

BEST'S REVIEW® ISSUES & ANSWERS: SPECIALTY COVERAGE

Insurers, MGAs, wholesale providers and others examine how they are creating new, focused offerings that directly address the risks of today and tomorrow.



Interviewed Inside:



Andy Shockey
Philadelphia
Insurance Cos.



Bryan Sanders
WSIA



Dixon Gillis
A-G Administrators



Lou Levinson
Lexington Insurance
Company

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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.

A Driving Force

Andy Shockey, Assistant Vice President, Risk Management Services, Philadelphia Insurance Cos., said that vehicle telematics is leading to safer roadways while helping commercial vehicle owners control costs and the well-being of their drivers. The following is an excerpt of that interview.

What is vehicle telematics?

Very simply, it's the collection of vehicle and driver behavior datapoints related to the operation of the vehicle. This data can be collected and transferred from the vehicle via cellular signal, and is also collected by a black box installed by the vehicle's manufacturer.

How is vehicle telematics helpful to policyholders?

The availability of telematics data positions policyholders to receive and respond proactively to the behaviors of their employee drivers. This includes the opportunity for positive reinforcement to their drivers who consistently operate their vehicles in a safe and lawful manner. Prior to this technology, our policyholders could only react to situations brought to their attention such as phone calls from the concerned general public and/or their vehicle mechanic.

In addition to helping policyholders improve driver behavior, telematics users can monitor the location of their vehicles to ensure they're operating where they should be. We had an incident this year where a policyholder's utility van was stolen and taken on a high speed chase exceeding 90 miles per hour. When the police "lost" the vehicle during the chase, the policyholder was able to log into our PHLYTRAC system to tell the police exactly where the car thief was heading. The police were able to successfully recover the vehicle, damage-free.

How is vehicle telematics helpful to PHLY agents?

This shared dataset helps PHLY and our agency partners continue to inform and influence our policyholders on what can be done to continue to control the cost of commercial automobile insurance. Driver behavior remains an aspect to this challenging exposure that is in our policyholder's control.

How has vehicle telematics impacted driver safety?

We looked at our frequency experience of our national telematics program at Philadelphia Insurance, which is 45,000 vehicles and growing. Our policyholders averaged a 19% frequency reduction.



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- Leader in telematics for commercial auto insurance.
- Best's Financial Strength Rating A++ (Superior) and approved in 50 states.
- 96% overall customer satisfaction.

Andy Shockey

Assistant Vice President, Risk Management Services
Philadelphia Insurance Cos.



"Policyholders with PHLYTRAC have averaged a 19% reduction in loss frequency."

Go to the Issues & Answers section at [bestreview.com](https://www.bestreview.com/issuesanswersarchive.asp) to watch an interview with Andy Shockey.

During the COVID-19 time in our country, we're reading about high speeds and the severe crashes related to the speeds. Telematics continues to help position a fleet management team with timely alerts to their own drivers' behaviors, which helps improve their safety as well as the safety of other motorists on the road.

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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Solutions Providers

Bryan Sanders, president, WSIA board of directors and president of Market Specialty, said despite the current global pandemic and the related economic impacts, the wholesale, specialty and surplus lines market continues to perform well. “AM Best’s 2019 Market Segment Report on surplus lines found growth of 11.2% in surplus lines direct written premium in 2018, with surplus lines premium totaling a record \$49.9 billion for the year,” he said.



- A nonprofit association of insurance professionals and specialty market leaders dedicated to the wholesale distribution system.
- Serves more than 730 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.

What is the current outlook for the wholesale, specialty and surplus lines market?

The surplus lines market has more than doubled in size during the last 20 years, growing from 3.3% of the total property/casualty direct written premiums in 1998 to 7.4% at the end of 2018, and surplus lines grew as a percentage of commercial lines direct written premiums from 6.7% to 15.7% in that time. 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.

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.

The COVID-19 pandemic is unprecedented. How are WSIA member wholesale brokers and carriers adapting and accommodating insureds in response to the current crisis?

Wholesale, specialty and surplus lines insurers and wholesale brokers are solutions providers, and while this current global health crisis is unlike anything we’ve ever seen as an industry, we’re working through this just like we would any other catastrophic event to try and achieve good outcomes for insureds. We are focused on maintaining good communication and providing uninterrupted service. Since the pandemic began, each state has issued its own regulatory and legislative guidance, much of which has been aimed at providing relief to insureds who are managing through the distress of COVID-19, which call for various policyholder accommodations and grace periods. We’re committed to working with insureds and help them manage through COVID-19 impacts.

Bryan Sanders

President, WSIA Board of Directors
President of Market Specialty



“We know that even during these trying times, increasing demand for solutions to emerging risks and product innovation will be key drivers of growth.”

What do you view as opportunities for the surplus lines market moving forward?

We have opportunities to leverage emerging artificial intelligence technology and insurtech to enhance efficiency and accuracy in developing and distributing specialty insurance solutions. We have opportunities to continue to promote and deliver on the value of wholesale distribution. Wholesale brokers are experts in customizing insurance solutions that best meet the unique needs of the insurance buyer, which will be increasingly critical in coming months and years. We also have a growing opportunity to educate regulators and lawmakers on the critical role of the wholesale, specialty and surplus lines market to protect consumers, support economic development and insure the riskiest assets and operations for individuals and businesses.

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Accidents Will Happen

Dixon Gillis, CEO of A-G Administrators, said the company has a customer service approach combined with a cost containment environment that's superior to any other accident insurance TPA in the market. "What's more, the technology that we've implemented over the last couple of years has allowed us to streamline some of the more technological capabilities of the medical expense world, while also delivering that human touch which is so important in this environment," he said. The following are excerpts of an interview.



- Founded in 1983.
- Committed to personal service.
- A leader in special risk and accident insurance.

What is accident insurance?

Group accident insurance is covering individuals and participants as representatives of policyholders and organizations. The intent of it is to own medical expenses associated with injuries that occur during participation in covered activities for the policyholders.

Is there a correlation between health insurance and accident insurance?

Accident insurance is typically secondary in nature to primary health insurance offered by employers or individuals. Most often the interplay is when the first expense is absorbed by the primary health insurance, and then the accident insurance associated with a policyholder will kick in to cover all residual expenses associated with a covered activity, such as a coinsurance or a deductible.

Has the Affordable Care Act had any impact on accident insurance?

The ACA has had a significant impact on our business, which includes more opportunity for accident insurance to become a player in the health insurance world. This is related to, primarily, higher deductibles and higher costs associated with deflecting costs against primary health insurance. As those deductibles and more cost sharing are absorbed by a policyholder of the health insurance plan that the Affordable Care Act opened up, that's more of a chance for accident insurance to come in and provide benefit in that gap.

What should agents and brokers know about accident insurance?

Agents and brokers need to understand the benefit of the opportunity to have a cost containment associated with accident insurance programs. Not all accident solutions are created equal.

Dixon Gillis

CEO
A-G Administrators



"We're committed to providing the most value to agents and brokers in delivering high-quality programs to their client."

Go to the Issues & Answers section at bestreview.com to watch an interview with Dixon Gillis.

Many times there could be a large experience-rated program that, if it's not being managed with appropriate cost containment measures, it can be a runaway train as far as costs are concerned for their client. By partnering with some industry leaders such as A-G in regards to managing those claims from a TPA perspective we can provide the most value to agents and brokers in delivering high-quality programs for their client. With the cost gap widening every day with escalation of medical rates it's important that you have a strategic partner that understands your accident insurance program and can help navigate that environment. At A-G, accident coverage is our specialty, we provide our agents and brokers with the best service, best savings and superior technology for their clients.



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Lexington Insurance Company, an AIG company, is the leading U.S.-based surplus lines insurer.

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Whole New World

Lou Levinson, president and CEO of Lexington Insurance Company, said no one could have predicted the circumstances in which we now find ourselves a year ago. “But despite the obvious challenges of the pandemic, the surplus lines insurance market has never been stronger,” he said. The following are excerpts of an interview.

How have you seen the market change over the past year?

Growth in specialty products and demand for insurance protection in an ever-increasingly dynamic market has continued to drive excess and surplus lines business. What has been causing the growth? Well, the primary factor is a hardening market, resulting in the movement of business from the admitted to the nonadmitted market. This type of movement is normal and expected after a firming of the market, when admitted carriers shed business that is more appropriately suited for the nonadmitted market.

How has Lexington responded to the changes?

Lexington has also come a long way in a year. We continue to focus our efforts on strengthening our book of business through smart underwriting at appropriate rates and working closely with our broker partners to do what we do best ... provide custom solutions to help solve their clients' risk needs.

What benefits can the E&S market provide to brokers over the standard admitted market?

Flexibility – The E&S market has the freedom of rate and form to develop solutions for risks that would be hard to place in the admitted market. That flexibility allows an E&S carrier to customize the coverage to meet the ever-changing needs of the market.

Experience – The E&S market historically has been the place where brokers find solutions to their most complex risks. Experience plays a large role in understanding risk and underwriting it correctly for the benefit of all. Whether it be a new technology risk or a catastrophe exposure, the E&S market is well poised and ready to provide solutions to mitigate and protect against it. At Lexington, we have over 50 years of experience. It is hard to ignore that.

How do you attract and retain good talent at Lexington?

Strong talent is not only the recipe for success at Lexington, but also for the industry. As many senior insurance professionals retire, the industry as a whole must work to attract new talent. At Lexington, we have a thriving summer

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- An AIG company.
- Leading U.S.-based surplus lines insurer.
- More than 100 new products since 2011.

Lou Levinson

President and CEO
Lexington Insurance Company



“We have an incredible leadership team at Lexington and I think that plays a large role in keeping people happy and successful.”

intern program across our business segments with college students bringing enthusiasm and reinvigorating the staff with their energy. Many of these interns will turn into tomorrow's industry leaders. This year, we have approximately 25 summer interns joining our ranks for 8 to 10 weeks.

Another important element regarding talent is the ability to retain good talent. I am proud to say that we have a number of employees who have spent their entire career at Lexington. At our internal town halls, we like to celebrate the anniversaries of these employees with a shoutout and a job well done. But, it isn't just the recognition that retains employees, it is a combination of opportunity, advancement, continual learning, and strong leadership that keeps employees satisfied.

