

TMPAA 2009 Mid Year Meeting

Program Proposals Revisited

April 28, 2009



Panelists

- **Doug Bennett** – Moderator – Sr.VP. Aon Benfield
- **David Hampson** – President & CEO – Willis HRH Programs
- **Ron Molatto** – Div. Sr. VP. – Great American
- **Scott Roe** – Sr. VP. Marketing – Am Trust Underwriters
- **David Springer** – President – NIP Programs



Components of a Proper Program Submission

- Executive Summary
- Highlight “Sustainable Competitive Advantage”
- Underwriting Guidelines
- Unique Coverage's / Forms Needs
- Marketing Plan
- Program Experience
- Resumes of Key Individuals
- Claims – TPA or Carrier or In House



Things to Consider

- Electronic – Always save the trees!
- All data should be in Excel spreadsheet format
- Word documents can be in PDF
- Tabs to breakout and disseminate
- Links to website or vendors
- FTP format with passwords if very large



Other Things to Consider

- Use a Broker? If so, Aon Benfield!
- NDAs – Carrier Versions Speed Process
- Disclosure of data – Make sure info. is not proprietary to another party
- Public sources of information support such as Perr & Knight or IRC



Target Markets

Program Business Presentation
The Rollover Process

April 2009

Look Before You Leap

- There are many carriers operating in the program space.
- Evaluate the differences:
 - Risk Appetite
 - Admitted/Non-Admitted
 - Filings – Rate and/or Form
 - Lines of Business written and available limits.
 - Minimum Premium Requirements
 - Levels of Authority
 - Claims Handling capabilities and flexibility to work with third parties

When To Get Started

- Give yourself +/- one-hundred and twenty (120) days depending on how complex your program and how profitable. Less profitable programs may require a bit more time as both parties will need to discuss prospective changes that work for everyone.
- More complex programs and/or programs that have not performed well may require more time.

The Sophisticated Broker Submission Information is the key to your success!

Executive Summary

- Industry
- Size of universe
- Loss ratio
- Current carrier
- Reason for moving
- Lines of coverage
- Concentration by state
- Unique Issues

The Sophisticated Broker Submission

Program Description (details)

- General background and history
- Size of universe
- Concentration by state
- Loss ratio
- Lines of business
- Rating basis

The Sophisticated Broker Submission

Playing Field (Industry)

- Size of universe
- Growth potential
- Distribution of market potential
- Issues unique to industry

The Sophisticated Broker Submission

Proactive Support (Associations)

- Key associations
- Role in industry
- Association sponsorships – why / why not

The Sophisticated Broker Submission

Players (Competitors)

- Key program competitors
- Market share by competitor

The Sophisticated Broker Submission

Product

- Standard coverages
- Manuscript endorsements
- Underwriting guidelines
- Standard applications
- Rating basis

The Sophisticated Broker Submission

Pricing

- Rates
- Test quoting

The Sophisticated Broker Submission

Profitability (Actuarial Analysis)

- Premium and loss data
- Actuarial studies:
 - By line
 - By state
 - By year
- Rate needs
- Loss drivers

The Sophisticated Broker Submission

Placement (Distribution)

- Open
- Closed
- Mixed brokerage

The Sophisticated Broker Submission

Promotion

- Marketing
- Branding
- Advertising

The Sophisticated Broker Submission

Platform (Infrastructure)

- Systems description
- Systems capabilities

The Sophisticated Broker Submission

People (Staffing)

- Key resumes
- Overall experience levels
- Organizational charts

The Sophisticated Broker Submission

Pro-Forma

- 3 Year historical performance
- 3 Year future pro-forma:
 - Pessimistic
 - Realistic
 - Optimistic
- Break out new and renewals
- Submissions
- Hit ratios
- Retention ratios

The Sophisticated Broker Submission

Pain and Prevention **(Claims and Loss Control)**

- Describe current claims handling
- List large claims
- Describe nature of claims
- Describe loss control program in place

The Sophisticated Broker Submission

Payment and Profit Sharing

- Commission
- Profit sharing plan
- Marketing co-op
- Loss control allowances

The Sophisticated Broker Submission

Planning Ahead

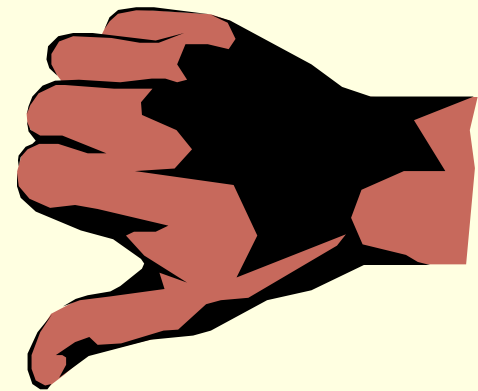
- Next steps
- Timeline

The Internal Discussion

- Does the business fit with our underwriting appetites?
- Does the business conflict with other business units?
- Is specialized underwriting or claims expertise required?
- Does the agent have a distribution advantage?
- Are there legal issues related to the product line?
- Are special filings required? Is the resource cost in line with premium expectations?
- Are there specific reinsurance requirements?
- Any company history with the class of business?
- Are time horizons realistic for launch?
- Will systems integration or implementation be problematic?



The decision is made to decline or move forward



The Devil is in the Details-Behind the Scenes at the Company

- Acquire and analyze COPE data (Property)
- Obtain / assess/ model catastrophe exposure relative to underwriting appetites and existing accumulations by LOB or specific peril
- Limits profiles

The Devil is in the Details-Behind the Scenes at the Company

- Actuarial review – historical results / projected results / historical rate changes to be factored into final projections
- Forms review if other than ISO or other standard forms
- Review and discuss Underwriting Guidelines
- Review rating scheme – particularly if other than ISO
- Agency background checks... licenses, E & O, bank statements, etc.

And...If All Goes Well

- Physical audit
- Finalize Underwriting Guidelines
- Purchase reinsurance, if required
- Complete filings if required
- Integrate claims and / or claims authority levels, reporting procedures, and / or coordinate systems with the third party Administrator if applicable
- Present agency agreements / authority documents / profit sharing
- Assign agency codes
- System training and / or electronic data transfer implementation

Break out the Champagne!!!



Target Markets Mid Year Meeting

New Program Development

Why a New Program?

- Can you clearly articulate the value proposition for all stakeholders?
 - MGA
 - Carrier
 - Insured
 - Group (Association, Trade Group, etc.)

Market Research

- Data...Data....Data!!!!
- Expertise
- Marketplace
 - Competitors (Carriers, other programs, etc)
 - Issues (Regulatory, Coverage, Industry, etc.)
 - Distribution (Where is the business and how to get it)
 - Ease of transfer (Price, endorsement of association/group, coverage, etc)

Art of the Deal

- What does the Data Tell You?
 - Can you write a business plan that tells a compelling story?
- Is This Program Desirable for a Carrier Partner?
 - Risk / Reward
 - Premium Volume
 - Appetite (Class, LOB, admitted/non-admitted, etc)
- Do the numbers work?
 - Actuarial Loss Pick
 - Commission Structure (MGA, Retail, Loss Control, Claims, etc.)
 - Pricing at the Policy Level

Calibration

- Expectations
- Staying Power / Passion for Development
- Multi Year Plan for Development of Program
 - Fine Tuning
 - Managing Portfolio
 - Expansion