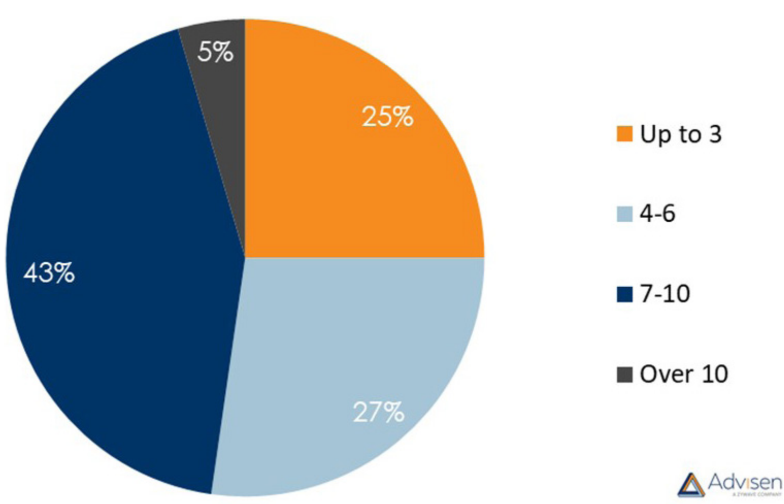
Forty percent of the carriers surveyed estimated their average premium per program at $10 million to under $20 million, while 20 percent pegged it at $5 million to under $10 million. Twenty-five percent estimate their average premium per program at more than $20 million, while the remaining 15 percent pegged it at less than $5 million.

AVERAGE PREMIUM PER PROGRAM



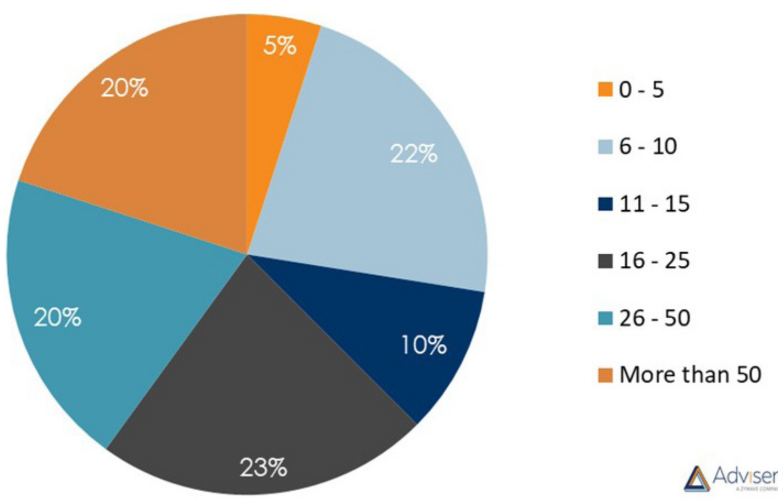
Forty-three percent of carriers surveyed say the average tenure of their programs is seven to 10 years, while 27 percent say four to six years. For 25 percent of carriers, the average tenure of programs is up to 3 years; while for the remaining five percent it is more than 10 years.

AVERAGE TENURE OF PROGRAMS



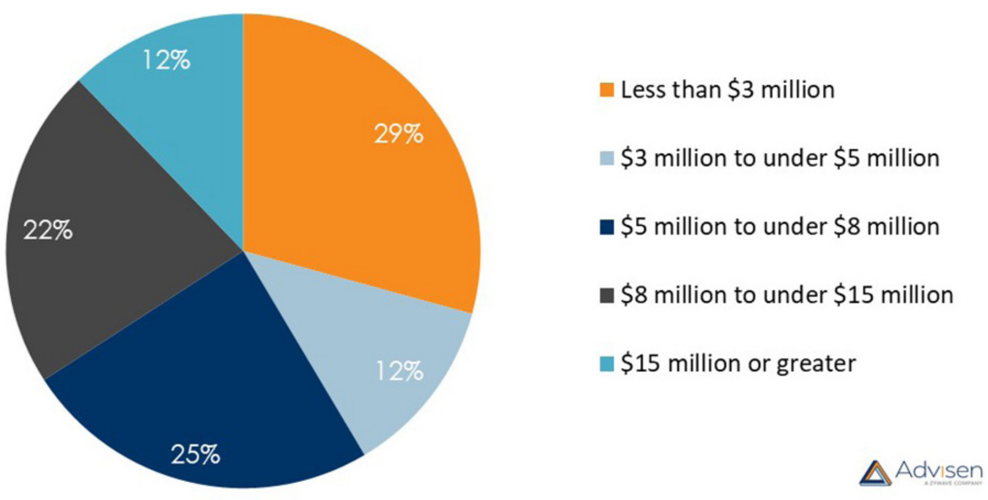
Twenty-three percent of the carriers polled have 16 to 25 employees dedicated to program business, while 22 percent have six to 10 employees working on program business. Twenty percent employ 26 to 50 people for its program business, while another 20 percent have more than 50 employees in the program space. Ten percent carrier respondents have 11 to 15 employees dedicated to program business, while five percent have less than five employees focused on the program space.

NUMBER OF EMPLOYEES DEDICATED TO THE PROGRAM BUSINESS



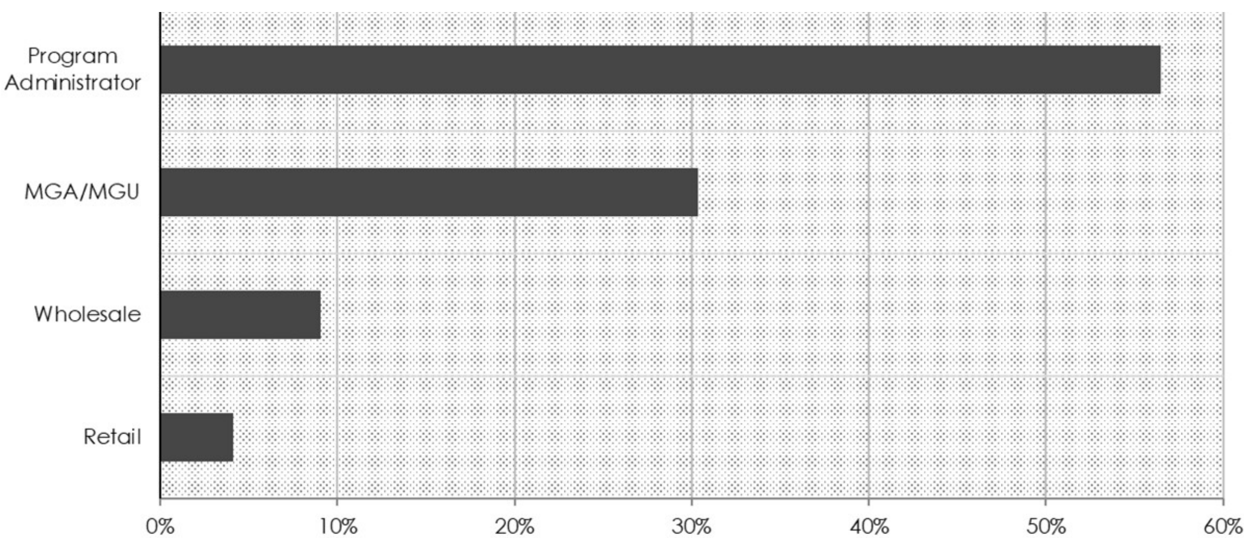
Asked to provide their minimum requirement for existing premium volume to consider a program, 29 percent of the respondents said less than $3 million, while 25 percent said $5 million to under $8 million. For 22 percent of the carrier respondents, the minimum requirement is $8 million to under $15 million, 12 percent said $3 million to under $5 million, and 12 percent said $15 million or more.

MINIMUM REQUIREMENTS FOR EXISTING PREMIUM VOLUME TO CONSIDER A PROGRAM



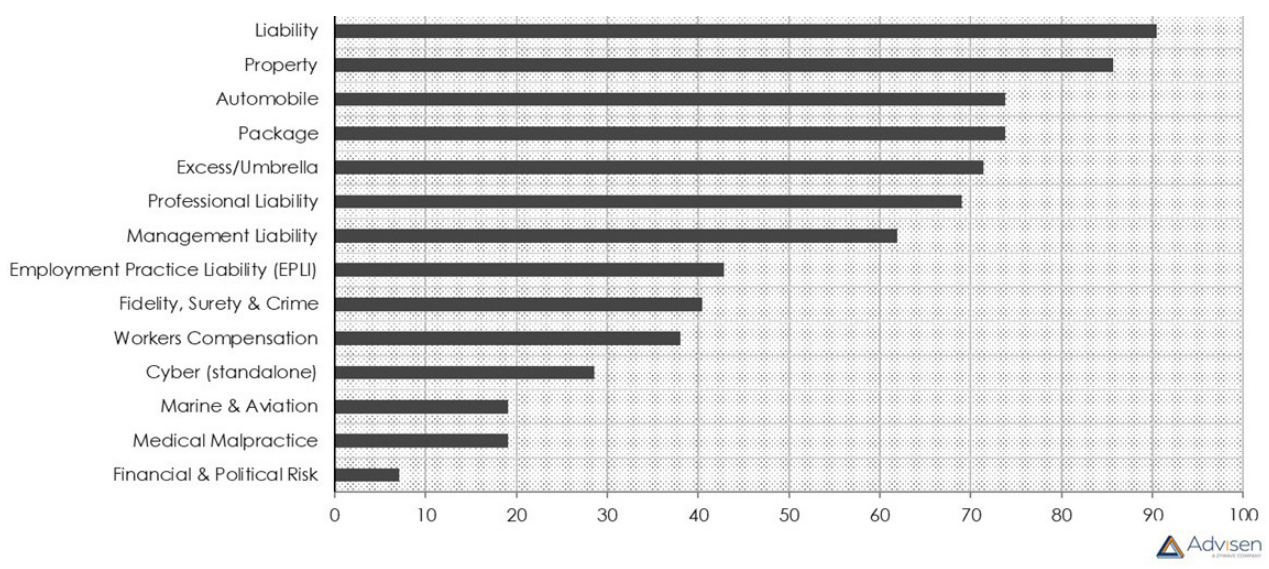
In terms of percentage of total number of programs by type of brokers/agencies, 56 percent come from program administrators, 30 percent come from MGAs/MGUs, nine percent come from wholesale brokers/agencies, while four percent come from retail brokers/agencies.

PERCENTAGE OF TOTAL NUMBER OF PROGRAMS BY TYPE OF BROKERS/AGENCIES



Consistent with the previous survey, liability (90 percent), property (86 percent), automobile (74 percent), package (74 percent), and excess/umbrella (71 percent) were the top five responses when carriers were asked about the lines of business they write for program administrators. At the bottom of the list were medical malpractice (19 percent) and financial and political risk (7 percent).

PERCENT OF CARRIERS OFFERING LINE OF BUSINESS

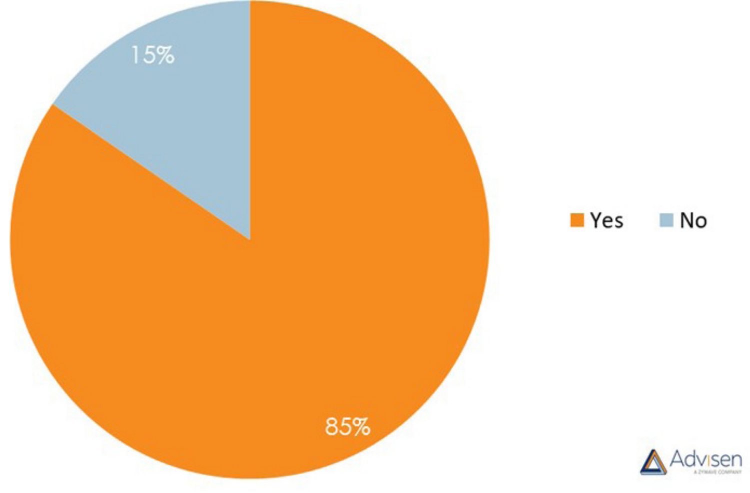


Program Strategy

All carriers who responded to the 2021 survey plan to expand within the next three years – a significant increase from 92 percent in the 2019 poll. These carriers plan to use a combination of partnering existing administrators and new ones.

Eighty-five percent of the carriers surveyed reported dropping programs in the past two years. This is slightly lower than the 88 percent recorded in the previous study.

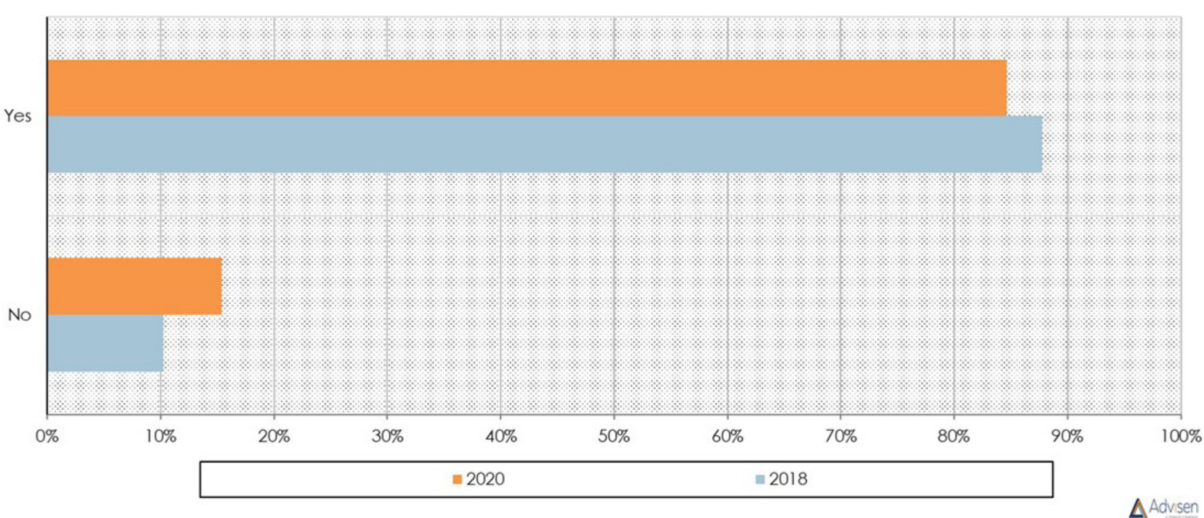
HAVE YOU DROPPED PROGRAMS IN THE PREVIOUS TWO YEARS?



Yes No

Advisen

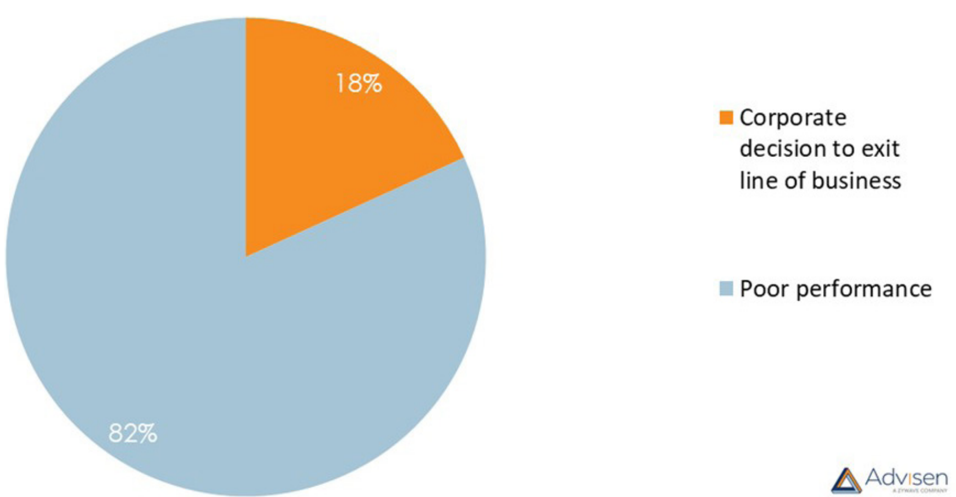
COMPARATIVE ANALYSIS OF DROPPED PROGRAMS (2018 VS. 2020)



Among those who dropped programs, 82 percent attributed their action to the programs' poor performance. Less than a fifth of the respondents pointed to corporate decision to exit line of business as the reason behind their decision to drop programs. These were the exact same responses in the previous poll.

Some carriers pointed to operational concerns and compliance and systems issues as some of the reasons why they drop programs. One carrier mentioned "Lack of reinsurance availability" as another reason.

REASONS FOR DROPPING PROGRAMS IN THE PAST TWO YEARS



As with the 2019 survey, all carrier respondents said they anticipate increasing the amount of premium written in the next three years.

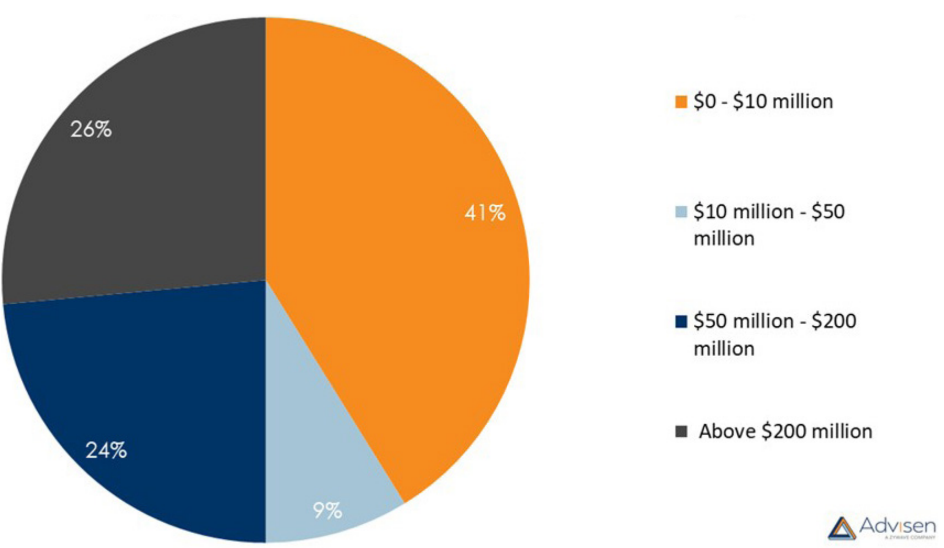
Written commentaries show that carriers see the program space as a growth segment. "We are targeting the program space as a driver of growth for our company over the next several years. Our focus is to partner with organizations having a need for a strategic and flexible partner, and which are experts within their program niche," one carrier respondent explained.

TARGET MARKETS® Program Administrators Association

Another poll participant said, “We will add new programs if quality opportunities are presented to us regardless we would expect that our existing book will grow.”

Asked about the rough amount by which they anticipate increasing or decreasing their written premiums in the next three years, 41 percent of the carriers said $10 million to $50 million, 26 percent said above $200 million, 24 percent $50 million to $200 million, and nine percent said $10 million to $50 million. Responses reflect a significant change as the percentage of those who anticipate a change of more than $200 million increased from 16 percent in 2018 to 26 percent in 2020. Similarly, carriers who expect a change of $0 to $10 million rose materially from 16 percent in 2018 to 41 percent in 2020.

WHAT IS THE ROUGH AMOUNT BY WHICH YOU ANTICIPATE INCREASING OR DECREASING YOUR WRITTEN PREMIUMS IN THE NEXT THREE YEARS?



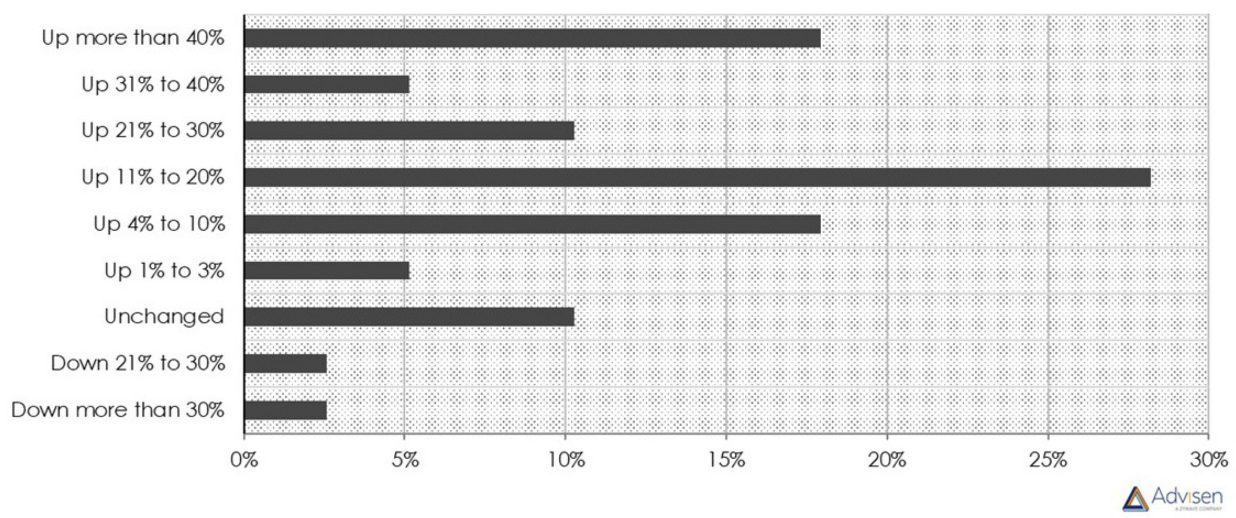
Eighty-four percent of the carriers polled reported increases in premiums administered in 2019 and 85 percent in 2020 – significantly higher than the 73 percent who recorded increases in 2018. On the other hand, 5 percent of carriers said premiums administered declined in 2019 and 2020, materially lower than 20 percent of carriers that recorded declines in the past survey. Ten percent said premiums administered were unchanged in 2019 and 2020. This compares to the six percent who did not see any changes in premiums administered in 2018.

Among carriers who reported increases in 2019, 28 percent said premiums administered rose by 11 to 20 percent, 18 percent saw increases of four to 10 percent, and another 18 percent reported increases of more than 40 percent. Ten percent said premiums administered went up by 21 to 30 percent, five percent saw increases of one to three percent, and another five percent reported increases of 31 to 40 percent.

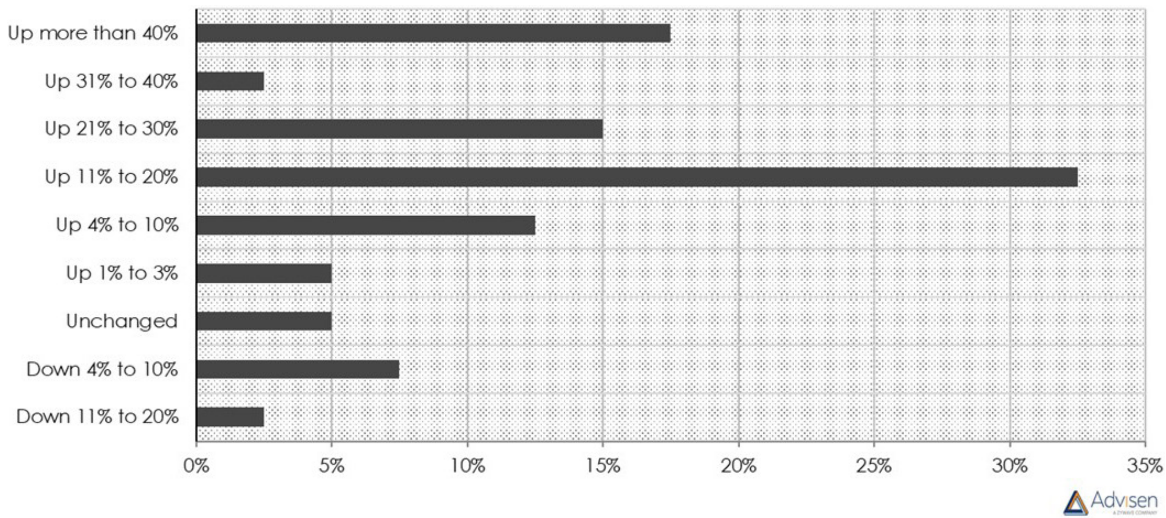
For 2020, 32 percent said premiums administered were up by 11 to 20 percent, 18 percent said they saw increases of more than 40 percent, and 15 percent reported increases of 21 to 30 percent. Thirteen percent reported that premiums administered rose 4 to 10 percent, five percent said one to three percent, and 3 percent said 31 to 40 percent.

On the other hand, five percent of respondents reported premium declines of more than 21 percent in 2019. In 2020, eight percent said premiums administered were down four to 10 percent, while two percent saw premiums administered drop by 11 to 20 percent.

BY WHAT PERCENT DID YOUR PREMIUMS WRITTEN THROUGH PROGRAMS (GROSS WRITTEN) CHANGE IN 2019?



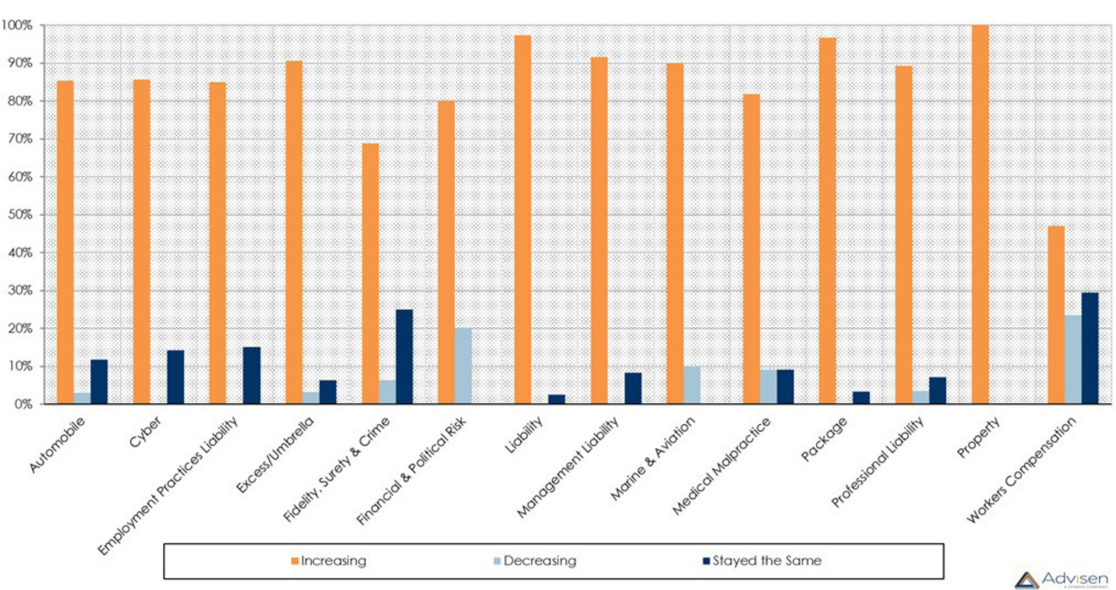
BY WHAT PERCENT DID YOUR PREMIUMS WRITTEN THROUGH PROGRAMS (GROSS WRITTEN) CHANGE IN 2020?



Like their administrator counterparts, carriers reported rate increases across all lines of business. The only difference between the two is in workers compensation. A greater percentage of carriers reported rate increases in workers compensation compared to their administrator peers. This is consistent with available market reports.

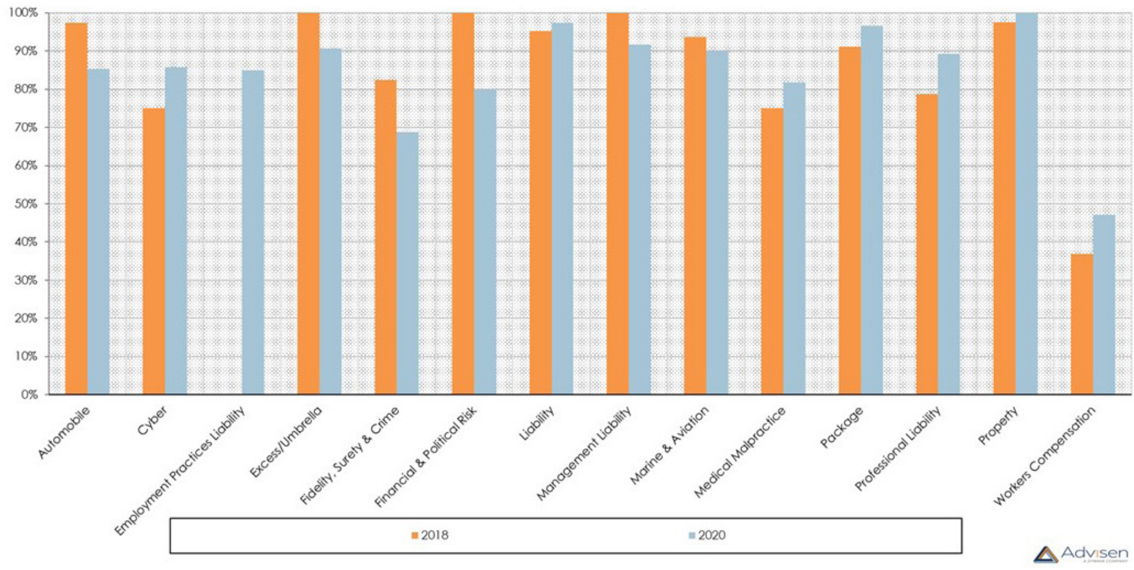
The LOBs with the highest share of respondents reporting increasing premiums were Property (100%), package (97%), liability (97%), management liability (92 percent), and excess/umbrella (91%)

SHARE OF RATE INCREASES/DECREASES BY LINE OF BUSINESS (2020)



A comparative analysis of data from 2018 and 2020 shows that the rate of increases rose for workers compensation, property, professional liability, liability, cyber, medical malpractice, and package. On the other hand, rate increase declined significantly for automobile, fidelity, surety and crime, excess/umbrella, management liability, and marine and aviation.

COMPARATIVE ANALYSIS OF SHARE OF RATE INCREASES (2018 VS. 2020)

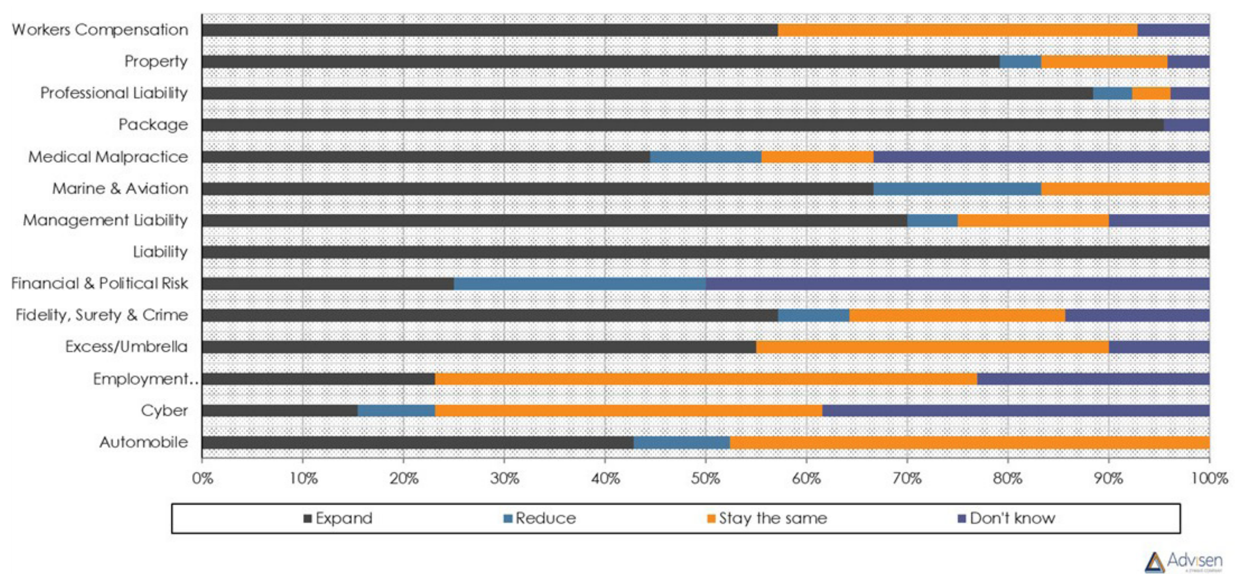


The survey looked into carriers' plans for 14 lines of business in the next 12 months. Responses show that carriers plan to expand in most of the LOBs. Expansion is particularly apparent for liability with all of the carriers polled expressing their intention to grow this line. The majority of carriers surveyed are also looking to expand in the areas of package (95 percent), professional liability (88 percent), property (79 percent), and management liability (70 percent). For employment practices liability and cyber, it appears that more carriers are leaning towards allowing the LOB to stay the same.

For automobile, workers compensation, excess/umbrella, and fidelity, surety and crime, carriers are roughly divided between expanding the LOB or allowing it to stay the same. As with the previous survey, a very small percentage of respondents are planning to reduce any of the LOBs they offer. Financial and political risk (25 percent) is the line which will most likely see reductions.

There also appears to be some level of uncertainty in financial and political risk, cyber, and medical malpractice as more than a third of the carriers polled said they do not know what their companies' plans are for these LOBs in the coming months.

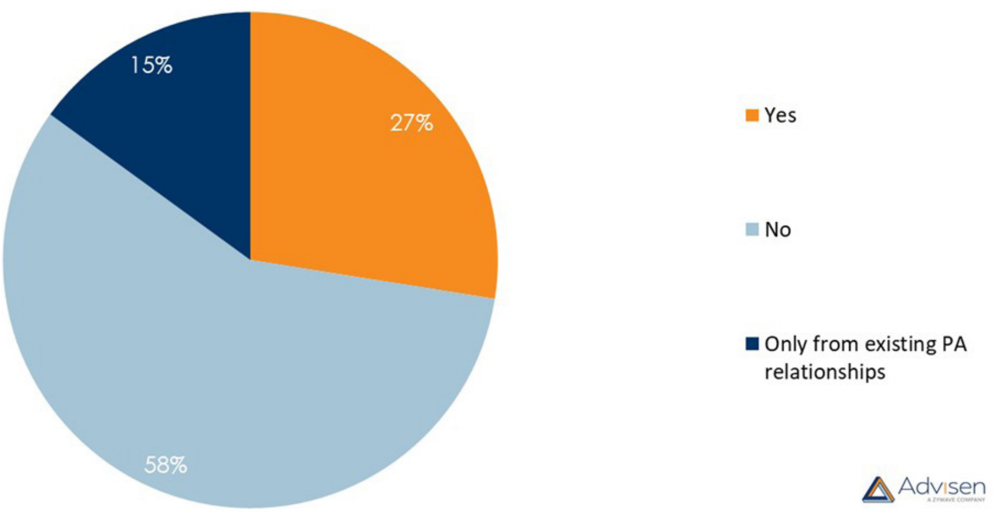
PLANS OVER THE NEXT 12 MONTHS FOR 14 LINES OF BUSINESS



Of the carriers polled, 27 percent said they will only consider roll over books of program business. The number barely changed from the 28 percent recorded in 2019 survey. Carriers who will consider doing new business only with existing PA relationships declined from 26 percent to 15 percent.

On the other hand, those who said they will consider new programs rose significantly from 42 percent to 58 percent. Comments indicate that carriers' willingness to consider new programs depends on the "specifics of the program opportunity (e.g. targeted class, product offering, and projected profitability." The availability of data, the business plan, and the track record of the team behind the program are also seen as key consideration. "We are open to start-up programs with a well thought out plan from qualified production sources," one carrier commented. Another respondent said that "It depends on business plan and the past history of team."

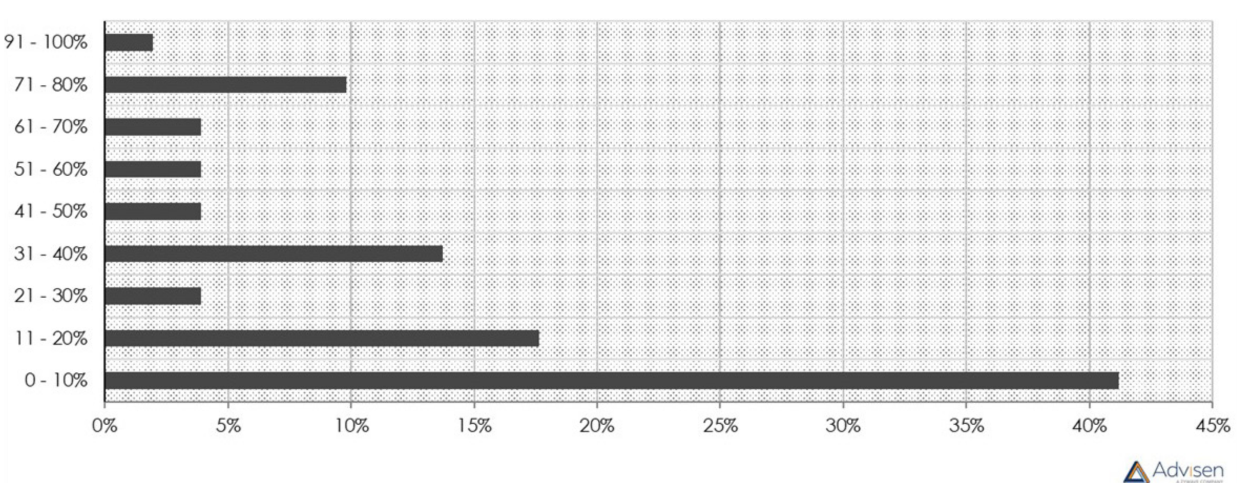
WILL YOUR COMPANY ONLY CONSIDER ROLL OVER BOOKS OF PROGRAM BUSINESS VS. STARTUP PROGRAMS?



CAT Exposure

Asked about the percentage of their property programs that are CAT exposed, 41 percent of the carriers surveyed said zero to 10 percent, 18 percent said 11 to 20 percent, 14 percent said 31 to 40 percent, and 10 percent said 71 to 80 percent. Four percent each said 21 to 30 percent, 41 to 50 percent, 51 to 60 percent, and 61 to 70 percent. The remaining two percent said 91 to 100 percent.

WHAT PERCENTAGE OF YOUR PROPERTY PROGRAMS ARE CAT EXPOSED?

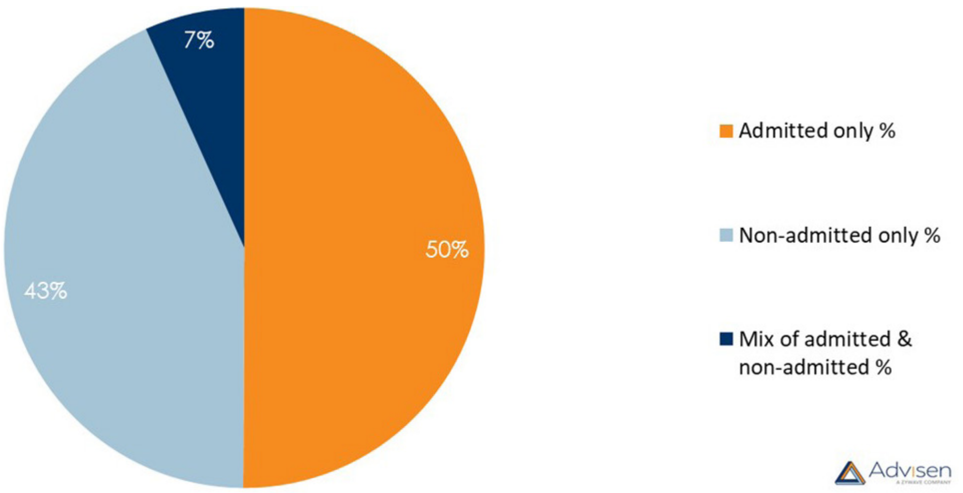


Admitted vs. Non-admitted

Fifty percent of the carriers surveyed said they have admitted programs only, while 43 percent have non-admitted programs only. The remaining seven percent offer a mix of both.

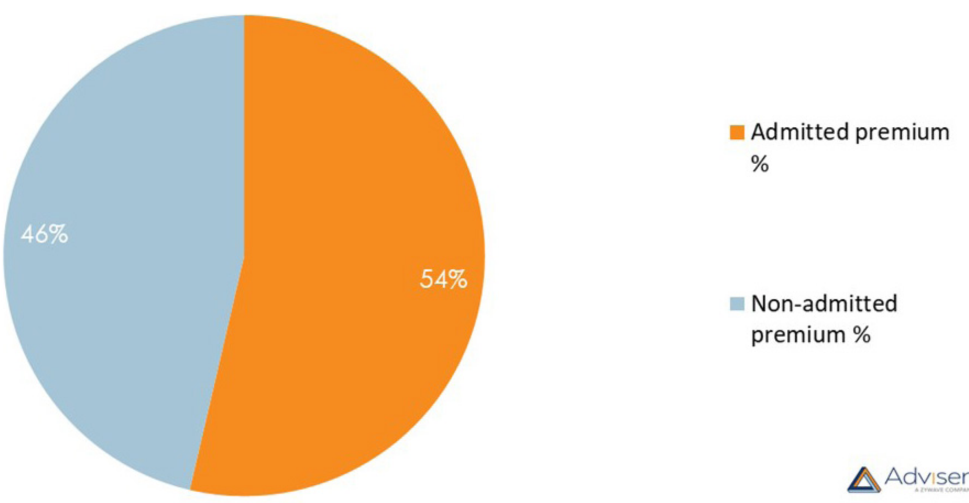
For Glenn Skrynecki, “carriers that offer both admitted and non-admitted solutions have a significant advantage because they have a wider range of solutions for startup, insurtech and parametric-based programs.”

PERCENTAGE OF ADMITTED VS. NON-ADMITTED PROGRAMS



Responses show that approximately 54 percent of premiums are admitted while 46 percent are non-admitted.

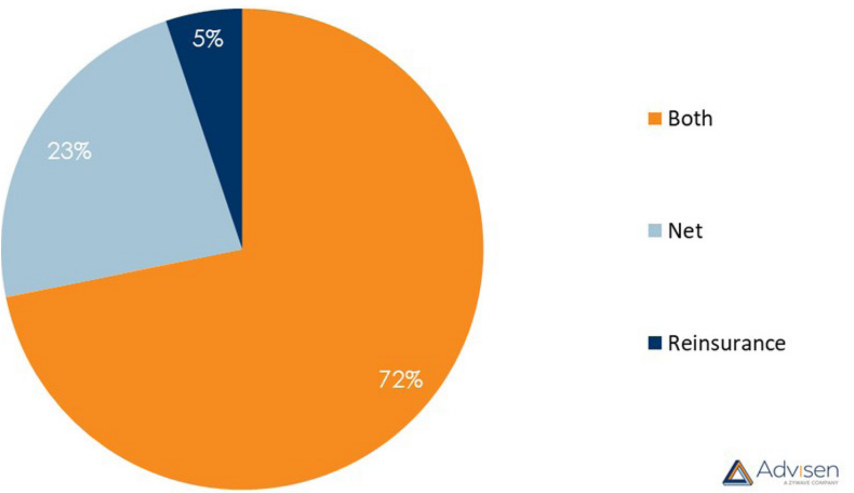
PERCENTAGE OF PROGRAM PREMIUMS THAT ARE ADMITTED VS. NON-ADMITTED



Tendency to Take Programs Net or Use Reinsurance

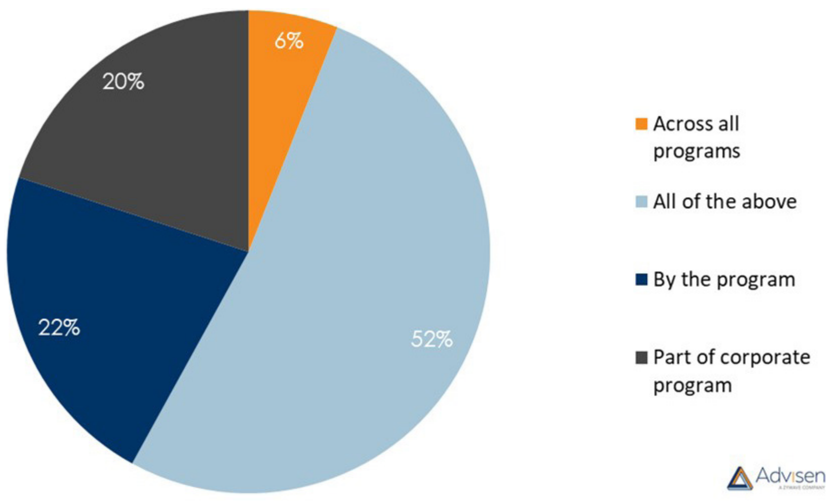
Asked whether they have the tendency to take programs net or use reinsurance, 23 percent said they tend to take programs net, while five percent said they use reinsurance. The remaining 72 percent of the respondents said they use both.

DO YOU TEND TO TAKE PROGRAMS NET, PERCENTAGE RETENTION OR REINSURANCE?



Of those who reported using reinsurance, 52 percent responded "all of the above" when asked how the reinsurance they use is structured. This means they are structured either across all programs or as part of a corporate program. Twenty-two percent said it is structured by the program, while 20 percent said it is structured as part of a corporate program. The remaining six percent responded across all programs.

IF YOU USE REINSURANCE, HOW IS IT STRUCTURED?

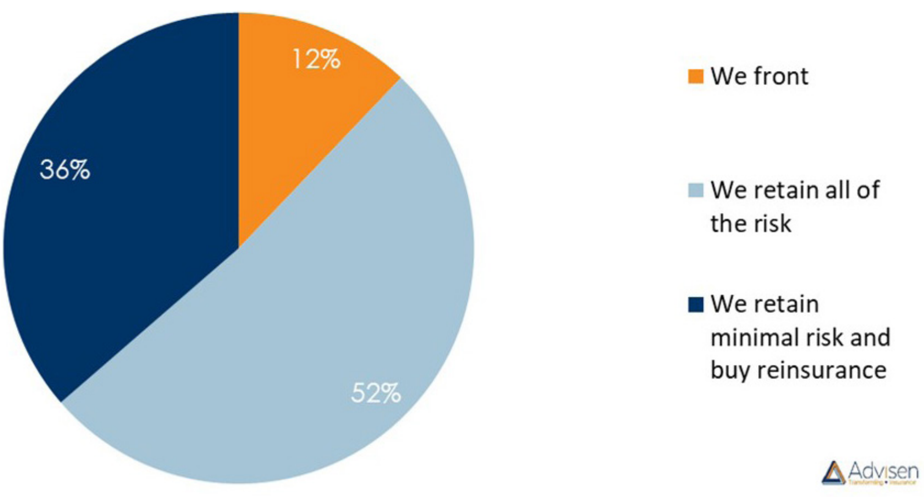


Risk Appetite

The carriers were asked how their companies are structured in terms of risk appetite. According to 52 percent of respondents, they retain all the risk. This number is significantly higher than the 44 percent posted in the 2019 poll. The number of carriers who reported retaining minimal risk and buying reinsurance rose materially from 14 percent in 2018 to 36 percent in 2020. Those who said that they front only also increased from two percent to 12 percent.

One of the carriers who responded "others" said "We retain most of the risk but use reinsurance for volatility." This view is shared by two other respondents. Another poll participant said, "Co-insurance within Lloyd's. We lead 50 percent and provide follow support on 50 percent of our book."

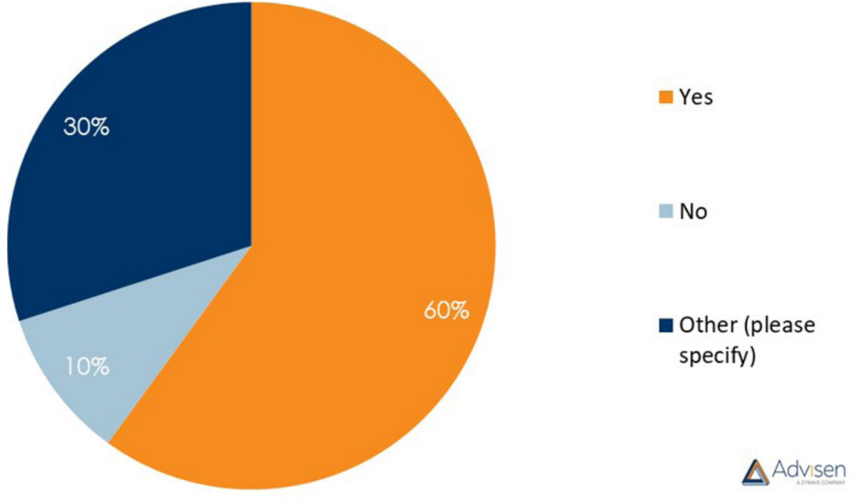
HOW IS YOUR COMPANY STRUCTURED IN TERMS OF RISK APPETITE?



Sixty percent of carriers surveyed allow program administrators to administer claims. This number is slightly lower than the 64 percent who answered the same in the 2019 poll. Ten percent of respondents do not allow their administrators to administer claims. The remaining 30 percent responded "others".

For those who said "others", whether or not they allow program administrators to administer claims depend on claims handling experience and the line of business. "Only if they have a proven claims adjudication process operated by very experienced claims professionals," said one respondent. Another poll participant said, "Yes, though technically once they are doing claims they legally become an MGA, not a program admin."

DO YOU ALLOW YOUR PROGRAM ADMINISTRATORS TO ADMINISTER CLAIMS?



COMPARATIVE ANALYSIS OF ADMINISTRATORS' AND INSURERS' VIEWS ON KEY TOPICS

Impact of the Pandemic on Program Business

The COVID-19 pandemic has fundamentally changed the way people live and work. It changed how businesses operate and prompted employers to make vital changes to adapt to the new normal. ***The TMPAA Program Business Study 2021*** asked administrators and carriers a series of questions about how the pandemic affected the program space.

Was the transition to remote work difficult?

The COVID-19 pandemic has forced employers around the world to implement a work-from-home scheme for most employees. This large-scale transition to remote work has never been seen before and necessitated varying degrees of adjustment from both employers and employees.

Compared to their administrator counterparts, carriers appear to have had an easier transition to the new normal – a fully remote workforce amid a global lockdown.

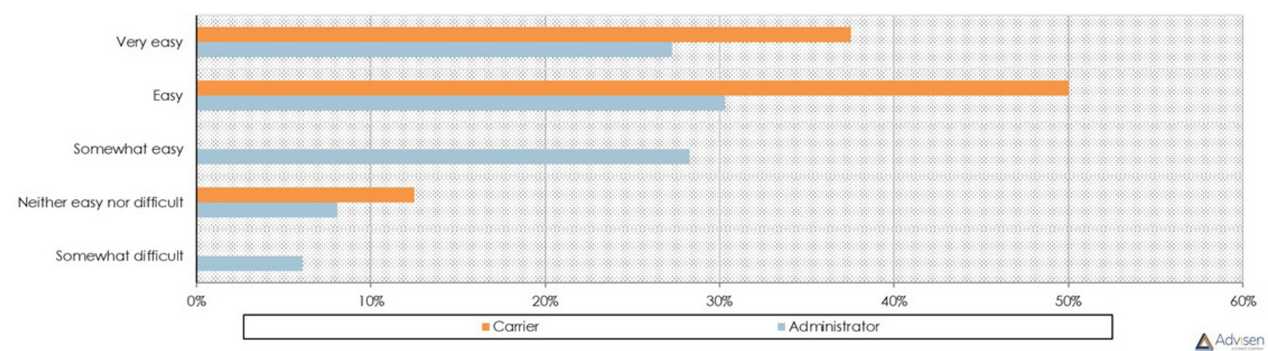
"A number of employees were already working remotely. For those employees, the transitioning process presented fewer challenges. For employees who were working in the office, challenges to remote working became more significant but ultimately presented an opportunity to engage in a more flexible manner," a carrier participant said.

Another carrier respondent shared that "Approximately 1/3 of the company was already working remotely, and many on-site employees were already equipped for a hybrid model, enabling a smooth transition to remote. Many teams were already leveraging virtual conferencing and collaboration tools."

"Our workforce is younger and as a company we are tech-enabled so this was not a massive shift. We also already had some individuals working from home at least a portion of the week," an administrator polled said.

One concern raised was cybersecurity. "Data security was a real concern for us. Remote employees used their home Wi-fi to access our systems. Since it was their personal Wi-fi, they often used it for many other internet sites, thereby exposing us to viruses that we wouldn't normally have," shared one administrator.

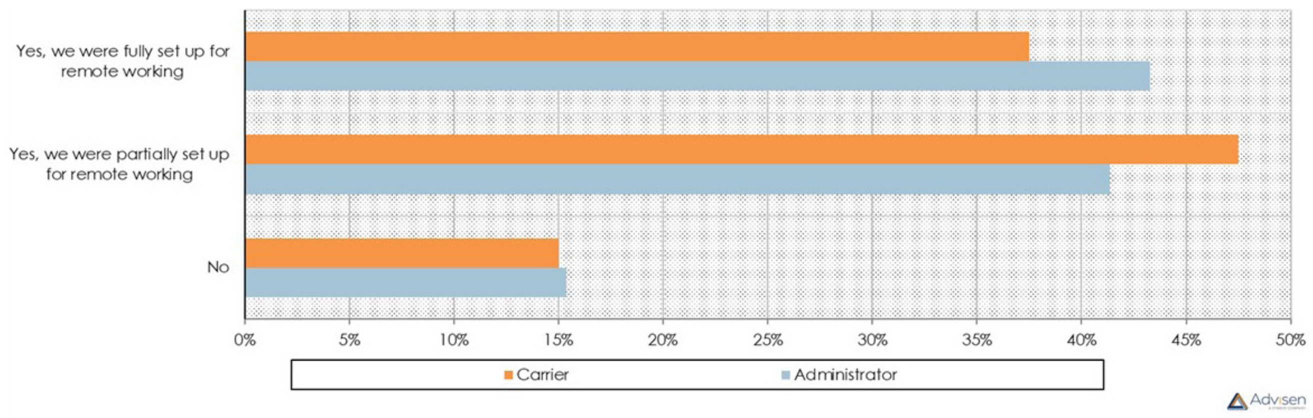
COMPARATIVE ANALYSIS: TRANSITION TO WORKING REMOTELY



Was the remote working infrastructure in place?

Both groups reported having the necessary technology platforms in place to support working in the new normal. "Our IT was all cloud-based prior to the pandemic. When the pandemic began, we purchased laptops for all employees so they could work from home. Our main workstations at the office remain desktop computers," an administrator respondent said. Another survey participant said, "The infrastructure in place and hardware enabled users to transition home without any changes in their workflow or styles." "Capabilities were in place pre-pandemic. The hardest part was morale and connectivity with coworkers, not functionality or reliability."

COMPARATIVE ANALYSIS: READINESS OF REMOTE WORKING INFRASTRUCTURE BEFORE THE PANDEMIC HIT

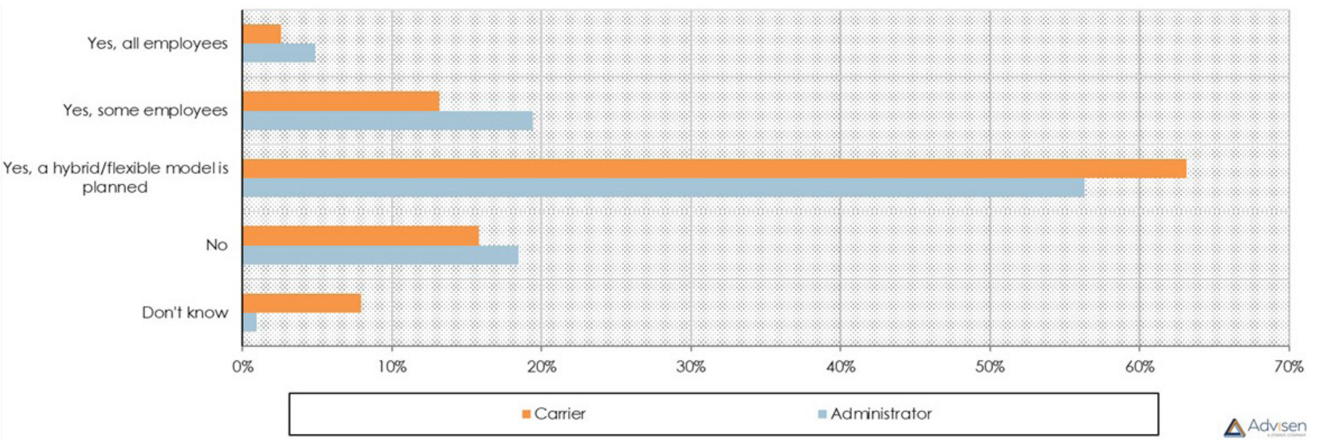


Will employees continue to work from home after the pandemic?

A greater number of respondents from both groups are also looking at a hybrid or flexible work mode when the pandemic is over. A number of survey participants shared plans to explore working in the office three days a week and some shared how they will implement their work plan. "We plan to move to 2 days remote work, 3 days in office for most employees. For those who prefer to work 100% remote and they have demonstrated maturity in getting their work done, we allow it. Other employees want 100% in the office to maintain separation between work and home." "The company is currently remaining very flexible with employee preference as to work location. This will evolve throughout the coming year and into next year."

In Ben Francavilla's view, "It is imperative that we can maintain the knowledge transfer process and the ability to proactively mentor the next generation of program administrators as we look at the transitory work environment. Those two items don't lend themselves to being done virtually so we have to look at work environments with strategic flexibility that balance employee concerns and maintain the core culture of our companies."

COMPARATIVE ANALYSIS: PLANS TO CONTINUE TO WORK REMOTELY WHEN THE PANDEMIC IS OVER

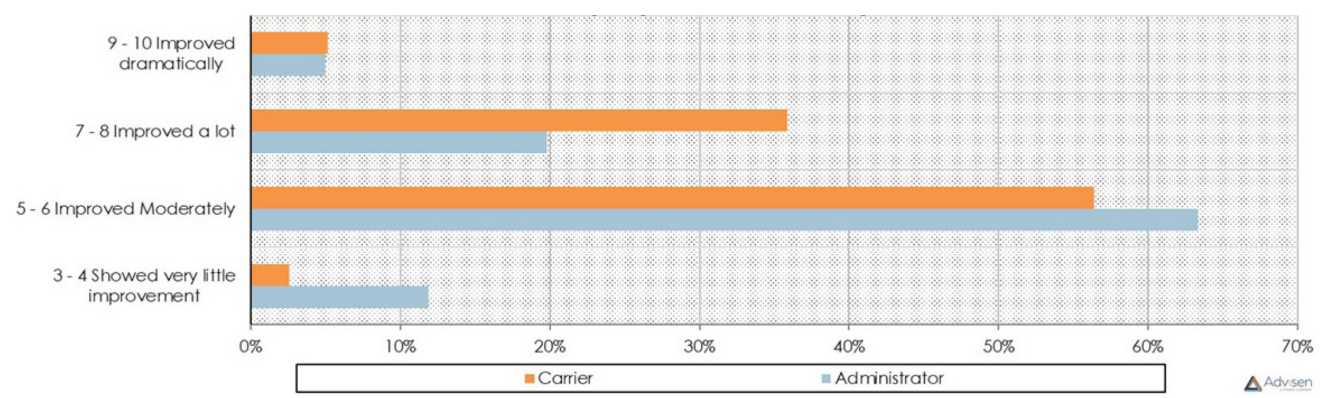


How did the remote set-up affect employee productivity?

The pandemic had a very little impact on the program business from a results perspective. Administrators and carriers both saw productivity improve as their employees worked from home. It is important to note though that a greater percentage of carriers (45 percent) reported that productivity improved either a lot or dramatically.

In Ben Francavilla's view, "It is imperative that we can maintain the knowledge transfer process and the ability to proactively mentor the next generation of program administrators as we look at the transitory work environment. Those two items don't lend themselves to being done virtually so we have to look at work environments with strategic flexibility that balance employee concerns and maintain the core culture of our companies."

COMPARATIVE ANALYSIS: IMPACT OF REMOTE SET-UP ON EMPLOYEE PRODUCTIVITY



Were clients' needs met?

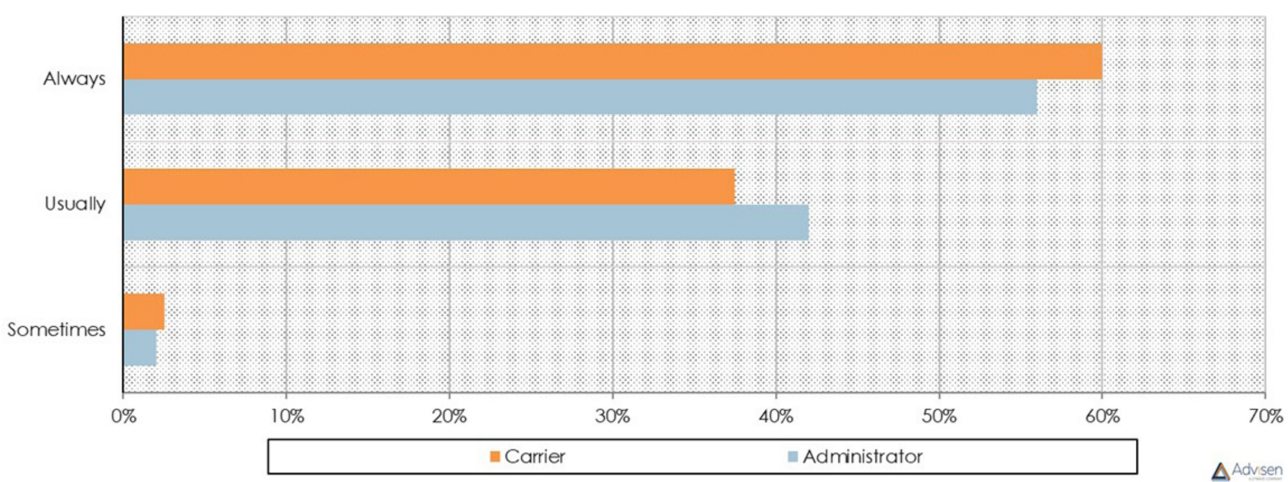
Some administrators shared in the commentaries the challenges they faced in addressing clients' needs. "Relationship cultivation has been more difficult since we cannot meet in person," said one respondent. For another administrator, "Not being able to visit clients shortens our effectiveness."

Still, administrators who participated in the survey say that the pandemic did not deter them from meeting the needs of their brokers and insureds. Similarly, carriers either usually or always met the needs of administrators virtually.

“In-person meetings can never be replaced, however, much of the ongoing management (as opposed to new business) has been effectively managed,” assured one administrator. Another respondent commented, “Customer service has not suffered in a virtual environment.”

One respondent opened up on the issue of sustaining this success. “Short term, always; but long term sustainability is not viable.”

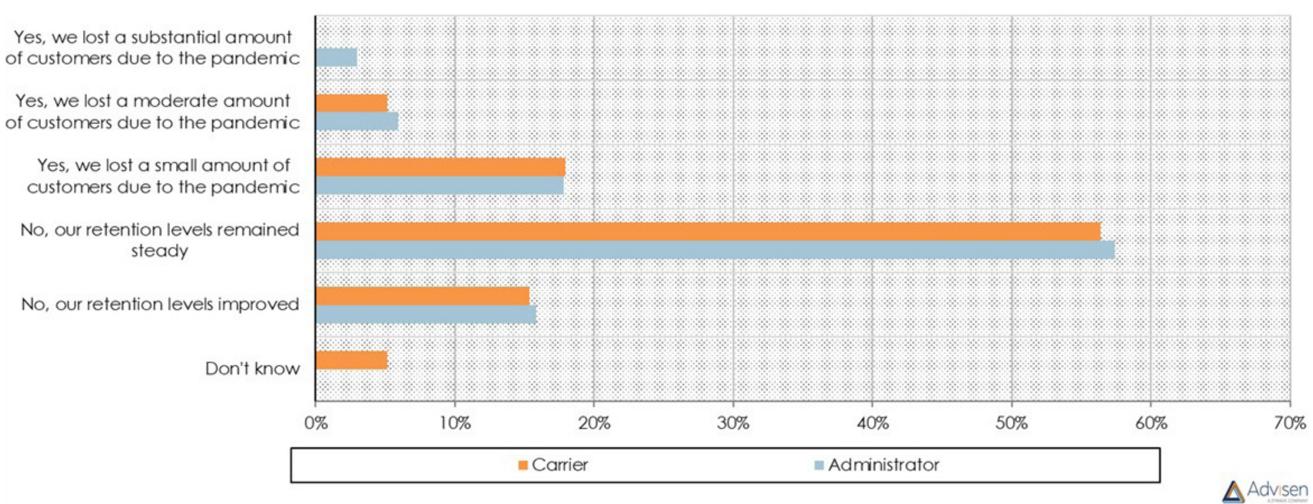
COMPARATIVE ANALYSIS: ABILITY TO MEET CLIENTS’ NEEDS VIRTUALLY



Did the pandemic affect customer retention levels?

Administrators’ and carriers’ responses on the impact of the pandemic on customer retention levels are in sync. Around a third of administrators polled reported that customer retention levels either stayed the same or improved amid the pandemic. Almost a similar percentage of carriers said that their program administrators’ customer retention levels either stayed the same or improved. Nearly a fifth from both groups reported losing a small percentage of customers owing to the pandemic.

COMPARATIVE ANALYSIS: CUSTOMER RETENTION LEVELS

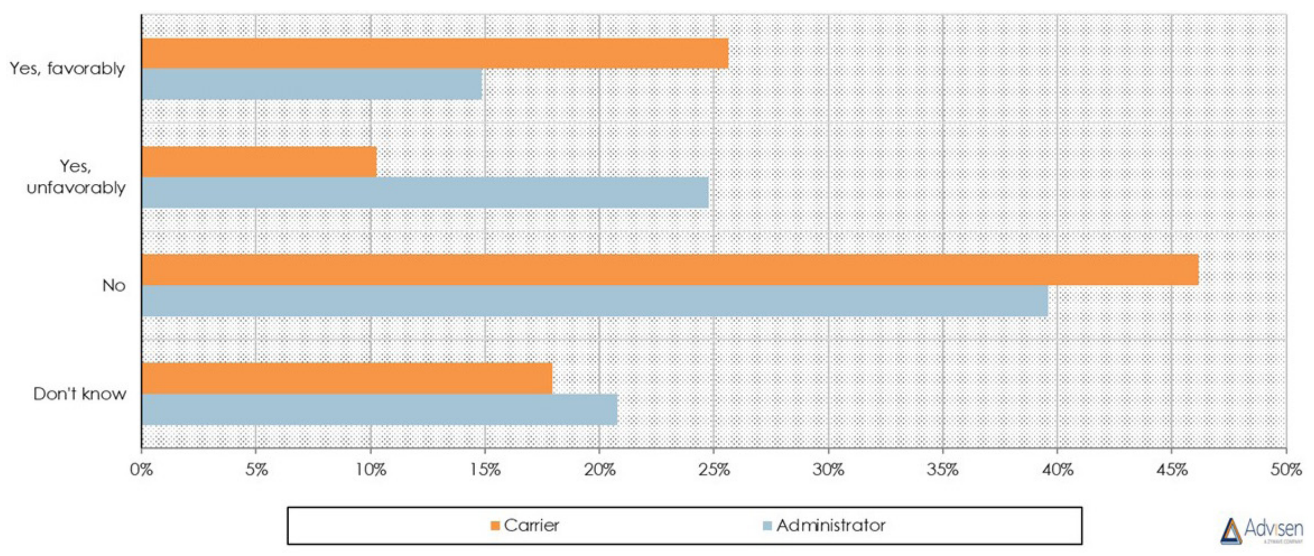


Did the pandemic affect employee recruitment?

The face of recruitment has changed inevitably due to the COVID-19 pandemic. For one, the recruitment process, which used to depend mostly on face-to-face interviews has shifted online via Zoom, Teams, and other teleconferencing platforms. Once hired, the challenge shifts to questions about working from home.

Respondents to the poll were asked how their recruitment processes were impacted by the pandemic. A great percentage of carriers (46 percent) said "no" compared to their administrator peers (40 percent). Similarly, more carriers said the pandemic had a favorable impact on employment (26 percent vs. 15 percent). On the other hand, a greater percentage of administrators reported an unfavorable impact (25 percent vs. 10 percent). The remaining 21 percent of administrators and 18 percent of carriers have knowledge of the impact.

COMPARATIVE ANALYSIS ON IMPACT OF THE PANDEMIC ON RECRUITMENT



In commentaries, several respondents from both revenue groups mentioned that the shift to virtual hiring and remote work has widened the talent pool. According to one carrier, the “Flexibility of workplace (home vs office) has allowed us to broaden our search area for potential employees.” An administrator respondent shared a similar observation. “We are now able to look at a more diverse talent pool geographically.” One administrator said it grew its workforce by 25 percent during the pandemic. “Remote working allows a spread of geography, but also a large pool of candidates were looking for job changes to a more family focused culture than the typical 9-5 grind.”

Some respondents said their companies found it easier to hire. “We made a number of hires during the pandemic – we found it easier than usual to source candidates, industry attrition may have been a factor.”

Other firms were not as fortunate. “The labor shortage due to the pandemic has made talent harder to fill, especially in entry level roles,” an administrator participant said. This view was shared by several others. “Employees are reluctant to make a change without the ability to meet with their clients.” “Many people don’t want to leave their current job, even for a promotion.”

Some respondents said their firms implemented a hiring freeze.

What programs were the most and least impacted by the pandemic?

Administrators and carriers are in general agreement in when it comes to programs that were most and least affected by the COVID-19 pandemic. “Programs in classes where businesses were forced to close,” were among those most impacted, said a carrier respondent.

Entertainment, hospitality, events, restaurants (including bars and taverns), auto and travel were identified both survey groups as programs that took the most hit.

“Vacation rental program, innkeepers and bed and breakfast program. Both classes were virtually shut down for most of 2020 and massive numbers of our clients canceled,” said one administrator. Another respondent said, “Hospitality (restaurant/bar/tavern) - almost all businesses were shut down to a certain extent, if not altogether, for months.

Not surprisingly, administrators and carriers said all programs with heavy workers’ compensation exposure were heavily affected including manufacturing, retail, and the service industry. One respondent said this is due to “covid claims, decreased RTW opportunities, payroll decreases.”

Least affected, according to respondents from both groups, were farm and ranch, construction, homeowners, property, cyber, management liability, property cat, and professional liability.

“Our program is agricultural based, and was not impacted by the pandemic in a significant way. Farms continued to operate as normal,” commented one of the administrators who responded “farm and ranch.”

Some respondents said construction was least impacted because building continued. “The general economy seemed to keep the construction industry moving along,” said one carrier participant.

Property and homeowners were among those least affected because “properties still had to be insured,” said several respondents.

Pet insurance was among programs that went well during the pandemic. “Pet insurance grew dramatically because home-bound Americans purchased/adopted pets in large numbers.”

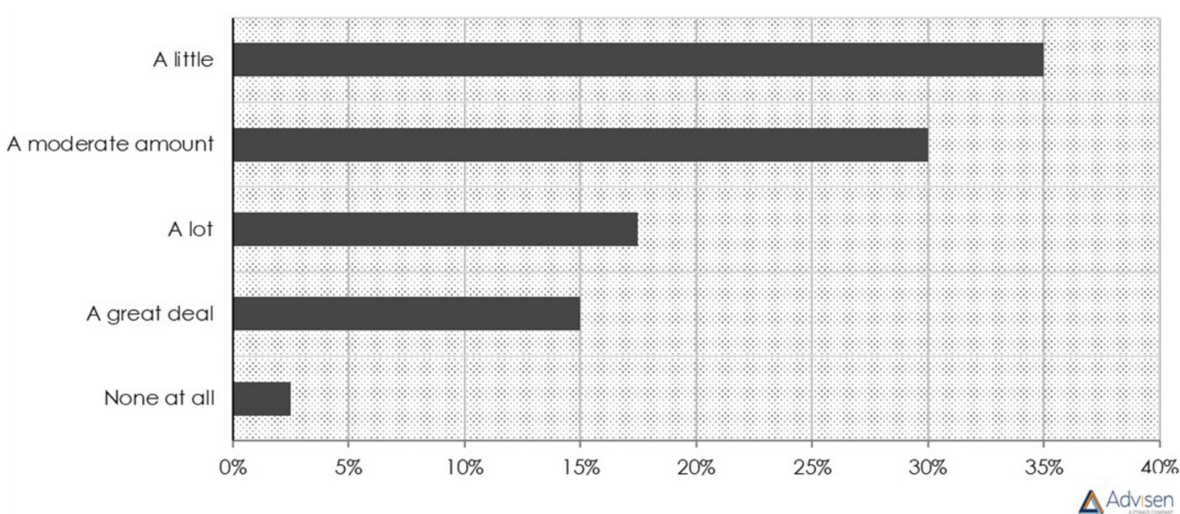
Did the pandemic change the way carriers interact with administrators?

Almost all carriers polled said the pandemic impacted the way they interact with administrators at varying levels. A little over a third of the respondents said there was little impact on interaction, while 30 percent said it affected communication moderately. Eighteen percent of carriers said the pandemic affected interaction “a lot”, while the remaining 15 percent reported a “great deal” of change. Only 3 percent reported no change.

According to comments, the change is mostly related to the shift from face-to-face meetings to online interaction. “Face to face interactions ceased. Personal underwriting audits were replaced by desktop (remote) file reviews,” said one respondent.

Interestingly, the change led to greater interaction between carriers and administrators. “During the pandemic, the number of interactions with partners increased, but were conducted virtually. We are resuming business travel but will likely see fewer visits to partners,” shared a carrier. Other carriers echoed this view. “Biggest impact was face to face discussions. We spend a significant amount of time interacting with our partners, other than in-person meetings, which made navigating through the pandemic easier.” “Interaction with our program partners has increased as we collectively recognized work dynamic vulnerabilities (e.g. audits) due to the pandemic.” “Relationships are deeper than ever,” said one carrier.

PANDEMIC’S IMPACT ON HOW CARRIERS INTERACT WITH PROGRAM ADMINISTRATORS



Impact of the Hard Market

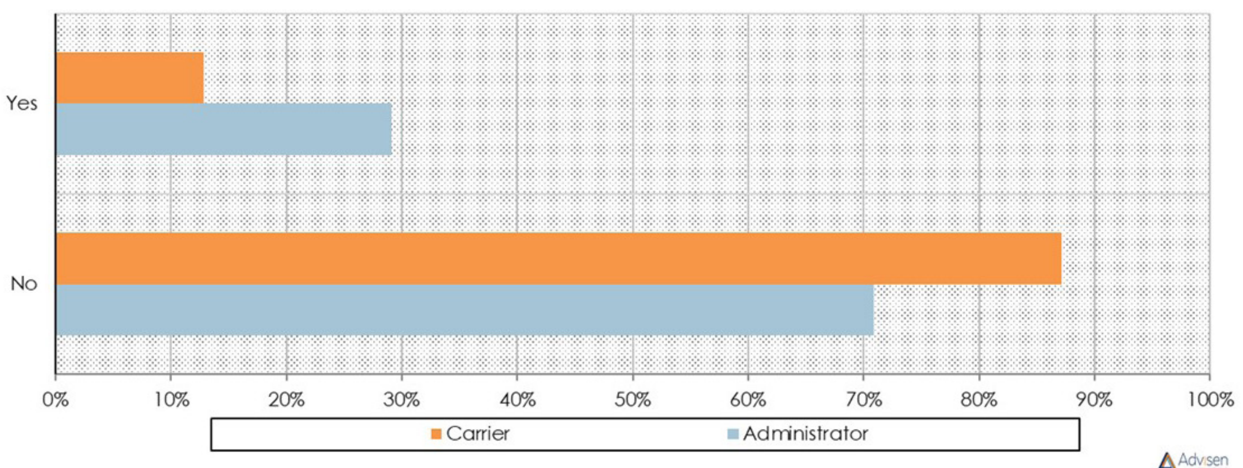
Reduction in Capacity

Administrators were asked if their programs experienced a reduction in capacity, while their carrier counterparts were queried if they reduced capacity in their programs. A greater percentage of carriers said “no” (87 percent vs. 71 percent), while a greater percentage of administrators responded “yes” (29 percent vs. 13 percent).

One administrator said, “London binder market reduced our capacity across the board on all six programs.” A number of administrators also reported reductions in property related to the California wildfires. Some respondents also mentioned auto, excess liability, transportation, cyber, and event cancellation.

One administrator mentioned having to “change carriers to prevent a capacity reduction.”
According to a carrier respondent, “there will always be some programs where we tweak our position due to growth or performance.” Other comments showed that carriers reduced capacity for excess casualty and medical malpractice.

COMPARATIVE ANALYSIS: REDUCTION IN CAPACITY

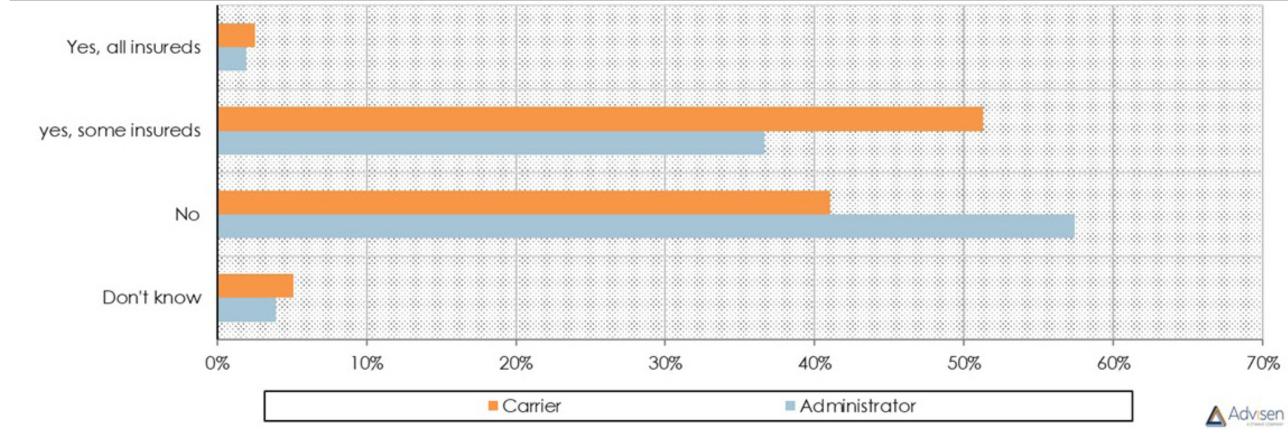


Issuance of Mid-term Refunds

A greater number of carriers (53 percent) said their programs provided mid-term premium refunds in 2020 compared to 39 percent of administrators who reported that their insured received refunds.

Some carrier and administrator respondents said there were refunds across multiple lines as required by certain state insurance regulators. “Varied by state and DOI directive,” said one respondent. Other respondents said there were refunds in “classes impacted by shutdowns.” “Customers refunds were determined by the amount of activity they had during the pandemic.” Several respondents mentioned refunds in workers compensation, auto, general liability, and package.

COMPARATIVE ANALYSIS: ISSUANCE OF MID-TERM PREMIUM REFUNDS



Impact of Hardening Insurance Market on Programs

The hardening insurance market is one of the major themes of ***The TMPAA Program Business Study 2021***. In this section, the TMPAA and Advisen compare the responses of administrators and carriers about the impact of the hardening insurance markets on programs in terms of pricing, capacity, reinsurance availability, and terms and conditions.

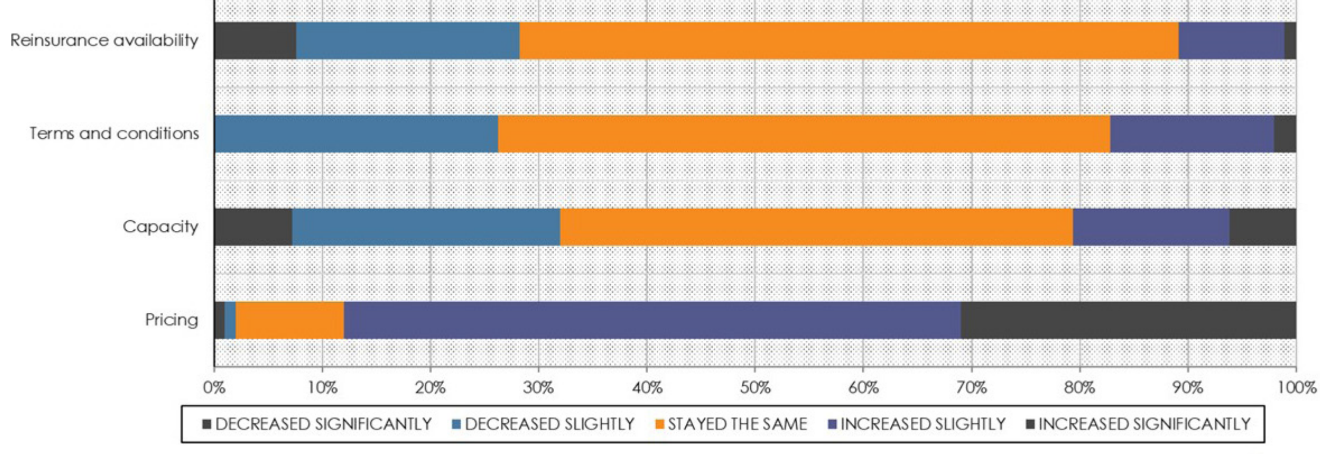
The majority of administrators and carriers polled reported increases in pricing. A little over half from both survey groups saw prices increase slightly. Forty percent of carriers and 31 percent of administrators saw a significant increase in pricing.

A look at capacity shows that about half of both administrators and carriers reported capacity stayed the same. A greater percentage of carriers saw capacity increase slightly (26 percent vs. 14 percent), while a more administrators reported a slight decline (25 percent vs. 20 percent).

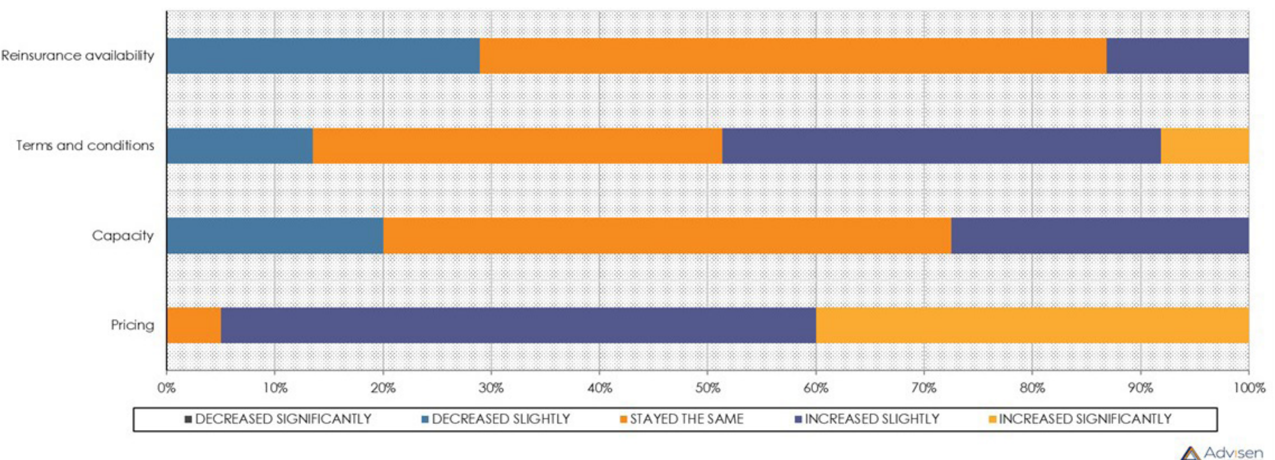
On terms and conditions, more than half of administrators surveyed said it stayed the same and 26 percent decreased slightly. Among carriers, 41 percent reported slight increases, while 38 percent said it stayed the same.

When it comes to reinsurance availability, administrators and carriers were in sync as well over half from both groups said availability remained the same. A greater percentage of carriers saw availability drop slightly (29 percent vs. 21 percent). Similarly, more carriers reported slight declines (13 percent vs. 10 percent).

ADMINISTRATORS: IMPACT OF HARDENING INSURANCE MARKET ON PROGRAMS



CARRIERS: IMPACT OF HARDENING INSURANCE MARKET ON PROGRAMS



Impact of Natural Catastrophes on Program(s) Loss Ratios

According to Munich Re, overall losses from natural catastrophes in 2020 reached $210 billion dollars, materially higher than the $166 billion recorded in 2019. Insured losses also increased significantly from $57 billion in 2019 to $82 billion in 2020. Among the costliest natural catastrophes that hit were Hurricane Laura, the California wildfires, Hurricane Isaias, and Hurricane Sally.

The TMPAA and Advisen asked respondents about the impact of these natural catastrophes on their program loss ratios. A greater percentage of carriers reported that their program loss ratios were impacted by natural catastrophes in 2020 with close to half saying they were either moderately or significantly affected. This compares to more than a fourth of administrators.

Commenting on the threats faced by the program space, one administrator respondent said, “Risk from increased natural disasters increasing loses and causing further market hardening.”

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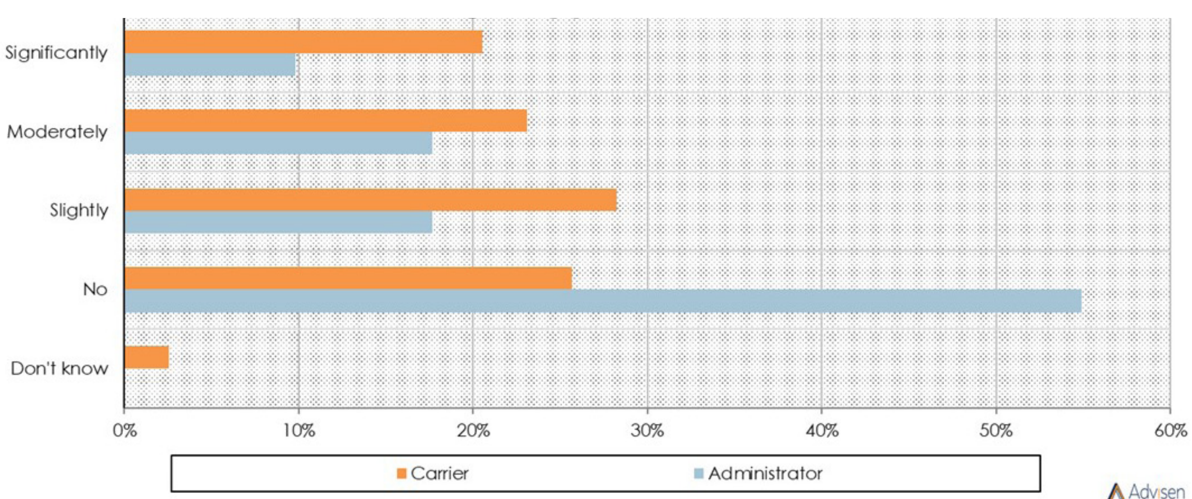
COMPARATIVE ANALYSIS: IMPACT OF NATURAL CATASTROPHES ON PROGRAM(S) LOSS RATIOS

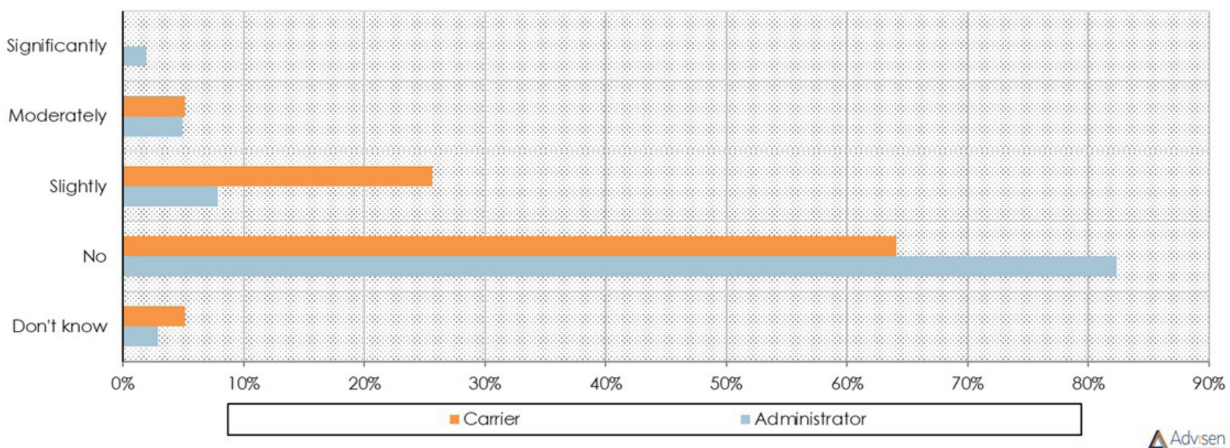


Impact of the 2020 Civil Unrest on Program(s) Loss Ratios

2020 was a record year for civil unrest in the U.S. The spate of protests and riots that erupted following the killing of George Floyd became a significant insurance industry issue after it resulted in significant losses.

Responses to the impact of civil unrest on program loss ratios shows that the riots had a greater impact on carriers than on their administrator peers. More carriers (30 percent) reported that their program loss ratios were impacted either slightly or moderately by the riots. This compares to only 15 percent of their administrator counterparts.

COMPARATIVE ANALYSIS: IMPACT OF THE 2020 CIVIL UNREST ON PROGRAM(S) LOSS RATIOS



Impact of Social Inflation on Rates

Increasing insurance losses owing to nuclear verdicts, more liberal workers' compensation claims, and the growing number of litigation funders is one of the most closely watched issues in the program business today. Asked about the impacts of social inflation, a greater percentage of carrier respondents (43 percent) believe that social inflation is impacting rates compared to administrators (33 percent).

Among administrators, the impact is most felt in auto. "Social inflation is impacting our auto line of business in a tremendous way. Attorneys are now involved in more claims than ever, and our studies show that when an attorney gets involved in a claim, the payout increases more than 100%," shared one administrator. Other administrators echoed this comment. "Largest inflation of social inflation is related to auto claims impacting results." "Certain lines have been affected by this, specifically commercial auto, where we continue to see rising rates." Some also mentioned transportation and management liability.

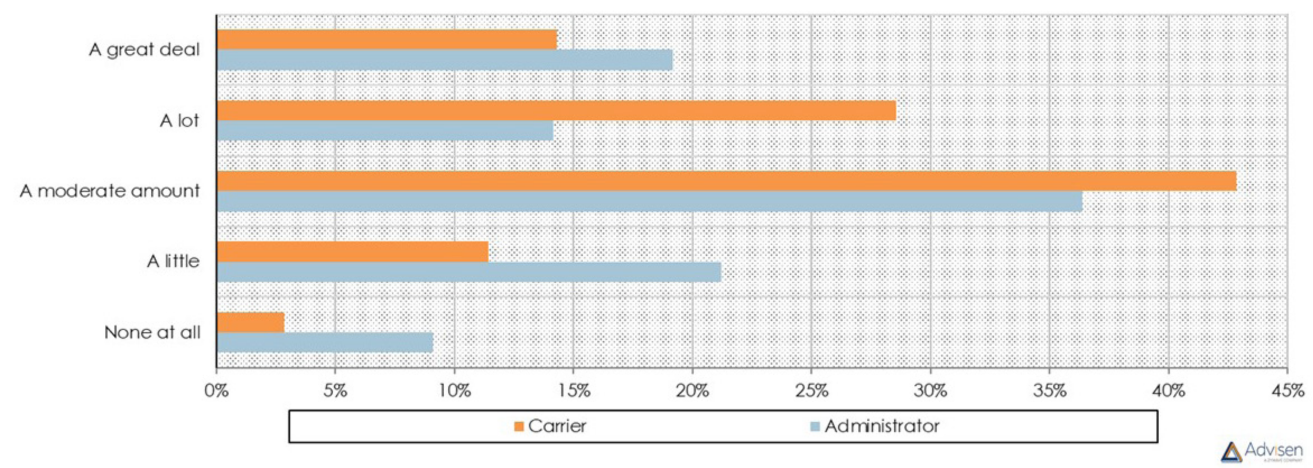
Some look at it as a recurring trend. According to one carrier polled, "Trend always exists. It must always be accounted for in rate. Carriers that refuse to account, price, and file for it fall behind the curve and subsequently point to it as an 'issue'."

"I believe carrier fear of social inflation is the issue - they never take a case to court in the first place, so they're settling out of fear of jury verdicts, not because the program has ever experienced an adverse verdict. Self-fulfilling prophecy."

For one administrator, the issue is with carriers. "I believe carrier fear of social inflation is the issue - they never take a case to court in the first place, so they're settling out of fear of jury verdicts, not because the program has ever experienced an adverse verdict. Self-fulfilling prophecy." For another respondent, "the bigger impact is Lloyd's syndicates paying claims which they should not."

Another respondent commented that "As nuclear verdicts continue to run rampant, there will be further reductions in capacity and more pressure on rates."

COMPARATIVE ANALYSIS: IMPACT OF SOCIAL INFLATION ON RATES



M&A

M&A deal activity continued unabated across many insurance sectors despite the COVID-19 pandemic in 2020. The number and value of transactions in the P&C underwriting, distribution, and insurance services levels outpaced 2019 levels, according to a 2021 study by Conning.

Like the rest of the P&C insurance industry, the program space is seeing a lot of new capital coming in. Dealmaking is at an all-time high in the program sector with private equity continuing to be the largest driver of consolidation in 2020. Constellation Affiliated Partners' bid to consolidate the MGA, program and wholesale space was one of most closely followed M&A activities in 2020.

"Economic and demographic conditions have created the perfect M&A storm for the MGA/Program Administrator industry in 2021. Owners reaching retirement age are looking to take some of their chips off the table, low interest rates combined with more acquirers seeing, learning, and understanding the value of MGAs and Program Administrators are driving valuations up. How long will this continue? Your guess is as good as mine, but good businesses run by good people will always be attractive to acquirers, no matter the conditions in the greater economy," according to Matt Sackett, CEO of DOXA Insurance Holdings.

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A number of administrators and carriers acknowledge the opportunities that come with M&A.

One administrator believes "that the influx of private capital and ILS to the marketplace will bring about opportunity for more new programs and entrants. This will drive a competitive circuit which will open up a new world of innovative teams who are now able to make sense of the economics and try new things. This may mean product, tech or just generally new lines of business whereas before the traditional market was unable or unwilling to participate."

For a carrier respondent, "consolidation and M&A will (lead to) larger groups providing support in technology (systems) and resources."

However, more are sounding the alarm over massive dealmaking. Both administrators and carriers have consistently identified consolidation as one of the biggest threats facing the program business.

"The aggressive activity to buy or sponsor MGAs, MGUs and PAs is blurring the lines between distributors, insurers and reinsurers. The ability of MGAs/MGUs to focus on growth through underwriting discipline will, therefore, be challenged in a more direct manner," one carrier polled said.

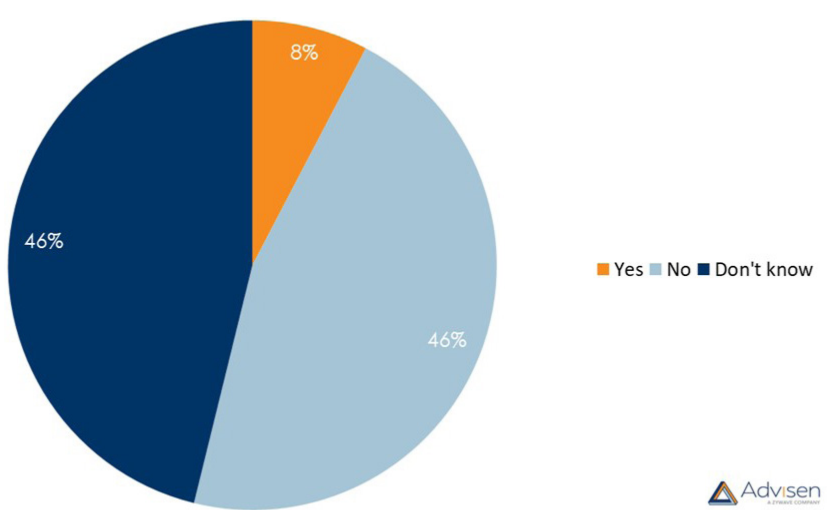
Another carrier considers as a threat “all of the M&A activity in the MGA/program manager space. Small MGAs will be gobbled up.”

From one administrator’s point of view, too much consolidation is a threat to the program space. “Over-consolidation of entrepreneurial operators into large corporations that rely on scale and leverage rather than expertise and specialization. An exodus of carriers/capital providers that came in too eager/hot,” the administrator said.

Apart from private equity, recent years have also witnessed program administrators purchasing their peers or in some cases, carriers acquiring administrators.

The TMPAA asked carrier respondents if they plan to grow their program business by acquiring administrators. Forty-six percent of those polled said “no”. Interestingly, this is significantly lower than the 63 percent who said “no” in the 2019 poll. On the other hand, those who do not know or are uncertain increased remarkably from 29 percent to 46 percent. Those who reported plans to acquire program administrators stayed at eight percent.

PLAN TO GROW BUSINESS BY ACQUIRING ADMINISTRATORS



While about a dozen administrators polled mentioned that they are not for sale, many administrator respondents offered views on characteristics that they look for in a potential acquirer to determine if they are a good match. Responses show that cultural fit is what administrators value most in a potential acquirer. “Culture. Culture. Culture,” one respondent emphasized. Comments show that administrators need to match in terms of goals, focus, strategies, and values. “Alignment of values, personal comfort, match of management styles,” an administrator shared.

Administrators are also looking for flexibility. There has to be a “willingness to change process for a PA to create mutually beneficial efficiencies,” one respondent said. Another said, “flexibility and adaptability to MGA expertise.”

Other respondents highlighted the importance of understanding the business. “Do they even have a clue about your business and how it operates?” “Understanding our value proposition, plausible business plan to integrate programs without interfering with its success.” “Enough knowledge of the space to support proper expansion and infrastructure while allowing experts to run and expand the business.” “Knowledge of the industry they are insuring and how to evaluate risk. Giving the customer a quality product, as well as turning an underwriting profit.”

These comments are in sync with the view shared by Matt Sackett. “The vast majority of sellers we work with are more interested in cultural fit, outcomes for their teams, the value proposition of the buyer and the buyer’s long-term plans more so than what vessel albeit a carrier, equity firm, or competitor they sell to. While all parties are interested in financial outcomes of the transaction, we have seen very few instances of a seller choosing a carrier, competitor, or equity firm because they made the highest offer or because a seller was seeking a specific ‘type’ of buyer.”

He added that “as an active acquirer, we focus as much weight on long-term loss results, a company’s team, leadership, and culture as we do their specific product. Obviously a strong product is important, but knowing that its carrier partner will continue supporting it due to underwriting profitability and internal working relationships is critical. Even more so for an acquiror like DOXA who wants to help where we can, but stay out of the way if something is working. It might appear self-serving but for these reasons we don’t jump to the conclusion that a business, once acquired, will lose its creativity, focus, and entrepreneurial drive.”

Cyber Coverage

Like the years before it, 2020 witnessed a spate of cyberattacks that increased both in costs and in sophistication. Among the most high-profile cyber incidents of the year were the SolarWinds supply chain attack, the Estee Lauder attack that exposed an estimated 440 million records, and the Microsoft data breach that exposed 250 million records. These events shone a spotlight on the importance of having cyber cover.

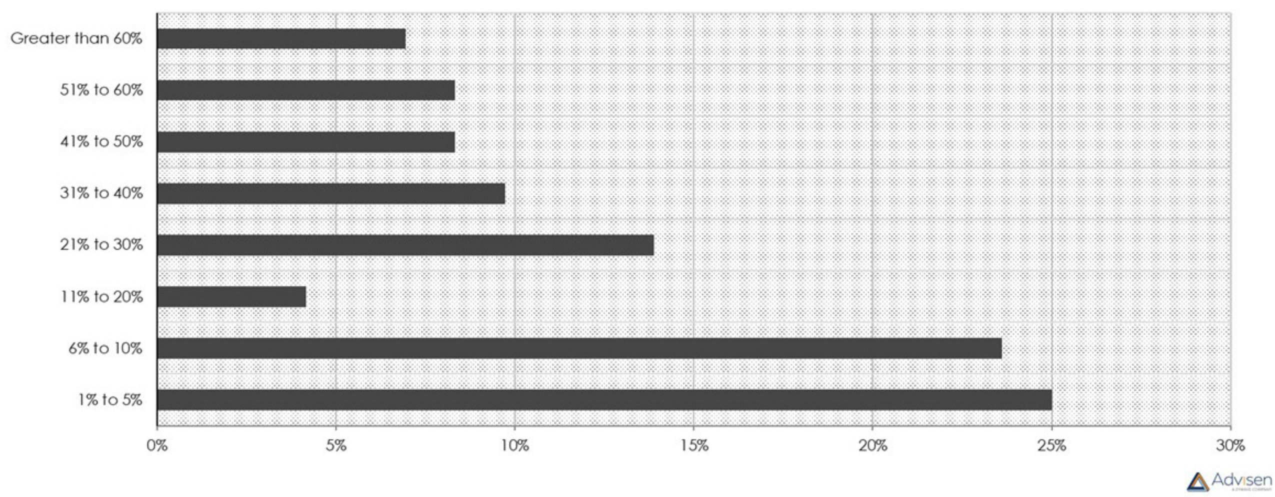
In 2020, a study conducted by Zurich North America and Advisen found an increasing reliance on cyber insurance among insurance buyers. According to the Tenth Annual Information Security and Cyber Risk Management Survey, 78 percent of respondents have cyber coverage, an increase from a little over 70 percent in the previous poll.

For ***The TMPAA Program Business Study 2021***, respondents were once again asked about cyber coverage.

To the question “Where it’s optional, approximately what percentage of your insureds purchase cyber coverage in 2020?” Twenty-five percent of administrators polled said 1 percent to 5 percent, while 24 percent said 6 percent to 10 percent. Five percent responded 11 percent to 20 percent, 14 percent said 21 to 30 percent, and 10 percent said 31 percent to 40 percent. Eight percent each responded 41 percent to 50 percent and 51 percent to 60 percent. Seven percent of respondents said greater than 60 percent.

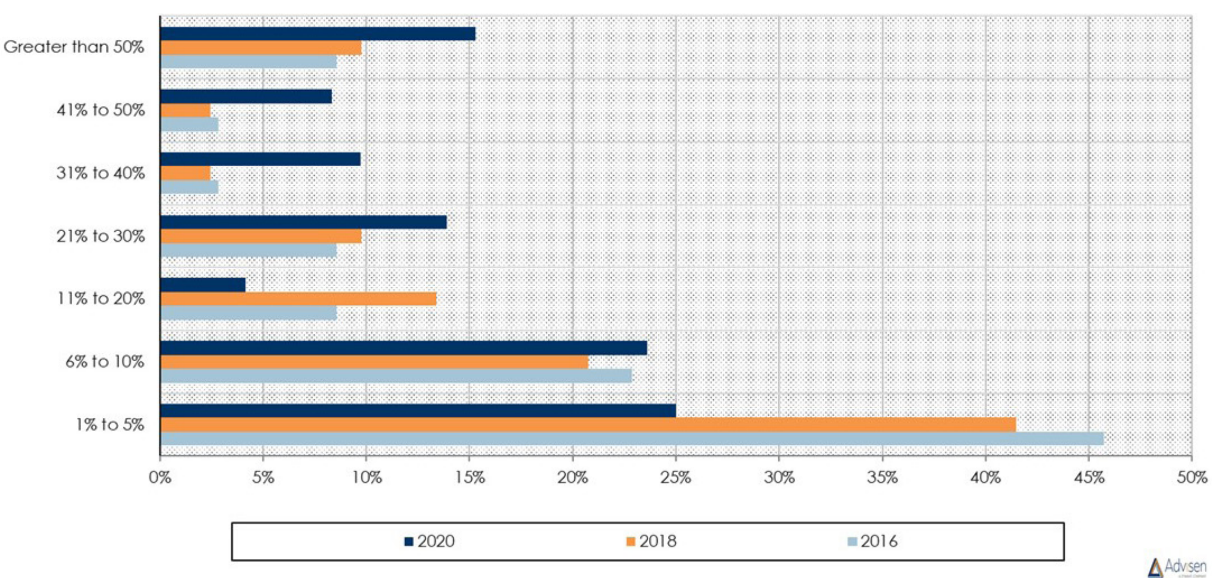
When asked about the threats plaguing the industry, one administrator said “regulation and expectations around cyber protections creating high financial penalties if breached, beyond what cyber coverage may be available. The potential severity of attacks can be crippling despite best efforts being made to stay ahead.

ADMINISTRATORS: PERCENTAGE OF INSUREDS THAT PURCHASE CYBER INSURANCE



A comparative analysis between 2018 and 2020 responses shows a notable increase in cyber take-up rates following a marginal increase between 2016 and 2018 rates. Advisen's analysis shows that take-up rates for cyber improved among administrators as the percentage of respondents reporting more than 21 percent in terms of percentage of insureds purchasing cyber cover rose significantly.

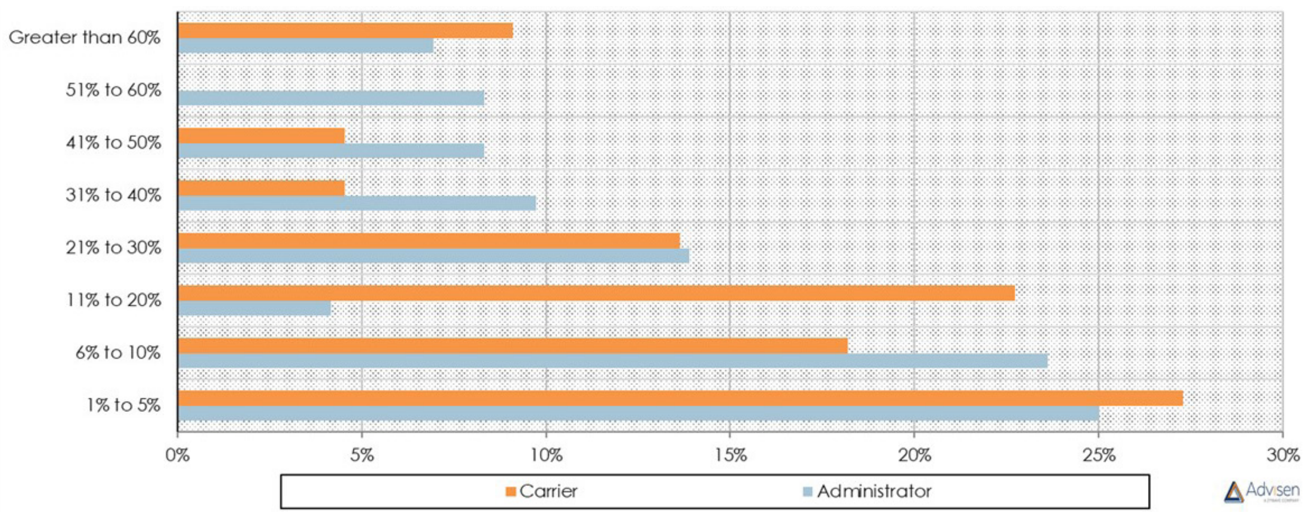
CYBER TAKE-UP RATES (2016 VS. 2018. VS. 2020)



In comparing the cyber take-up rates of the administrators and carriers, the survey found that administrators have higher take-up rates.

TARGET MARKETS®
Program Administrators Association

COMPARATIVE ANALYSIS: CYBER COVERAGE



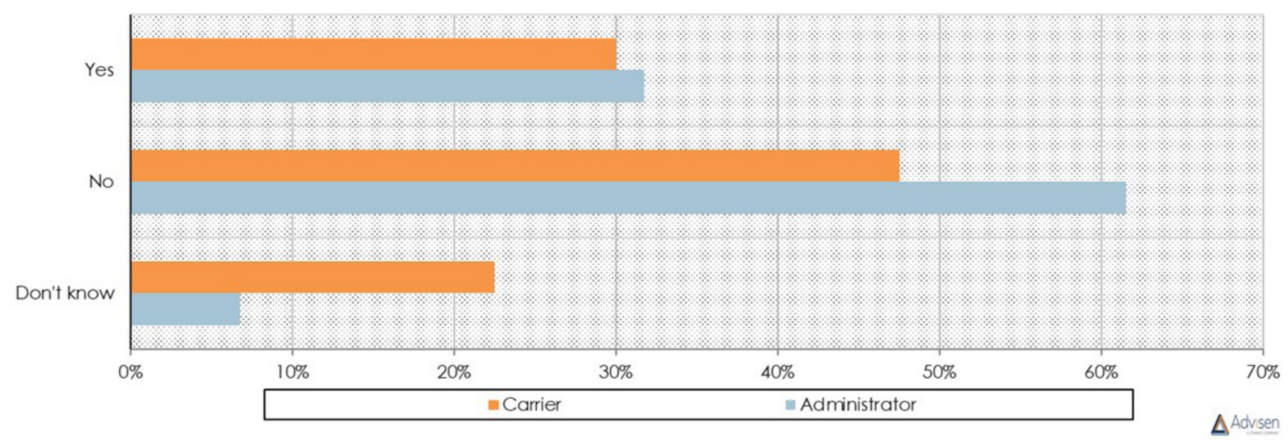
Impact of Insurance Technology on Distribution

Carriers and administrators were asked if insurance technology is causing administrators to consider a change in distribution. A third of both administrators and carriers polled answered “yes”, while a greater percentage said “no.”

Comments from administrators show the move to virtual channels to reach consumers directly. “We are considering more virtual avenues to reach our end customers.” “Our distribution is 65% online we would like to get to 90%.” “We continue to build a model that can compete with direct/online writers.” “Yes, we are a new program and going out the door with true insuretech because we feel so strong about it.” “Anytime we can get closer to the insured, the better, particularly for SME risks.” “We are looking at changing the entire application and process.”

Some administrators expressed their commitment to broker distribution. “We will remain agent and broker focused. DtoC companies are struggling with distribution and are seeking out traditional wholesalers to assist,” one administrator said. Another respondent commented, “still committed to retail broker distribution.”

COMPARATIVE ANALYSIS: IMPACT OF INSURANCE TECHNOLOGY ON DISTRIBUTION



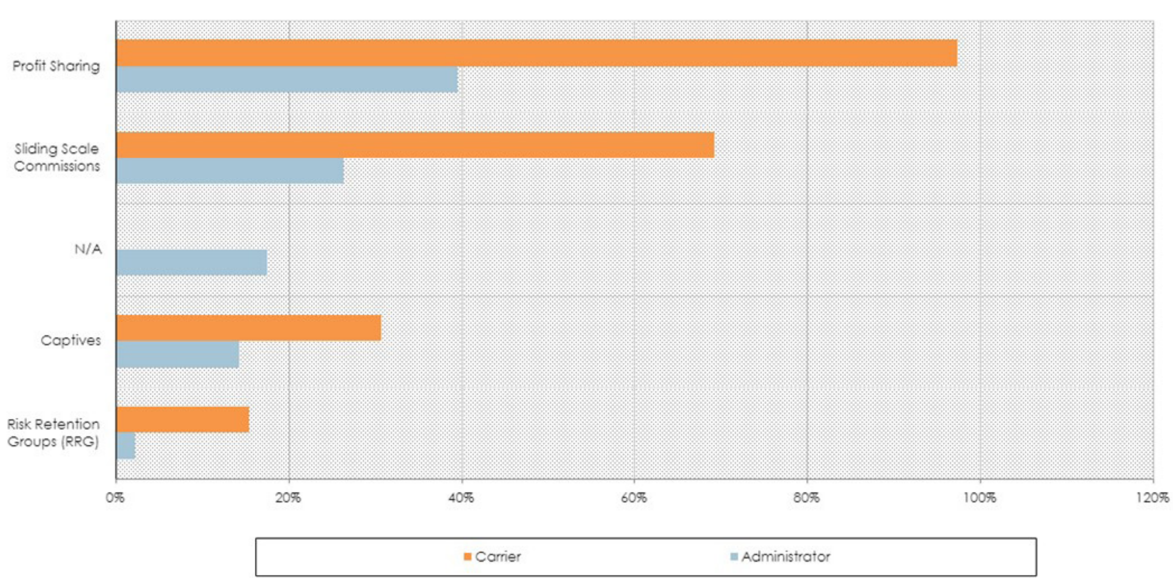
Use of Artificial Intelligence

There appears to be a disconnect when it comes to views on program administrators' utilization of artificial intelligence (AI) or machine learning. A greater number of administrators (53 percent) reported that they do not use AI. On the other hand, only 39 percent of carriers said that their program administrators do not utilize AI. Among those who do use AI, usage is greater in the area of underwriting.

"Really this is being implemented across the industry, some of which is managed by carrier some by MGA," said an administrator respondent. Some poll participants also mentioned the use of AI in pricing and predictive analytics.

For one administrator, "This (AI) is a grossly over-used and misinterpreted phrasing. Most items billed as = AI are not. We utilize third party supplemental data and predictive models, but none with true machine learning."

COMPARATIVE ANALYSIS: AREAS WHERE ADMINISTRATORS USE ARTIFICIAL INTELLIGENCE OR MACHINE LEARNING

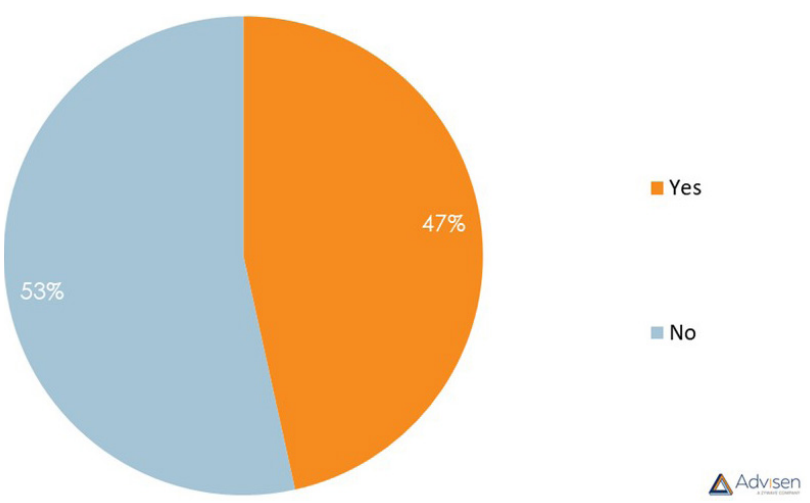


Risk Sharing

As with the previous poll, administrators and carriers were asked about their risk sharing practices.

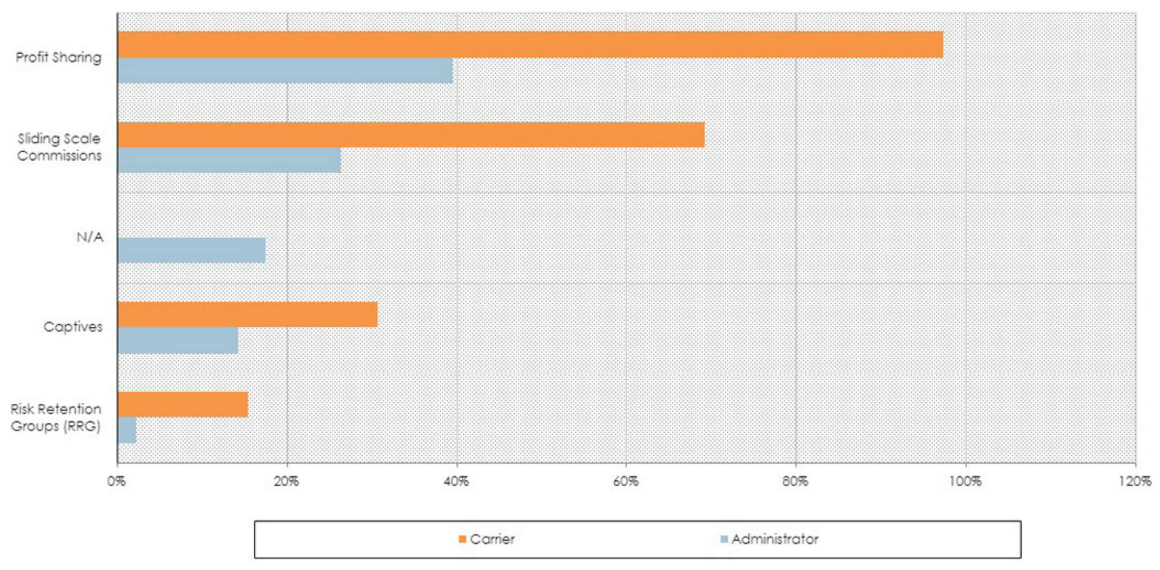
Forty-seven percent of administrators reported risk sharing in both underwriting gain and loss in 2020. This is lower than the 51 percent who reported risk sharing in 2018. On the other hand, those who responded "no" increased from 49 percent to 53 percent.

ADMINISTRATORS: DO YOU RISK SHARE IN YOUR PROGRAMS?



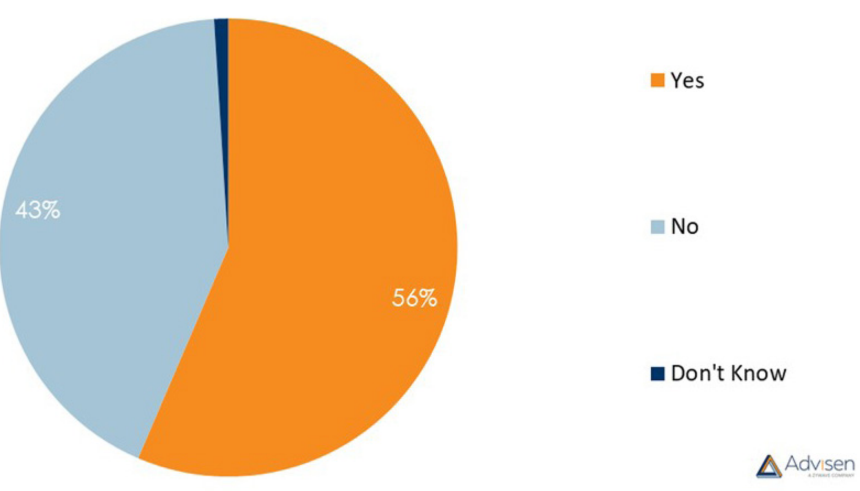
Consistent with the findings of the previous poll, the top risk sharing methods used by both administrators and carriers are profit sharing and sliding scale commissions.

COMPARATIVE ANALYSIS: RISK SHARING METHODS



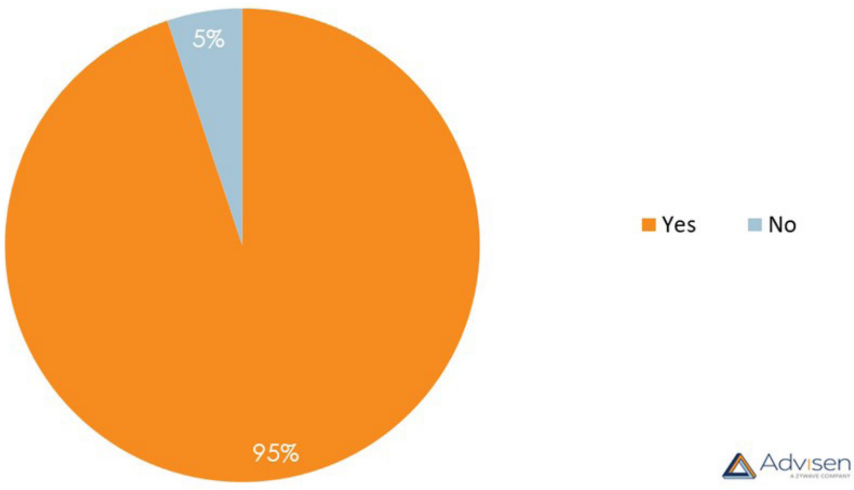
Asked if they have any programs that do not include a profit sharing component, 56 percent of the administrators said yes, while 43 percent said no.

ADMINISTRATORS: DO YOU HAVE ANY PROGRAMS THAT DO NOT INCLUDE A PROFIT-SHARING COMPONENT?



The majority of carriers polled offer risk sharing agreements where the administrator shares a direct percentage of profit and loss of the program.

CARRIERS: DO YOU OFFER RISK-SHARING AGREEMENTS WHERE THE PA SHARES A DIRECT PERCENTAGE OF PROFIT AND LOSS OF THE PROGRAM?



Emerging Risks Suitable for Program Business

What emerging risks do you believe are suitable for program business?

Consistent with responses from previous surveys, among the emerging risks identified by administrators were drones, autonomous vehicles, legalized cannabis exposures, and climate risks. Several respondents from both survey groups also listed down parametrics. "Climate risk, cannabis, self-driving autos, pandemic, wildfire/EQ/ hurricane deductible buydowns or parametric cover. Programs are uniquely suited to use expertise and technology to meet these specialized and emerging risks with agility," an administrator respondent said.

The ongoing pandemic prompted several respondents to add pandemic coverage to the list of emerging risks suitable for the program space. "Pandemic coverage business income for businesses to sustain themselves and their employees," said one carrier.

Some respondents see a lot of emerging risks as suitable. "All of the above. Modern exposures will require MGA's and specialized underwriters to be the ones who pave the way for more traditional insurers." "Most insurance coverage or at least segments of a product are suitable for program business doe to multi-market capabilities, access to distribution and more entrepreneurial approaches."

"Climate risk, cannabis, self-driving autos, pandemic, wildfire/EQ/ hurricane deductible buydowns or parametric cover. Programs are uniquely suited to use expertise and technology to meet these specialized and emerging risks with agility," an administrator respondent said.

Strengths and Weaknesses of Program Business

Administrators and carriers remain in sync when it comes to what they see as the program industry's strong points.

Respondents from both survey groups have consistently identified specialization or expertise within a niche remains one of the major strengths of the program space. "Program administrators understand the risks of a specific industry and therefore provide superior products and service for their specific business," said one administrator polled.

Another administrator said, "Highly specialized teams of individuals who understand niche risks on a more granular level. The ability to segment risk allows capacity providers to align interests with more favorable terms through sliding scale structures, etc. This will ultimately flow down to insureds who experience better pricing and are rewarded for behavior/use of technology throughout their risk management profiles.

For a carrier respondent, "Specialization in an environment where generalists are undertrained and under-supervised" is a key strength of the business.

Versatility is another strength identified by many respondents. "The program business model continues to be versatile. For an insurer, it is a means by which new products can be brought to market more rapidly and more efficiently without the expense of building and maintaining underwriting capabilities and establishing distribution networks," one carrier said.

Profitability also remained top of mind among respondents in terms of the program space's strengths. "Lower expenses and faster processing allow for rate stability and enables profitability." "It is still the only way to consider high volume, low premium business."

Many respondents also mentioned the opportunities provided by the program model. According to one administrator participant, "I believe it gives carriers an entry point to capital while having true risk management from experts in the niche they are in. I also feel the entrepreneurial aspect of the program space would be attractive to capital providers as the PAs are constantly looking for ways to grow their capital while also managing it effectively." Another survey participant said that the program space "enables carriers to get into niche products without tremendous overhead and they can hedge their risks with the structure of the transaction. And if change is needed then it is typically easier to change vs having the product totally serviced internally."

In terms of weaknesses, both administrators and carriers pointed to fierce competition as a huge challenge. "Increased competition with carrier market entrants, decreasing capacity in hardening," said one administrator. According to some respondents, what exacerbates the problem is that many of the new entrants do not have a full understanding of program business. "Competitors that worry about volume more than profitability especially in longer tail lines," said one respondent.

Another weakness identified is the difficulty in keeping up with modern technology and the costs associated with it. "Cost of technological advancements and independence continues to increase to maintain advantages. Carriers evolving to accommodate insure-tech buying habits," said one administrator. Several respondents also pointed to the lack of insurance technology as a challenge. "Pace and volume of technology makes constant assessment a time drain." It is especially harder for smaller players. "For small to mid-sized firms, rapidly evolving technologies are hard to keep up with due to cost and other resources needed," said one administrator.

"The program business model continues to be versatile. For an insurer, it is a means by which new products can be brought to market more rapidly and more efficiently without the expense of building and maintaining underwriting capabilities and establishing distribution networks," one carrier said.

The administrator respondents also listed carrier appetite as a weakness. "Carriers do not appear to be interested in new programs," one administrator said. Another survey participant lamented that "carriers are too slow to react to MGA needs. MGAs are flexible organizations that move fast – and need to react fast to changes in the marketplace. Carriers cannot move as quickly creating conflict with MGAs. Carriers are also too slow to agree to changes or even to establish new programs." Sharing this view, another respondent said that the weakness is "the same it has always been..... reliance on carriers willingness to respond quickly and recognize new exposures and take advantage of them in the market." The reluctance of carriers, some respondents say, is one of the "barriers to entry of new spaces/programs." For some carriers, the "alignment of goals between the carrier and program partner" is a weakness. One also mentioned the "lack of alignment between capital provider and underwriter."

Carrier stability was also listed as a weakness by some respondents. "Disruption caused by carriers entering and exiting the program space (is a weakness). It's an opportune time to be a start-up in the program arena, but they may not have the knowledge or capabilities to really differentiate, nor the commitment to remain in the space," commented one carrier.

Other weaknesses identified were the lack of detailed historical claims data for accurate analytics, poor analytics, and aging and depleting expertise.

"For small to mid-sized firms, rapidly evolving technologies are hard to keep up with due to cost and other resources needed," said one administrator.

Opportunities and Threats

Technology continued to be one of the most dominant themes when administrators and carriers were asked to share their views on the opportunities and threats in the program space. Both survey groups have consistently identified technology as an opportunity and a threat.

Several respondents focused on the utilization of technology as a means to create efficiencies. One carrier respondent sees "technology and data modeling generating improved efficiency and improved underwriting results" as an opportunity. An administrator polled echoed this view, pointing to "the utilization of technology and speed to market to create efficiencies" as a good opportunity. They also mentioned that the use of technology will help reduce expense and loss ratios.

Some comments also underscored the opportunities that can be explored with better technology. "Emerging technologies and industries will continue to create program opportunities for forward thinking organizations," one administrator said. Another pointed to "continued growth through better leveraging of technology (alliance with InsurTech) and continued migration of underwriting expertise."

Some survey participants also highlighted the significance of increasing the use of efficient technology platforms to support traditional distribution models and reach new markets. A number of respondents mentioned that insurance technology can be a means to reach customers from the small and medium enterprise sector.

Several respondents, however, warned that "technology can be disruptive to some programs if easily automated and delivered direct."

The heightened M&A activity in the program space is another trend that is viewed as both an opportunity and a concern by administrators and their carrier peers. For one administrator, "consolidation will drive new boutique level program administrators - AI and new underwriting capital/efficiencies will grow the overall program market more rapidly.

Some respondents believe that consolidation will inject much-needed resources to small administrators. "Consolidation and M&A with larger groups providing support in technology (systems) and resources," a carrier participant said. One example of this, according to another respondent, is "acquiring aging program administrators and applying best technology."

"Emerging technologies and industries will continue to create program opportunities for forward thinking organizations," one administrator said.

A greater number of commenters, however, are sounding the alarm over over-consolidation in the program space. "Too many mergers and acquisitions. Potential to reduce competition at both the carrier and program administrator levels," a respondent commented. Connected to this, a carrier mentioned "the threat of consolidation where there are only a few program administrators controlling the abundance of premium flow." Another survey participant said that "consolidation could be bad for distribution channel."

In terms of opportunities, emerging risks were mentioned by some administrators as an area that is ripe with possibilities. “Emerging risk trends will require unique program/product strategies to address them.” “Emerging risk = new product ideas.”

As with the previous survey, the move toward greater specialization was identified by several administrators and carriers as an opportunity. Several comments highlighted “continued growth through specialization.” “Continuation of specialization, which is worth additional distribution costs, for a lower loss ratio.” “Specialty markets where traditional markets don’t play.”

Other opportunities identified were the increased use of data analytics, continued expansion of program opportunities, and hiring young talent.

In the area of threats, several administrators said that a major issue is the “proliferation of carriers writing business directly.” According to one administrator polled, “insurers are always pressured to grow. Although some insurers embrace the PA business model, leverage it for profitable growth, and are good long-term partners, other insurers are tempted to cut out the PA partners, forgetting who brought them the business.” Another administrator shared this view. “Carriers are trying to cut the program administrator out.” Even one carrier agreed that “direct to consumer distribution from carriers” is a threat.

Another threat listed by administrators is the “tightening of carrier appetite” that is mentioned in previous sections. One respondent said that there is “carrier risk aversion to new opportunities.”

Among carriers, MGAs that do not have solid partnerships in the program space is a problem. “Partnering with startup MGAs who do not have long standing relationships/partnerships in the programs space. Startup MGAs looking to grow quickly due to additional capital available in the market. Program managers disintermediated by insurance companies better equipped to underwrite broader classes of business.”

Other threats mentioned were the hardening market, heightened regulation, and social inflation.

Future Prospects of the Program Administration Business

Program administrators and carriers continue to be in sync about what the future holds – they remain bullish and optimistic the many challenges confronting the industry. “The future of the program space is as bright as it has ever been. The availability of capacity and the emphasis on specialization and the investments in technology to manage risk portfolios will propel this space for years to come,” said Amwins’ Ben Francavilla.

Both administrators and carriers, however, are in agreement that companies in the program space must implement certain improvements to sustain this growth.

Commenting on the future prospects of the program business, one respondent said, “Overall, very bullish that our industry is comprised of competent, thoughtful operators that understand how to run complex specialty businesses. The shoddy players are largely gone (at any scale) and the industry is attracting good talent as equity value and wages rise, which will create credibility and sustainability.”

Comments show that program administrators and carriers understand the need to be better at what they do to ensure the industry’s continued success.

Technology and data were mentioned by several respondents as a crucial component to ensuring the industry's bright future. "It is a growing space but administrators will need to make sure they have the scalable technology to process the required data and service," said one administrator. Another respondent echoed this view, saying "Tech platforms need to evolve more quickly."

The significance of investing in technology was explained by another administrator. "Continued investments in technology will reduce the amount of time and friction involved in the information gathering and evaluation stages of our workflows, leading to faster turnaround time for clients. Data analytics will improve the overall results of programs for those administrators capable of implementing same."

Another issue that needs to be addressed is the aging workforce and the lack of new talent. "As an industry we need to find and prepare the next generation to replace our aging workforce," one survey participant said. Another respondent said that sustaining program business' success relies on fresh talent.

"Overall, very bullish that our industry is comprised of competent, thoughtful operators that understand how to run complex specialty businesses. The shoddy players are largely gone (at any scale) and the industry is attracting good talent as equity value and wages rise, which will create credibility and sustainability."

Some respondents also pointed to solid partnerships between administrators and carriers as key to sustaining the industry's status. According to them, it is important to secure the commitment of carriers and making sure that administrators and carriers are on the same page and trust each other. Commenting on these partnerships, a carrier said, "As mentioned previously, we have long supported program business and our future plans are focused on continued support and participation within the segment. As an organization we have benefited from our program partnerships, both from the expertise our partners provide within their segment as well establishing relationships with entities that share the same business philosophies and principles that guide our daily operations."

A number of administrators also underscored the importance of pursuing greater specialization in order to succeed. "Program business is the most effective model for underwriting and marketing complex risks, new lines of business, or difficult classes, especially in E+S markets. Underperforming programs will be squeezed out in this hardening market, but the programs with a unique value-add will be sought and even acquired by carriers needing demonstrable growth," said an administrator. For one carrier polled, "The program arena will continue to become more specialized and niche-focused. Access to carriers with strong financial position and balance sheet will continue to be critical to the growth of program business."

Overall, those who shared their views are in general agreement that program business is "healthy and long lasting. This model is here to stay."

SURVEY SUMMARY AND CONCLUSIONS

The temporary setbacks brought by the pandemic and the hardening market did not stop the program business from continuing its success story in 2020, according to ***The TMPAA State of Program Business Study 2021***.

The program business saw tremendous growth and continued to outpace the overall commercial insurance marketplace.

As they emerge from the worst of the pandemic, administrators and carriers are gearing towards further growth. They see exciting times ahead as administrators introduce new programs focusing on emerging risks and as carriers partner with existing and new administrators.

Greater activity is also expected from the heightened interest that the program space is receiving from the private equity sector. Access to niche markets and distribution, low capital requirements, and the numerous opportunities that the sector offers are all expected to drive further interest.

Survey results made it clear that the industry is not without its share of challenges. The threat of over-consolidation, increased competition, direct to consumer distribution from carriers, tightening carrier appetite, social inflation and many other issues continue to hover over the program space.

Still, survey respondents are bullish and optimistic about the sector's future. Program administrators and carriers, however, share the view that the sector's status as one of the insurance industry's brightest spots will be sustained only if key changes will be implemented.

Pursuing greater specialization, investing in technology and data analytics, strengthening partnerships, and addressing the issue of an aging workforce were suggested by many of those polled to ensure the program space's bright future.

The 2021 poll is the eighth in a series of annual surveys of program administrators and carriers to track trends in the program business. The TMPAA, Advisen (A Zywave Company), Allianz, Allied World, Amwins Underwriting, Doxa Insurance Holdings, K2 Insurance Services, MGA Systems, and QBE anticipate that continued strong support for the survey will result in a valuable, annually updated tool that will provide TMPAA members information they need to make better-informed business decisions.

ORGANIZERS

About TMPAA

The Target Markets Program Administrators Association is an organization dedicated to the unique challenges of insurance program administration. The TMPAA's mission is to help Program Administrators conduct their business more efficiently, with greater proficiency and profitability. The organization provides its membership with an array of business and educational services including access to program carrier decision makers, best practice information and recognition, Target University, Program Marketing and Distribution, Target Programs (online portal), Industry Studies and two annual Member Meetings. www.targetmarkets.com

About Advisen

Advisen, a Zywave company, is leading the way to smarter and more efficient risk and insurance communities. Through its information, analytics, ACORD messaging gateway, news, research, and events, Advisen reaches more than 150,000 commercial insurance and risk professionals at 8,000 organizations worldwide. The company was founded in 2000 and is headquartered in New York City, with offices in the US and the UK. Advisen is headquartered in New York. For more information, visit www.advisenltd.com or call +1.212.897.4800 in New York or +44(0)20.7929.5929 in London.

TARGET MARKETS® Program Administrators Association

SPONSOR: ALLIANZ

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Company Description

Allianz Global Corporate & Specialty (AGCS) is one of the world's leading insurers for corporate and specialty risks. We offer our clients and brokers specialist local coverage while giving access to the full international Allianz Group network – a network comprised of close to 200 countries and territories. In North America, we can provide unique end-to-end risk solutions for several lines including property, casualty, aviation, energy, marine, entertainment, financial lines and mid-corporate risks as well as international insurance programs. Taken together, our expertise, global reach and superior network make AGCS an industry leader in providing first-class insurance and risk management services to corporate clients and mid-sized businesses with complex and specialized needs.

Program Business Strategy

We partner with Programs Administrators who have a deep underwriting expertise in a specific segment or class of business and have a technology platform (rate/quote/issue) to process the business. We write programs in every industry and new programs need to be at least $5 million in annual premium.

SPONSOR: ALLIED WORLD

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Company Description

Allied World Assurance Company Holdings, Ltd, through its subsidiaries, is a global provider of insurance and reinsurance solutions. We operate under the brand Allied World and have supported clients, cedents and trading partners with thoughtful service and meaningful coverages since 2001. We are a subsidiary of Fairfax Financial Holdings Limited, and we benefit from a worldwide network of affiliated entities that allow us to think and respond in non-traditional ways. Our capital base is strong, our solutions anticipate rather than react to changing trends, and our teams are focused on establishing long-term relationships that are mutually beneficial.

Program Business Strategy

The Allied World Programs division partners with the leading program administrators to bring clients innovative and comprehensive insurance. Together, we build products and services that support niche needs and serve as an extension of our core corporate strategy. With a strong geographic presence, we offer Admitted and Non-Admitted products and services in 50 states, with customized solutions spanning a variety of industries, classes and product lines.

SPONSOR: AMWINS

UNDERWRITING

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Company Description

The Underwriting division of Amwins serves as an MGA/MGU for 50+ niche property & casualty programs. The division underwrites over $1.4B in annual placements, across 29 office locations supported by over 125 industry professionals. At Amwins Underwriting, we recognize that not all business risk is created equal. That's why we've dedicated our division to niche industries, creating a team of specialists that understands the nuances of the market they support.

Program Business Strategy

Our goal is simple: develop underwriting programs that fill complex needs within the marketplace while delivering a level of service and expertise that stands out from the crowd. We strive to complete this mission through the transparency of our data-backed coverage offerings and provider-aligned incentives, efficient solutions offered by our array of programs and robust distribution network, and the expertise of our industry-specific underwriters that paves the way to form long-standing relationships with carrier partners.

SPONSOR: DOXA INSURANCE

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Company Description

DOXA INSURANCE HOLDINGS is a Midwest company acquiring small- to medium-size Managing General Agents (MGAs) across the U.S. As a result, our strategically-assembled family of companies offers specialized risk management solutions for organizations in need of crucial Excess & Surplus, Property & Casualty, Specialty, and Micro-Specialty coverages.

Program Business Strategy

- DOXA INSURANCE HOLDING'S ideal MGA acquisition candidate:
  - Is an industry expert within their niche market
  - Has a proven track record of stability and continuity
  - Owns a privately-held, small- to medium-size agency with less than $250 million in premium sales
  - Has 5+ years of experience
  - Underwriting Letter of authority from its carrier partner, in addition to policy issuance, sales, and marketing responsibilities

SPONSOR: K2

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Company Description

K2 is an international company that manages administration of insurance programs for carriers and capital providers in niche industries. K2 is a full insurance services platform with systems, actuarial, claims, CAT modeling and compliance. K2 is a market leader at finding the balance between unit autonomy and proper centralized oversight in supporting well-qualified professionals to deliver needed products to customers and achieve desired results of risk-taking entities.

Program Business Strategy

K2 selectively acquires majority stakes in program administrators who need additional support to grow and expand. Part of this group may be transitioning to retirement and want to remain involved for a period of time. K2 also provides operational start-up and management support for entrepreneurial underwriters who want a stake in the programs that they build and manage.

SPONSOR: MGA SYSTEMS

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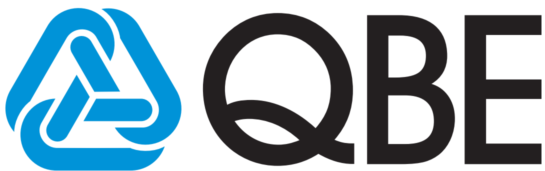
Company Description

With more than 150 clients worldwide, MGA Systems (MGA) is a single-source custom software provider to the MGA/ program administrator niche. With unmatched domain expertise and innovation capabilities, we partner with our clients so they can get to market quickly with our cost-effective policy administration system and ISO-based commercial lines rater. MGA offers rating, quoting, binding, issuing, accounting, integrated claims, workflows, document management, reporting, open integrations and much more to help our clients achieve their goals.

Program Business Strategy

MGA Systems has a broad range of clients and prospects. We look for MGAs and program administrators that are interested in getting products to market quickly, need software to operate the way they do business, enjoy a consultative approach when interacting with a technology partner, want to easily integrate with third parties, are focused on low cost of ownership and want to work with domain experts and technology wizards.

SPONSOR: QBE



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Company Description

QBE North America Operations is a global insurance leader focused on helping customers solve unique risks, so they can focus on what matters the most. We are rated A+ by Standard & Poor's and A (Excellent) by A.M. Best. Located in 27 countries, we're operational in all key global insurance markets and are considered a leading underwriter within our chosen markets. QBE has 11,000 employees worldwide.

Program Business Strategy

As a recognized industry leader, QBE Programs builds trusted relationships with our partners to provide meaningful alternative risk, management and service solutions to meet the unique needs of our customers.

- A leading program carrier with over $1 billion annual premium
- A national carrier offering admitted and non-admitted flexibility, diverse appetite and valued advisory services
- Experienced Program managers with underwriting expertise who build trusted relationships with our partners.

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