



PROGRAM BUSINESS UPDATE - Q3 2018

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Specialization is the key to success in the booming program business market.

The competitive conditions seen in program business are showing no signs of abating and are driven by record levels of capacity. “There is simply a lot of carrier capacity that has entered the program space over the course of the past several years. The program sector is not only growing, it is one of the fastest growing sectors of the market,” says Ben Francavilla, President of AmWINS Program Underwriters.

In 2017, the growth of program markets in the U.S. outpaced the growth of the rest of the property-casualty market, according to Conning & Company. Francavilla also points to the Target Market Program Administrators Association’s (TMPAA) October summit as further evidence of this trend.

“Sixteen years ago, there were 12 carriers represented at the TMPAA summit. This year, there will be more than 60,” he says.

Capacity in the program sector is coming not just from traditional program carriers and E&S markets, but also from alternative capital, reinsurers, and even standard-lines insurers. “We continue to see an evolution of the market where carriers are looking to programs as a place to grow, especially when other products have become stagnant,” Francavilla says.

There is a great deal of competition across program business. With few exceptions, buyers will find competitive pricing, as well as broad and creative coverages, even in the loss-sensitive classes. However, there are some exceptions, the most notable of which is transportation.

“The transportation sector within the programs marketplace is mirroring the results outside the marketplace, so it is very difficult to try to place a new, standalone auto program. However, we have broad access to markets who will write auto as an ancillary piece within a program,” says Francavilla.

Capacity is likely to keep increasing as carriers look for additional ways to grow written premium. Although this robust market presents opportunities for retail brokers, it should be approached with some caution. Success in program business requires combining a wide range of knowledge about many different classes of business with a high level of specialization, something that underwriters and MGAs new to a line of business may not be able to provide. Retailers should also look for program administrators with proven underwriting skills, a history of profitability, an extensive distribution network, actuarial expertise, and effective supporting technology that can scale with increases in business.

“In the program space, the ability to truly and fully understand risk is essential,” Francavilla says. “We manage over 60 programs in the AmWINS Underwriting Division. Our program offerings cover a range of different risks and industry areas, with over three decades of experience, as opposed to just a year or two. That makes a huge difference in this market.”