

BEST'S REVIEW® ISSUES & ANSWERS:

- Mutual Success
- Surplus Lines
- Insurtechs

Industry experts discuss the importance of building relationships with agency partners; an update on the E&S market and how striking a balance between human insights and technology improves the claims process for the customer.

Interviewed Inside:



David Nelson
Nationwide E&S/Specialty



Davis Moore
WSIA



Simon Oddy
Baker Tilly



Bernard Regan
Baker Tilly

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Randi Last

Burns & Wilcox

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Mutually Successful Partnerships

David Nelson, Senior Vice President, Contract Underwriting for Nationwide E&S/Specialty, said establishing deep relationships with agency partners are the cornerstone of the industry. “The connections and relationships built at the underwriting level are the backbone of Nationwide E&S,” he said. Following are excerpts of an interview.



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What does mutual success look like for a carrier focused on E&S and specialty markets?

More than anything, mutual success is based on trust in the partnership. It's important for us to have the open communication and partnership in the relationship where feedback can be shared directly and we can learn from one another. With our distribution partners, there needs to be an ability to identify future market trends and unmet needs so we both can be prepared for what's coming. Our joint capabilities and capacity as carriers and agents are critical to remain viable to each other and to our insured. Ultimately, this yields success.

With increased M&A activity in distribution, how does mutual success play out?

M&A is an active component in our industry and will likely continue to be going forward. We need to make sure we're providing dynamic engagement with all sizes and scopes of agents to remain viable to a distribution channel with widening gaps of their operational models. One of the ways this plays out is through technology and our ability to transact business in a systematic manner, enabling ease, speed, and efficiency. Once an M&A is announced, as a partner we believe our ability to seamlessly participate in integrations is a value add.

What is the importance of focusing on underwriting profitability, and how can a carrier help distribution partners be mutually successful while managing profitability?

First and foremost, we have to remain vigilant in underwriting, matching price to risk appropriately. We need to continue to leverage all that data and analytics has to offer, using predictive tools to help our partners and underwriters continue to drive profitable retention. Further, we need to drive price adequacy by utilizing insights from advanced analytics, by actuarial work on loss cost modeling, and by sophisticated risk selection and modeling techniques. At the end of the day, if underwriting profitability doesn't exist, we likely don't have a mutually successful partnership.

David Nelson

Senior Vice President, Contract Underwriting
Nationwide E&S/Specialty



“Our strong relationships with partners are a key differentiator in the marketplace. Ultimately, this is a people business, and those relationships drive our mutual success.”

How would you define Nationwide E&S/Specialty's approach to top-notch service for partners? How are you working to add value for partners to achieve mutual success?

We define the optimal customer experience when an agency partner feels that their success and satisfaction is the No. 1 priority when interacting with us. This entails many aspects of the interactions, including proactive partnership management, customer engagement, the will and desire to creatively find solutions for the agency's account issues, and the focus on collaborative, constructive, and frictionless interactions. We are heavily investing in analytical tools and resources while we're leveraging 38 years of E&S-specific data to gain insights and to differentiate our engagement with our partners. Additionally, we're investing in specialized talent and expertise throughout the value chain. Most importantly, we continue to invest in priorities that create value for our distribution partners and drive mutual success.



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JUST BAD DECISIONS.



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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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WSIA MEMBERS ARE INSURANCE PROFESSIONALS DEDICATED TO THE WHOLESALE DISTRIBUTION SYSTEM.

E&S Continues to Grow

Davis Moore, Vice Chairman, Brokerage, Amwins and President of WSIA, said surplus line carriers continue to maintain a higher proportion of secure financial ratings than the overall property and casualty market, with 100% of surplus line companies maintaining AM Best's secure ratings, and no financial impairment through midyear 2020. Following are excerpts of an interview.



Davis Moore

Vice Chairman, Brokerage, Amwins
President, WSIA



“The wholesale and specialty market is healthy, vibrant and growing, and will continue to provide value to our trading partners.”

Go to the Issues & Answers section at www.bestreview.com to watch an interview with Davis Moore.

What is the outlook for the wholesale specialty and surplus lines market and WSIA members?

The wholesale specialty and surplus line segment is performing really well, and indicators are good for continued growth after challenging years in 2017 and '18. In 2019, our insurance carriers began taking corrective rate actions, and that gained traction into 2020. A 2021 major update from the 15 states with stamping offices reports the total surplus lines premium reported for those offices during the first half of the year was \$24 billion, which is an increase of nearly 22% over the first half of the prior year. That total was comprised of 2.6 million total filings, which is also up 7.2% over the same period last year. Our market is at a record level of premium. AM Best's 2020 Special Report found that surplus lines insurers' market share has more than doubled in the last 20 years. Now it's 7.8% of total property and casualty premiums, and surplus line accounts for just over 16% of commercial lines premium currently. We experienced growth of 12.8% surplus lines premium in 2019 that totaled \$56.3 billion in surplus lines premium.

How do emerging risks impact the specialty and surplus lines industry?

Emerging and complex risks are often not well covered or eligible for the standard market, making them good opportunities for WSIA members. The wholesale specialty and specialty market serves as an innovator for new and emerging risks, and our members are well trained to be creative and adaptive. The world is changing and becoming more risky as a result of trends we're seeing from increased frequency and severity of weather events and other factors such as social inflation, and nuclear verdicts. Cyberrisk is an excellent real-time example. Expertise is absolutely critical, and specialty coverage is necessary for cyber coverage. Now, with a significant increase in cyber and ransomware threats resulting in surging claims, it's a very challenging line of business that WSIA members are well positioned to manage. The E&S market will continue to be responsive and provide much needed capacity and specialty coverage for these types of exposures.

What value does wholesale distribution deliver to the retail agent and the insured?

We provide tremendous value. Retail agents and insureds can look to WSIA member wholesale brokers for our expertise, access to markets, capacity that our carriers provide, and relationships that we've spent developing and maintaining over the past several years. We're able to provide creative solutions for virtually all types of complex risks, and perhaps as importantly, we're often able to tailor or customize coverage that's not otherwise available to our customers in the standard market. Also, like many other industries, expectations have risen. Our retail trading partners want us not just to assist with a transaction, but also to provide market intelligence well in advance of a transaction so that they can better manage the expectations of their clients. That's particularly important in a transitional market like the one we're operating in today. I think it's important to point out that there's no additional cost associated with seeking a wholesale quote. A 2016 Conning Inc. analysis concluded that wholesale distribution does not increase the cost of a transaction to the insured.



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The Human Touch

Simon Oddy and Bernard Regan of leading advisory CPA firm Baker Tilly discuss striking the balance between human insights and technology to improve the commercial insurance claims process for the customer.



How would you describe the commercial insurance industry's relationship with modernization?

It's an interesting relationship. The traditional perspective of commercial insurance is slow toward modernization. But the whole point of business interruption insurance is to get a company back to doing what it does best, which is run its business and be responsive to the customers' demands for a streamlined process. If the claims process is somewhat deficient in addressing that need to recover quickly, insurtech is trying to take a good look and see where they can help improve things.

What are the benefits of automation in the BI claims management process?

We're seeing more advanced technology investment on the commercial insurance side. Part of what commercial insurers are doing at the moment is learning from and adopting what personal lines insurers have been doing for years with technology, AI and machine learning. Automation is eradicating bottlenecks, increasing efficiencies, and building more proactive communication processes. It's about evolving the human side and the technology side and melding them together to come up with platforms that work for everybody involved in the claims process.

Why is it important for commercial insurers to leverage both human insight and technology to improve the customer experience?

The race for technology and automation must be taken cautiously. We've found that fast forwarding to full automation in the claims process is not without risk. An insurance claim becomes personal, particularly in the small-and-medium enterprise space within the industry. It's an emotional process. It's a stressful process. By trying to fast-forward too quickly into full automation, there's a risk that the human touch is lost. We've recognized that. While we're automating some of the BI claims process, we're making sure that Quantum, Baker Tilly's business interruption claims calculation platform, is supported by real people.

What are the top considerations for selecting the right BI claims processing platform for your business?

You first need to consider who developed the platform. Is the tool technology driven or based on hands-on experience and

Simon Oddy

Partner
Baker Tilly



Bernard Regan

Principal
Baker Tilly



Go to the Issues & Answers section at www.bestreview.com to watch the entire interview with Simon Oddy and Bernard Regan and learn more about Quantum, Baker Tilly's business interruption claims calculation platform.

then transformed into a technology solution? With Quantum, we've tried to harness and automate our experience and dovetail that with a human touch. Next, consider how the platform got to where it is today. What's the plan for further development and enhancement? Is it going to be a one-and-done? Or, is it that there's a plan for enhancements, feedback loops, and versions of the platform that roll out thereafter? We're at the beginning of the modernization journey, so I would encourage anybody looking at a digital platform or a technology-based solution to consider what the future of that platform looks like. In an industry dealing with wide-area damage scenarios like hurricanes and wildfires, we need the foresight to assess large volumes of business interruption claims and communicate with a high volume of policyholders instantly and efficiently. This means that future scalability of your technology solution will be an important consideration.

