

# BEST'S REVIEW® ISSUES & ANSWERS: EXCESS AND SURPLUS LINES

Industry experts discuss the advantages of the excess & surplus lines market.



## Interviewed Inside:



**Dixon Gillis**  
A-G Administrators



**David Harrell**  
Philadelphia  
Insurance Cos.



**John Lopes**  
Nationwide E&S/S



**Davis Moore**  
WSIA

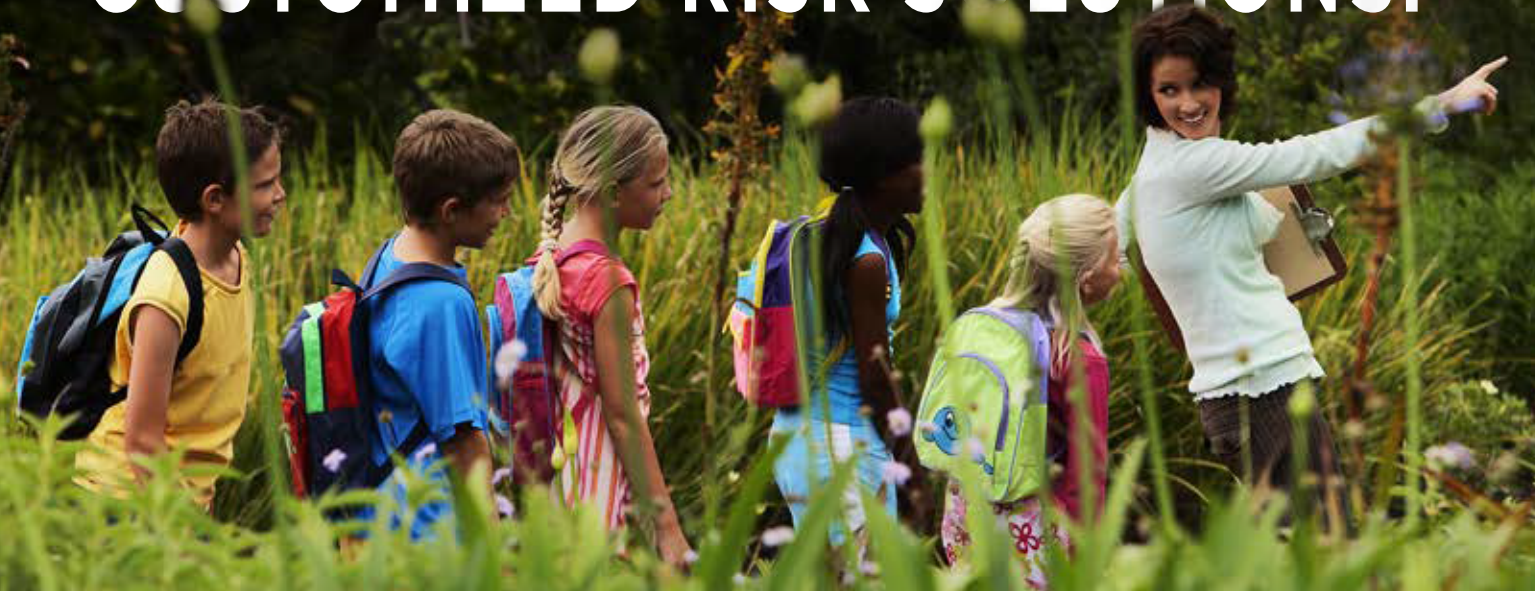


**Rick J. Lindsey**  
Prime Insurance Co.

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# Solutions for College Sports



Dixon Gillis, Chief Executive Officer, A-G Administrators, said that he has noticed that mental health is becoming an important issue in college sports. “Mental health is a medical expense that colleges and universities are assuming financial liability for these days,” he said. Following are excerpts from an interview.

## **A-G Administrators recently conducted a survey for college sports. What did you find?**

One of the main things we found was the fact that no program is created equal. We had a great response and accumulated a lot of data! We have found that within college sports there is money for a program to either assume financial liability, utilize a discounting strategy or have primary insurance take some liability off of their budgets. What we’re trying to ascertain is what that level of primary insurance is for each division within each conference. We’re seeing that is the No. 1 offset of expenses for a university’s athletic insurance program. We’ll be publishing the results of that survey very shortly.

## **How has innovation played a part in protecting student-athletes when it comes to risk management?**

Just think about innovation in the sense of the medical community. Look how far the aspect of delivering care has come—to not only students and student-athletes but to everyone around us. It’s remarkable. With that innovation, the insurance and financial industries are a little bit behind the medical community as far as providing the innovative applications that’s appropriate for that niche. What we’ve done at A-G Administrators is have that nuance for each program to be innovative in the way that we’re managing a claim or to be innovative in the way that we’re delivering data. Data is obviously the king of all of these scenarios, but it doesn’t mean that much if you’re not using it appropriately.

## **Why do agents need to partner with accident specialists for college student-athletes?**

Agents primarily have the responsibility of managing the relationship at the highest level within an institution. We feel the accident medical programs are such a niche and it’s so nuanced that you need to have a partner who understands it. We feel here at A-G, we understand it in a way that no other program is providing for within our offerings. That means that we’re hiring folks that are in athletic institutions and athletic

## **Dixon Gillis**

Chief Executive Officer  
A-G Administrators



“Our service is supreme, and our cost containment can only be described as innovative in this space.”

Go to the Issues & Answers section at [www.bestreview.com](http://www.bestreview.com) to watch an interview with Dixon Gillis.

training who understand the day-to-day operational aspects of a program and the medical expenses assumed by these institutions. That specialty, that nuanced sense of offering is important for a partner to then deliver to the agent to make their unique competitive advantage truly supreme.

## **Can you tell us about your state-of-the-art proprietary claims management application?**

EGBAR is our proprietary claims management platform. EGBAR allows a user to have full transparency and visibility into the life of their program and the accident medical expenses that are running through their operation. By delivering that value to the end user, we’re hopeful that they can provide more value internally and have that transparency, whether it be from submitting a claim or working through the tracking of a claim or managing all the different components that could be associated with the life of a medical expense or an injury or an illness, for a student-athlete.



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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.



# The PHLY Difference

David Harrell, Vice President of Excess Casualty, Philadelphia Insurance Cos., said speed of service is paramount to the company's overall business. "That is our absolute focus: making sure that we're able to get to the broker as quickly as possible," he said. Following are excerpts from an interview.



A Member of the Tokio Marine Group

## What does the current E&S market look like?

We expect the surplus lines market to continue to grow in 2022, just maybe at a slower pace. The growth will continue to come from former standard market business that entered the E&S market due to various changes, such as appetites, lower capacity offerings and rate increases. Overall, we think that excess will continue to experience the growth pretty much in the same manner with businesses continuing to move out of standard markets with continued risk appetite changes and underwriting profitability results, of course. PHLY specifically attributes our growth over the periods to these opportunities that have been created by that market change.

## What are the challenges that you see in the overall marketplace in 2022?

This is and always will be a relationship business. In some ways, the pandemic interrupted our ability to consistently stay in contact with our business partners. The challenge has been trying to find ways to stay relevant to our agents and brokers, especially when you're out marketing a placement. In the case of morale for the team, that's been a concern. It's something that we felt that we needed to address because people always, frankly, didn't have the greatest time working from home. Some people also felt isolated. We had to find ways to go about and be creative to make everyone feel the same way it would if we could be in the office and seeing each other every day.

## How is PHLY E&S addressing those challenges?

One way is to embrace the new technology; all types of virtual platforms that we have that will allow us to have face-to-face contact. We've hosted interactive webinars where it allows us to not just talk at our agents and brokers but allowed them to ask questions of us, just like we would in a normal format. We've also held virtual happy hours with them. We just are constantly trying to find ways that we're able to use the technology to make people feel as normal as possible.

## David Harrell

Vice President of Excess Casualty  
Philadelphia Insurance Cos.



"We expect the surplus lines market to continue to grow in 2022, just maybe at a slower pace."

Go to the Issues & Answers section at [www.bestreview.com](http://www.bestreview.com) to watch an interview with David Harrell.

## How will PHLY differentiate itself in 2022?

Speed of service is paramount to our overall business. In the past, we were able to respond to brokers and agents quickly. That is our absolute focus: making sure that we're able to get to the broker as quickly as possible. For example, in the past, in the way that our business works, we may have been able to wait for all of the quotes to come in or all of the questions to be answered before we offered our premium option. What we've been doing is really trying to speed that up. My team has split things up into what are the wants and what are the needs and addressing the needs first, being able to get that information—then that allows us to be able to release an indication, a quote, whatever the nature of that will be. If we find out that that is competitive, then we will create the quote and search for the wants that we have to complete the documentation of the overall file.



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# Innovation Is Key at Nationwide



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John Lopes, Executive Vice President, Programs & Alternative Ventures for Nationwide E&S/S, said that during his long career he's only seen a handful of new products that have scaled to a mainstream program. "It's more about innovation—taking an existing product and modifying it for new exposures that are coming in and increasingly better analysis of data," he said. Following are excerpts from an interview.

## What prompted you to branch out into these new opportunities?

One of the great things about working for a company like Nationwide is we get approached on opportunities from a number of areas. We take a look at them, and there are very few that we act on. But two made sense to us for a variety of reasons. The first, Geneva Re, came from RSG, one of our largest distribution partners. They wanted to share risk on a large portfolio of program business while leveraging their in-house expertise. The other opportunity was N2G, a multinational opportunity in partnership with Generali. When you take two very large carriers with household names and stellar paper, we thought it made sense to partner together to provide those solutions across the globe.

## How are things such as data mining, telematics, blockchain and other technologies playing out in the program's market?

From our standpoint, we embrace technology in both directions. Externally, a lot of that work is being done within the insurtech space and with our program managers. Many of them are sophisticated and they're investing in their businesses, which is something we expect of our partners. Within Nationwide, we also have tremendous capabilities, with numerous resources working on those same elements. We feel very strongly in the program model that we're here for more than just providing capital and financial rating. We believe that we need to be a value-add provider, so our job is to make our program managers as profitable as they can be, just as their job is to make sure we're making a profit. Technology is an integral part of that alignment.

■ Fortune 100 company

■ AM Best Rated A+ (Superior) FSC XV

■ A top five domestic specialty (Excess & Surplus) commercial lines insurer

## John Lopes

Executive Vice President, Programs and Alternative Ventures  
Nationwide E&S/S



"We feel very strongly in the program model that we're here for more than just providing capital and financial rating."

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## How do new entrants in insurtechs influence the kind of opportunities you consider?

We value what they bring to the table. If you go back 10 years ago, a lot of people would have used the term insurtech along with the word disrupter. At the Nationwide level, we have a Ventures group that makes investments in this space. We work very closely with them. There are a lot of smart, creative people out there who are adding value by being able to do risk management and analysis while improving the customer experience in terms of ease and efficiency of doing business. Our experience is that insurtechs have been very helpful with new program opportunities while enhancing what we can do today—which is really what we want as we move into the future.



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Some decisions are too precarious to take on alone. You need a partner who can help you create the right solution for your client's risk, while minimizing yours. Choose a WSIA member to craft cost-effective solutions for complex risks. In fact, it's so cost-effective that a recent analysis by Conning, Inc. concludes that wholesale distribution does not increase the cost to the insured. That's a good decision!



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THE WHOLESALE DISTRIBUTION SYSTEM.



# New Trends in E&S

Davis Moore, WSIA President, Vice Chairman, brokerage, Amwins, said it's important to remember that the E&S segment is designed for innovation. "So in a time of rapidly developing technologies and emerging risks, the E&S industry naturally excels," he said. Following are excerpts from an interview.



## What is the current financial outlook for the surplus lines segment?

According to the recently released 2021 Stamping Office Annual Report, the market continues to experience record premium levels. The 15 states with surplus lines stamping offices just recorded a 22% premium increase for 2021 over the previous year, and they reported a 6.6% increase in transactions. Coupled with the 17.5% increase reported for the market in the AM Best 2021 Special Report for 2020, the figures continue to be strong, and the financial strength and stability of the market is clear.

## Where is that growth coming from and what trends are you seeing?

Growth seems to be coming, in varying degrees, from across the board. Both overall premium and total filings are up, so it's not being driven by pricing alone. According to the stamping offices, there's growth in demand in D&O, professional, excess liability, property, residential flood, wildfire and cyber coverages. It seems that an increased frequency of weather-related events, social inflation, nuclear verdicts and cyberincidents are also likely at play. Also, economic growth is certainly a component of the growth we are experiencing.

It's also important to remember that this segment is designed for innovation, so in a time of rapidly developing technologies and emerging risks, the E&S industry naturally excels. Cyber exposure isn't new, but its impacts are evolving and expanding, and insureds need customized coverages, which is what we do best.

## What advice would you offer regarding accessing the wholesale distribution system?

We have always known that wholesale distribution delivers tremendous value to retail agents and insureds, and WSIA members are specialists who can offer access to markets, coverages and options that just aren't available in the standard market. In late 2021, WSIA partnered with Conning Inc. to update an analysis of data from 2016-2020, which confirmed

- A Nonprofit Association of Insurance Professionals and Specialty Market Leaders Dedicated to the Wholesale Distribution System.

- Serves Nearly 700 Member Firms Representing More Than 1,600 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.

## Davis Moore

WSIA President, Vice Chairman, Brokerage  
Amwins



**"Cyber exposure isn't new, but its impacts are evolving and expanding, and insureds need customized coverages, which is what we do best."**

that wholesale distribution does not increase the cost of the transaction to the insured. That analysis determined that the cost of wholesale distribution was lower than retail distribution by 1.8 percentage points, which makes consulting a wholesale expert a common-sense approach for insurance buyers, particularly in emerging risks. There is never a cost to seek a wholesale quote, but there is high value when buyers need an expertly crafted solution from the wholesale market.

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# The Prime Difference

Rick J. Lindsey, CEO, Prime Insurance Co., says the company has cracked the code on remaining profitable while insuring high-risk businesses that other companies avoid. “This isn’t a magic trick. It is simply executing first-class business practices such as getting the little things right,” he said. Following are excerpts from an interview.



## How has Prime Insurance Co. handled the challenges and market disruptions in the last few years?

Prime Insurance Co. is an excess and surplus lines specialty liability company. While many others in our industry seem to take solace—and make excuses—in repeating how challenging the last couple of years have been, we have accepted and met these challenges head-on and enjoyed record new levels of production and expansion. Our underwriting protocol follows simple but important guidelines, such as not competing with low pricing and exclusionary terms, but by providing the services that actually work in today’s heavy litigation environment, and ensuring that we create and maintain a close working relationship with our clients.

## How can Prime be profitable while insuring high-risk businesses that other companies won’t touch?

It isn’t anything magical. It is simply executing first-class business practices such as getting the little things right; knowing and collaborating with the customer in a real partnership; fighting for the customer and motivating capable employees to perform well; and creating a business culture of excellence and pride. Quality control and service is of the utmost importance and all business processes are executed in-house, including underwriting, policy issuance, risk management, legal work and claims adjudication. Prime provides “full contact” customer service. Clients receive regular visits and communications. Clients have 24/7 accessibility and support because bad things can happen at any time.

## How is Prime different?

A major business differentiator is our willingness to fight for clients in court against plaintiffs’ attorneys, rather than quickly settle frivolous or exaggerated claims. We believe the industry inclination to settle even frivolous lawsuits has damaged the industry and the people and businesses who are insured. The rush to settle encourages frivolous lawsuits and higher settlement demands, resulting in a downward spiral in fairness and costing more in the long run. The industry is threatened by a tsunami of litigation that increases the cost of insurance and makes companies fearful of insuring high-risk activities. We will go to court and fight hard

## Rick J. Lindsey

CEO  
Prime Insurance Co.



“We take seriously the idea of knowing and collaborating with the customer in a real partnership; fighting for the customer; and motivating capable employees to perform well while creating a business culture of excellence.”

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for clients who are in the right, even if it costs more than settling. Prime is not afraid of the legal system and is not afraid of spending money to win in court. Prime does not allow its clients to be taken advantage of. Prime reverses the pressure and tactics of the plaintiffs’ lawyers. It will cost them more to fight Prime.

## Can you tell me how Prime is impacting the relationship between carrier, producer and insureds?

Prime’s significantly lower-than-average loss & LAE ratio is a result of the partnerships formed with policyholders during underwriting and risk management review. Case management is greatly enhanced through this partnership approach. We engage all stakeholders and demand complete transparency by all concerned. With this approach, we are changing the insurance world. The result is that, even though Prime insures categories and enterprises that engage in risky activities that other companies reject, we perform far above average. Prime’s unique ability to supply a stable market beyond the boundaries of other insurance carriers opens options for a larger book of business.

