

Program Insurance:  
A different approach to  
building your business



# Program Insurance: A different approach to building your business

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

## A look at the industry

According to industry research reported in The TMPAA State of Program Business Study 2014:

- Program administration is a large business at \$30.1 billion in premiums in 2013 – roughly one in ten of the dollars spent on commercial property/casualty insurance today. The estimated size of the market rose 9.8 percent from \$27.4 billion in premiums in 2012.
- The program business is growing more quickly than the overall commercial insurance marketplace. While the size of the program business rose 9.8 percent between 2010 and 2013, the growth in direct premiums written for commercial lines increased by only 4.6 percent.
- In terms of programs administered, there is an estimated 2,140 individual programs in 2013, an increase of 3.1 percent from the 2,075 individual programs estimated in 2012.
- Three-fourths of the administrators polled continued to enjoy high renewal rates of between 80 and 100 percent. The average rate of renewals for 2013 is 85 percent, barely budging from the 84 percent recorded from 2010 to 2012.

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

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

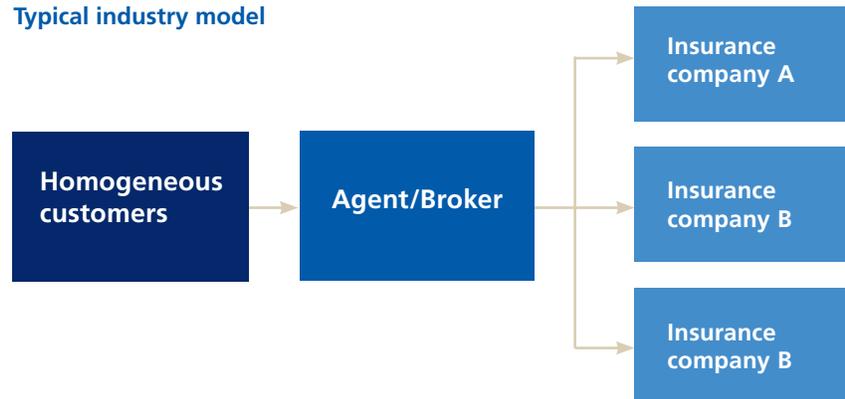
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Want to see Zurich's list of programs? Visit [ZProgramsMatch.com](http://ZProgramsMatch.com)

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

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

#### Typical industry model



#### Programs’ model



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



## Program Administrators: The missing link

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

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

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

### How are programs different from standard commercial lines?

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



## Programs' value for retail agents and customers

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

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

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

## Zurich's program opportunities

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

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

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

[www.ZProgramsMatch.com](http://www.ZProgramsMatch.com)

**For more information on Zurich Programs, visit**

[www.zurichna.com/programs](http://www.zurichna.com/programs)

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ZProgramsMatch.com is a Zurich in North America sponsored website that serves as a tool for agents to seek a program administrator who may have an appetite for such risks. Zurich does not guarantee any particular outcome nor guarantee that each and every such risk will be placed or accepted by the participating program administrator. Coverages may not be available in all states. The information in this publication was compiled from sources believed to be reliable for informational purposes only.

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