

BEST'S REVIEW® ISSUES & ANSWERS: PROGRAMS & WHOLESALE BUSINESS

A look at today's expanding range of specialized program insurance offerings and distribution channels.



Interviewed Inside:



Jon Peebles
Philadelphia Insurance Companies



Bryan Sanders
*Market US Insurance
WSIA*

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A young boy with short brown hair, wearing a blue and white striped t-shirt, is seen from behind, sitting at a desk in a classroom. His right hand is raised high in the air. In the background, other students are blurred, and a water bottle is visible on the desk in the foreground.

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Philadelphia Insurance Companies is the marketing name for the property and casualty insurance operations of Philadelphia Consolidated Holding Corp., a member of Tokio Marine Group. All admitted coverages are written by Philadelphia Indemnity Insurance Company. Coverages are subject to actual policy language.

Successful Environment

Jon Peeples, vice president of Environmental for PHLI Insurance, said that being very proactive when it comes to emerging risks helps make PHLI a leader when it comes to environmental insurance. “We’re always sharing with our agents claims trends, keeping them as informed and engaged as possible,” he said. Following are excerpts of an interview.

What are the emerging environmental risks?

We’re tracking one thing right now that is prevalent. It is called ethylene oxide, also known as EtO. It’s a gas that’s used for sterilizing medical equipment. The concern is that it’s unregulated, and has been found to be carcinogenic by the [U.S. Environmental Protection Agency]. This gas is both colorless and odorless, and it’s getting into air emissions. If you breathe it in over a long period of time, you can get cancer such as leukemia and lymphoma. There are only two facilities in America that manufacture this gas and both are being studied for a cancer risk to the surrounding population from air emissions. That is a controllable concern. The issue we face as an underwriter is that we write a lot of medical institutions that are using this type of process to sterilize their medical equipment. The major concern that we have is if it does get regulated, how does that impact hospitals for air emissions as well as possibly their workers?

What should insurance agents know about these risks?

They need to know that if they do have operations that have medical offices, medical emergency rooms, hospitals, and such, there should be some concerns about indoor air quality. It may not be just an environmental issue, but a workers’ compensation issue since it can cause cancer. That means OSHA, the Occupational Safety and Health Administration, will be involved as well as the EPA. From an environmental standpoint, it may impact the agents that are working on the two facilities. We know right now that both facilities that manufacture this gas have pollution legal liability policies. Considering that we may be seeing class action lawsuits coming back, those agents should be very concerned about that for their insureds.



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- Key underwriting staff that averages more than 20 years E&S experience.
- Best’s Financial Strength Rating A++ (superior) and approved in 50 states.
- Provides a creative approach to complex environmental risks.

Jon Peeples

Vice President of Environmental
Philadelphia Insurance Companies



“When it comes to environmental, PHLI is very accessible being that we have 24 underwriters throughout six different offices in the country.”

Go to the Issues & Answers section at bestreview.com to watch an interview with Jon Peeples.

Where do you see the environmental market headed?

It’s stabilizing. We’ve had a lot of new entrants over the last few years. They’ve kept our market somewhat soft, but as the casualty market is hardening, it’s going to influence environmental. One area that will have an impact is that a lot of the environmental coverages we offer are optional and not required. As property and casualty rates go up, less money attributed to optional coverages could dip. That dip may impact some of our newer players and possibly harden our market a little bit.

SOME THINGS WORK BETTER TOGETHER.

Like working with a Wholesale & Specialty Insurance Association member to find a custom solution to a nonstandard risk. WSIA members will help you craft cost-effective, innovative solutions for your specialty and nonstandard risks. Combining the strength of the former AAMGA and NAPSLO organizations, WSIA members are your source for expert solutions.



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Wholesale Growth

Bryan Sanders, WSIA president, said the surplus lines market has more than doubled in size during the last 20 years. “I think this demonstrates that the market serves a critical role in the insurance industry and overall economy,” he said. The following are excerpts of an interview.

How is WSIA serving the needs of program managers?

WSIA is the only trade association that serves the entirety of the wholesale, specialty and surplus lines insurance industry, with domestic and international wholesalers, wholesale-dedicated insurance markets and service-provider members comprising the U.S. wholesale insurance distribution system. Recognizing the importance of program specialists in the market, WSIA now offers dedicated business networking opportunities for program specialists at the Annual Marketplace and Underwriting Summit, to provide program specialists and program administrators open access to program carriers at these events.

What value does the wholesale distribution system bring to a transaction for an emerging risk?

The wholesale distribution system brings value to both retail agents and insurance consumers. WSIA members are technical experts who specialize in creating innovative coverage for complex risks. Retail agents can trust WSIA-member wholesalers to help them gain access to markets, coverages and options they might not be able to find in the standard market. A wholesaler’s expertise can help agents tailor an option for their insured. It’s also important for agents and insureds to know that there is never a cost associated with seeking a wholesale quote, so it’s risk-free. A 2016 Conning Inc. analysis concluded that wholesale distribution does not increase the cost of the transaction to the insured, which makes consulting a wholesale expert a common-sense approach for insurance buyers.

What is the outlook for the wholesale market and WSIA members?

The wholesale, specialty and surplus lines segment continues to perform very strong. The market is at a record level of surplus lines premium, and surplus lines carriers continue to maintain a higher proportion of secure financial ratings than the overall property/casualty market. Best’s Special Report, 2019, *U.S. Surplus Lines – Segment*



- A nonprofit association of insurance professionals and specialty market leaders dedicated to the wholesale distribution system.
- Serves more than 725 member firms representing approximately 1,700 offices and tens of thousands of industry professionals.
- Provides world-class member services including networking, education, talent development, legislative advocacy and promotion of the value of wholesale distribution.

Bryan Sanders

WSIA President
President, Markel US Insurance



“We continue to see the strong economy, increasing demand for solutions to emerging risks and product innovation as key drivers of growth.”

Review, found growth of 11.2% in surplus lines direct written premium in 2018, with surplus lines premium totaling a record \$49.9 billion. A recent report from the 15 states with surplus lines stamping offices also indicates that premium is continuing to grow, as is the number of filings with those stamping offices. Total surplus lines premium reported to those states in 2019 was \$37.5 billion, which is a 19.3% increase over 2018, representing remarkable growth.

