

The TMPAA State of Program Business Study 2023

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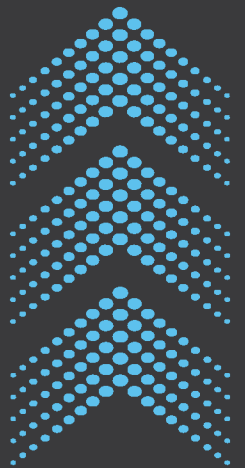

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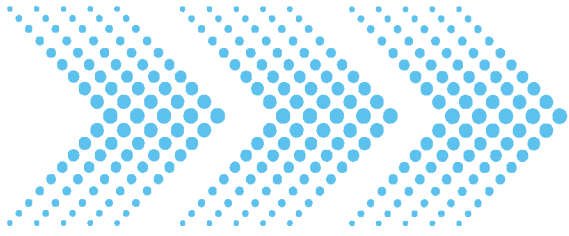
 **Vertafore**

Today's Host

CHRIS PESCE

**National Programs Practice Leader,
One80 Intermediaries**





Panelists



Brian Cohen

Arden Insurance Services



Grace Meek

Homesite Underwriting Managers



Doug Bennett

Aon Reinsurance Solutions



Jim Blinn

Zywave

ABOUT THE PROGRAM BUSINESS STUDY

- The TMPAA launched the study in 2011 to gain insights into:

Size and scale of the market

Trends in the program space

PA and carrier alignment on key issues

SWOT

Outlook

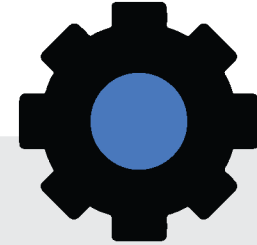
Who participated in the
**2023 TMPAA Program
Business Study?**



155
program administrators
representing
1,062
programs



51
insurers
representing
1,521
programs



21
service providers



KEY FINDINGS ABOUT THE PROGRAM MARKET



The TMPAA State of Program Business Study 2023 shows exponential growth in the program space.

\$79 billion
in premiums in 2022

\$53.8 billion
2020

47%

\$79 billion
2022

increase in estimated size of the program business

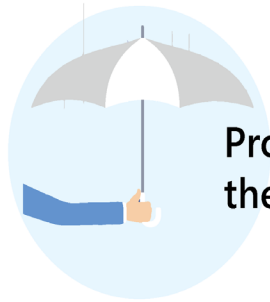


KEY FINDINGS

352%
increase in premiums from \$17.5 billion
in 2010 when TMPAA inaugurated the market study,
to \$79 billion in 2022



KEY FINDINGS

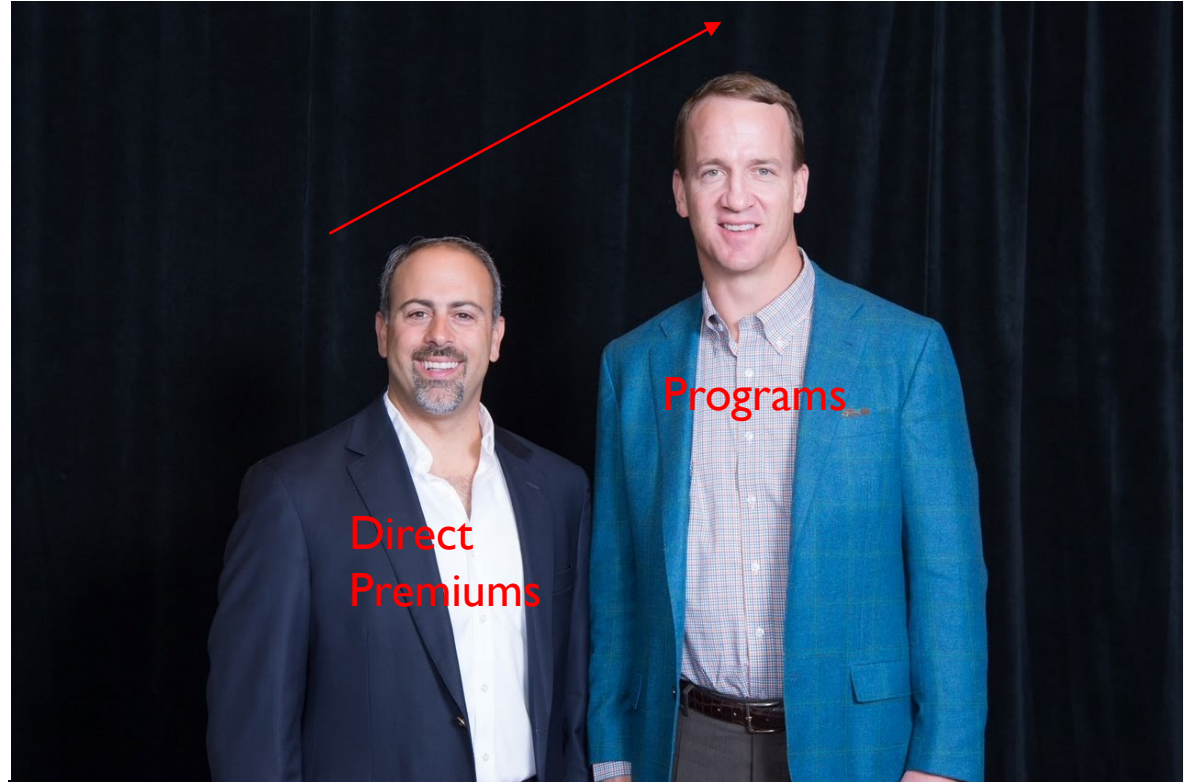


Program business continues to outperform the overall commercial insurance marketplace.

47% increase in size of program business in 2022



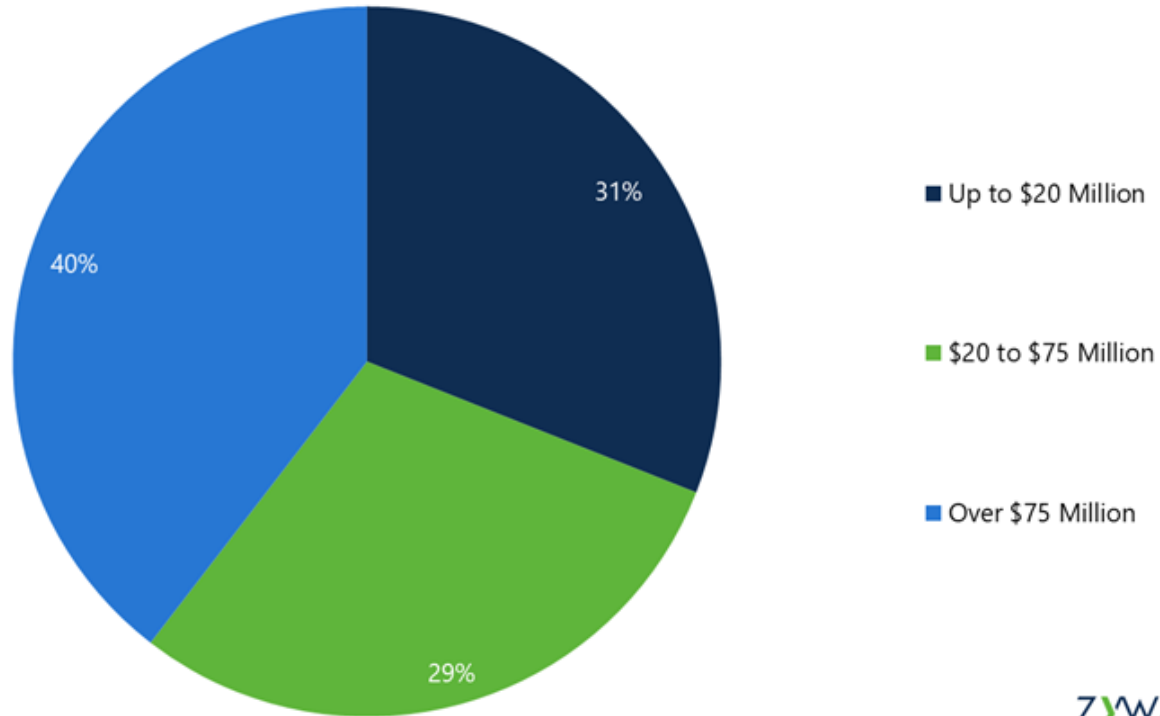
21% growth in direct premiums written for commercial lines



KEY FINDINGS: Changing Demographics

PA's are getting larger!

Gross Written Premiums Administered

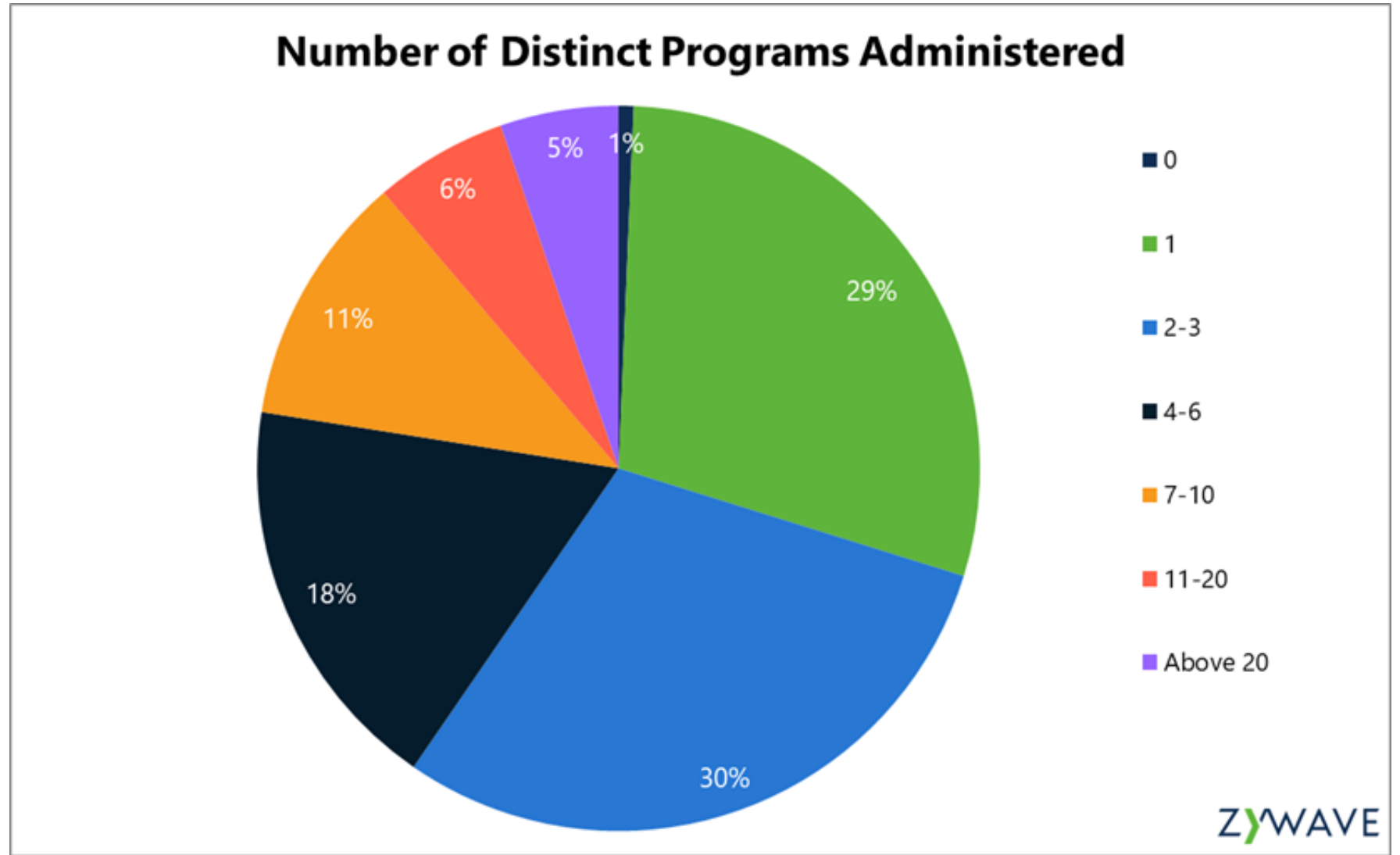


40% of PA's respondents manage over \$75M in program premiums. That's up from just 18% in 2018!

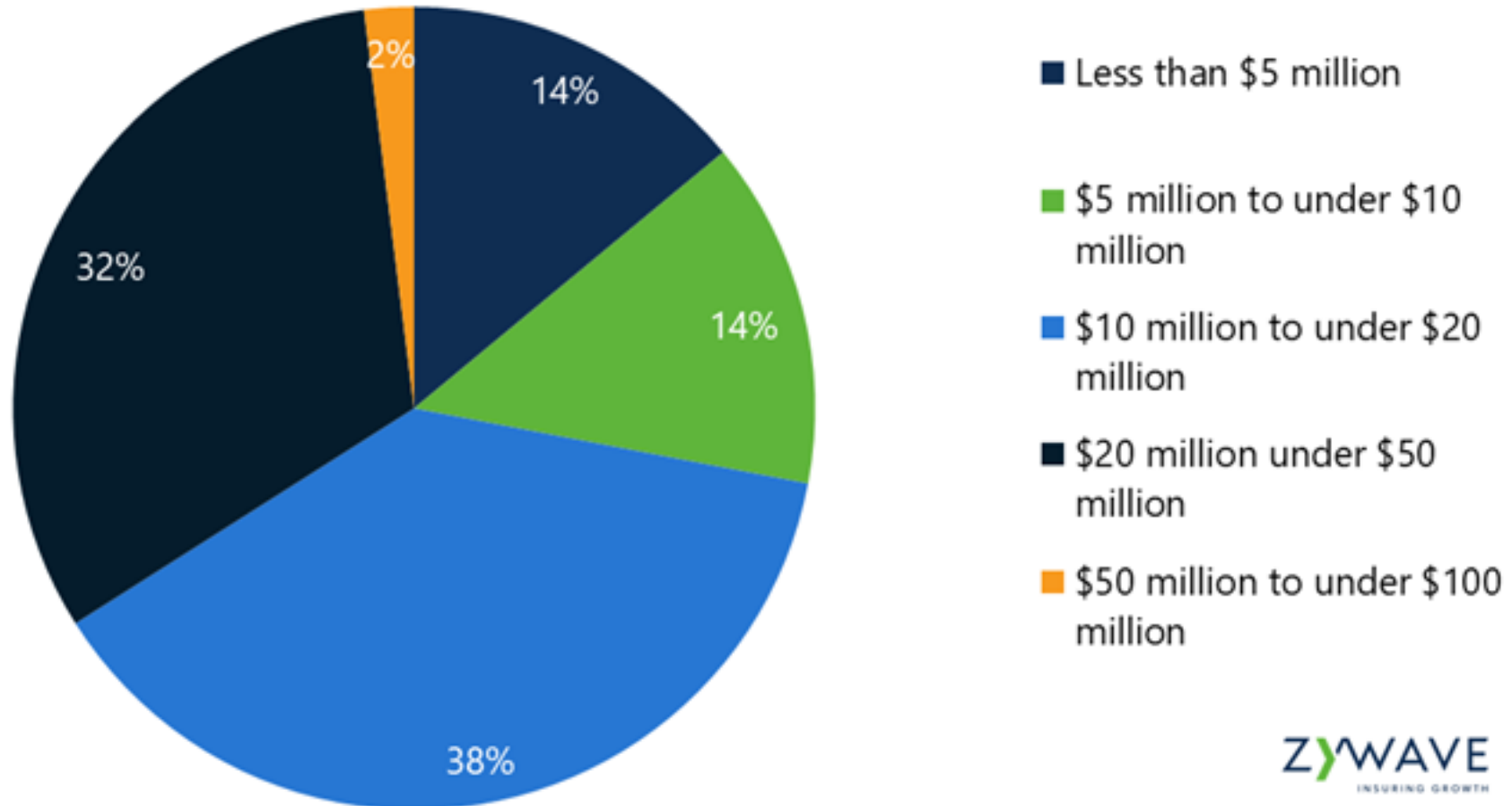
KEY FINDINGS – Changing Demographics

59% of PA's administer 1-3 Programs.

That's up from 28% in 2014.



Average Premium Per Program



KEY FINDINGS – Changing Demographics?

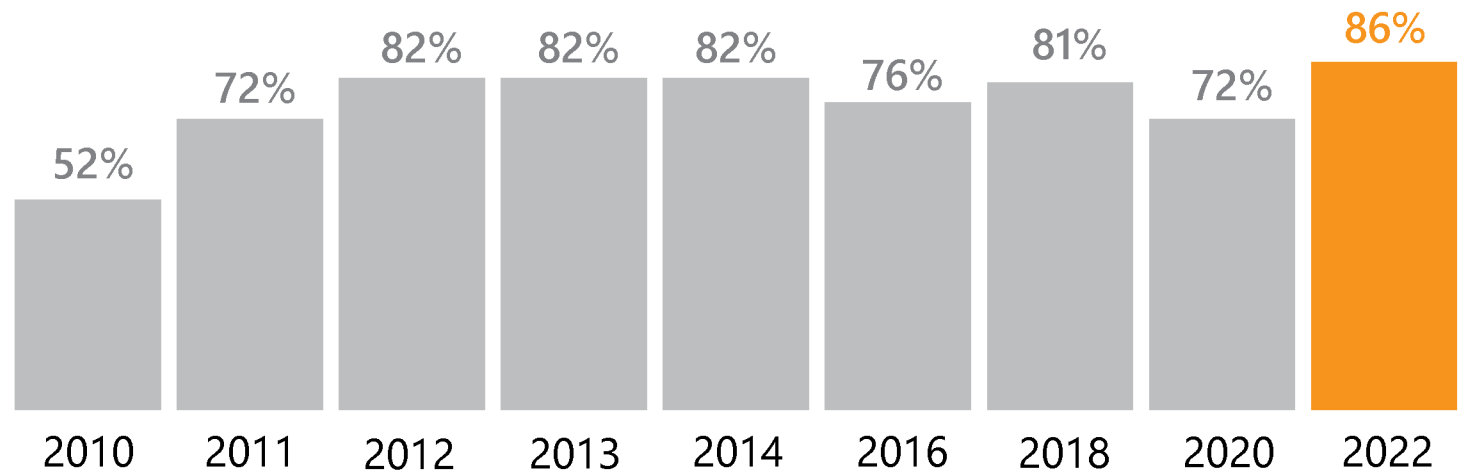


Despite M&A activity, **administrator population increased from 1,000 in 2020 to 1,100 in 2022** – reflecting **enthusiasm for the business, as well as growth of options for developing programs.**

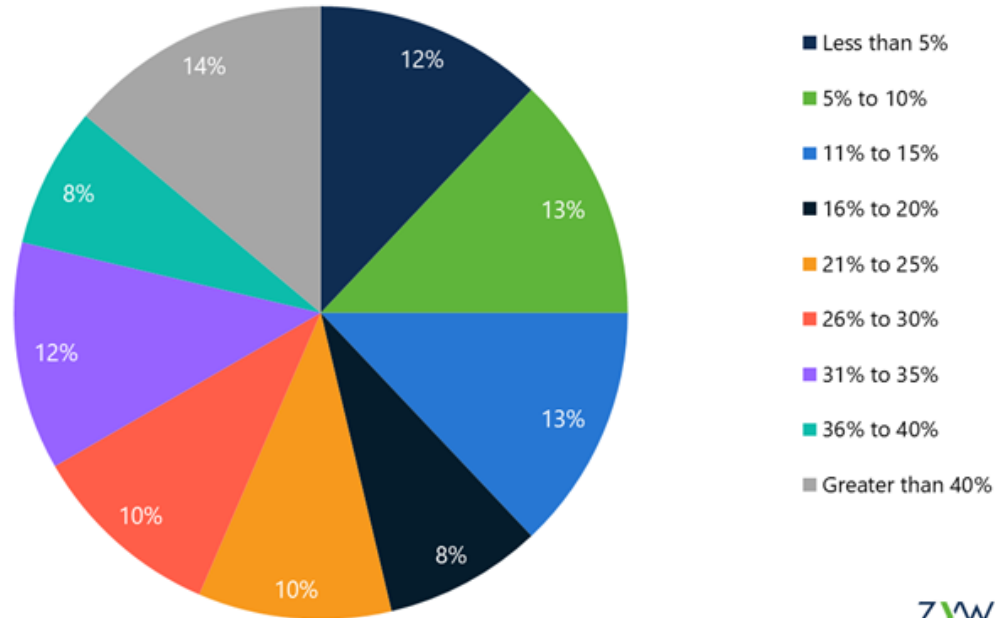


Program business regained its growth momentum in 2022.

The percentage of administrators reporting increases in premiums rose significantly in 2022.



Program Administration Profit Margin



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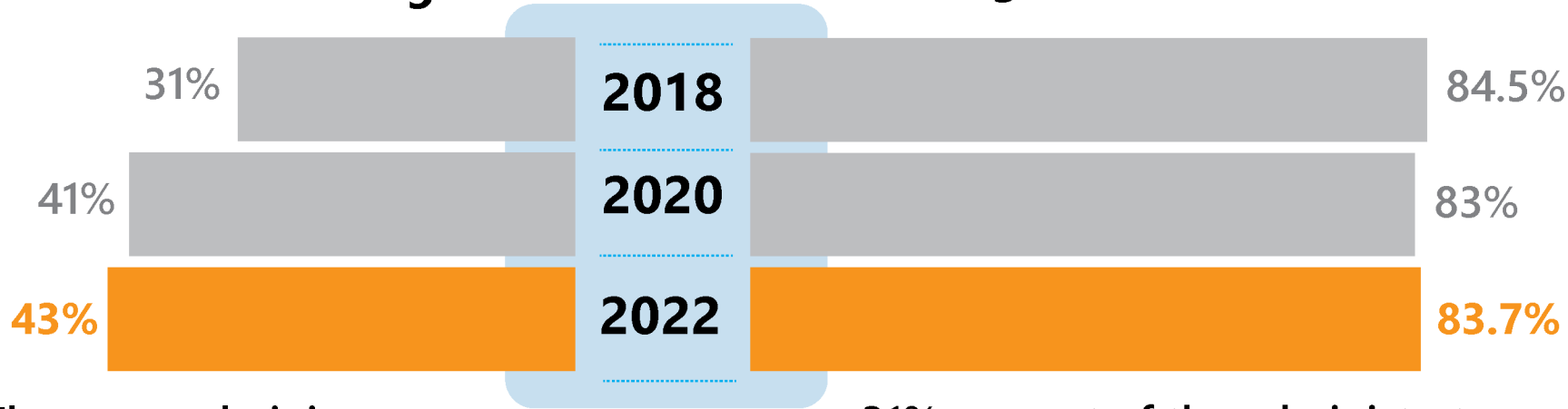


KEY FINDINGS – THERE IS NO CONSISTENCY TO A PA'S PROFIT MARGIN

PROFIT MARGINS WERE SLIGHTLY HIGHER.

Profit Margins

Average Renewal Rate



These are administrators reporting profit margins exceeding 25%.

31% percent of the administrator respondents posted renewal rates of over 90%.



The TMPAA Program Business Study 2023 still found a **greater percentage of administrators** reporting **increases for most Lines of Business (LOBs)**.



The percentage of administrators who reported increases in rates **rose** for:



Liability
(+7%)



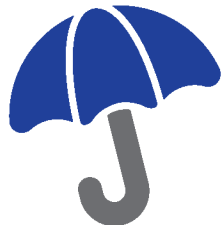
Property
(+6%)



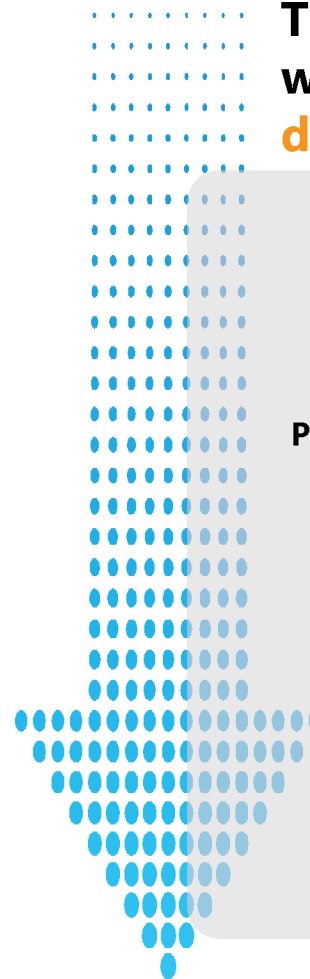
Package
(+4%)



Professional Liability
(+4%)



The percentage of administrators who reported increases was **unchanged** for **excess/umbrella**.



The percentage of administrators who reported increases in rates **dropped** for:



Financial & Political Risk
(-43%)



EPLI
(-18%)



Cyber
(-9%)



Fidelity, Surety & Crime
(-8%)



Medical Malpractice
(-7%)



Management Liability
(-5%)



Automobile
(-2%)

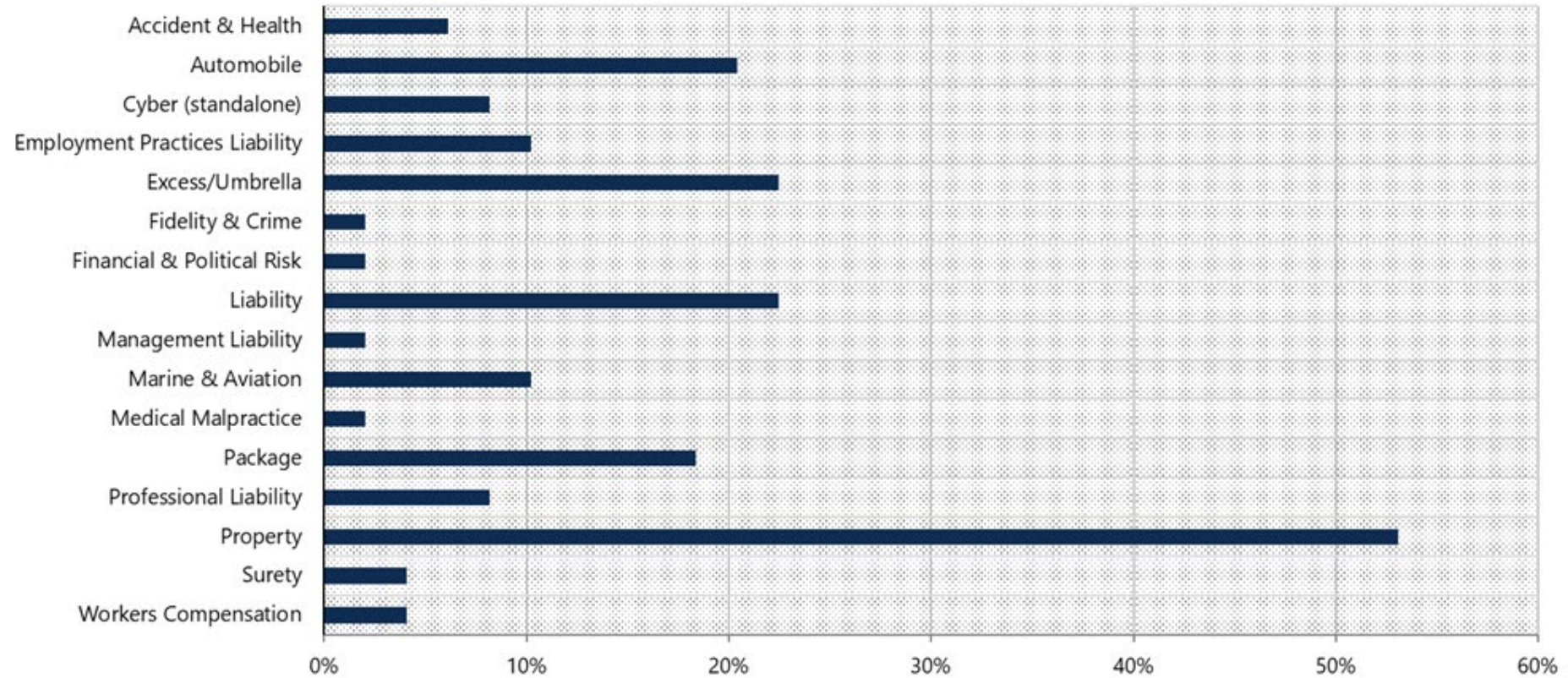
KEY FINDINGS



While the percentage of administrators reporting increases for workers compensation increased in 2022, it still stood out because rate decreases far outweighed increases (72% vs. 28%).



Is your carrier restricting your growth (i.e., limiting capacity) in any of the following lines of business?





CARRIER INFORMATION

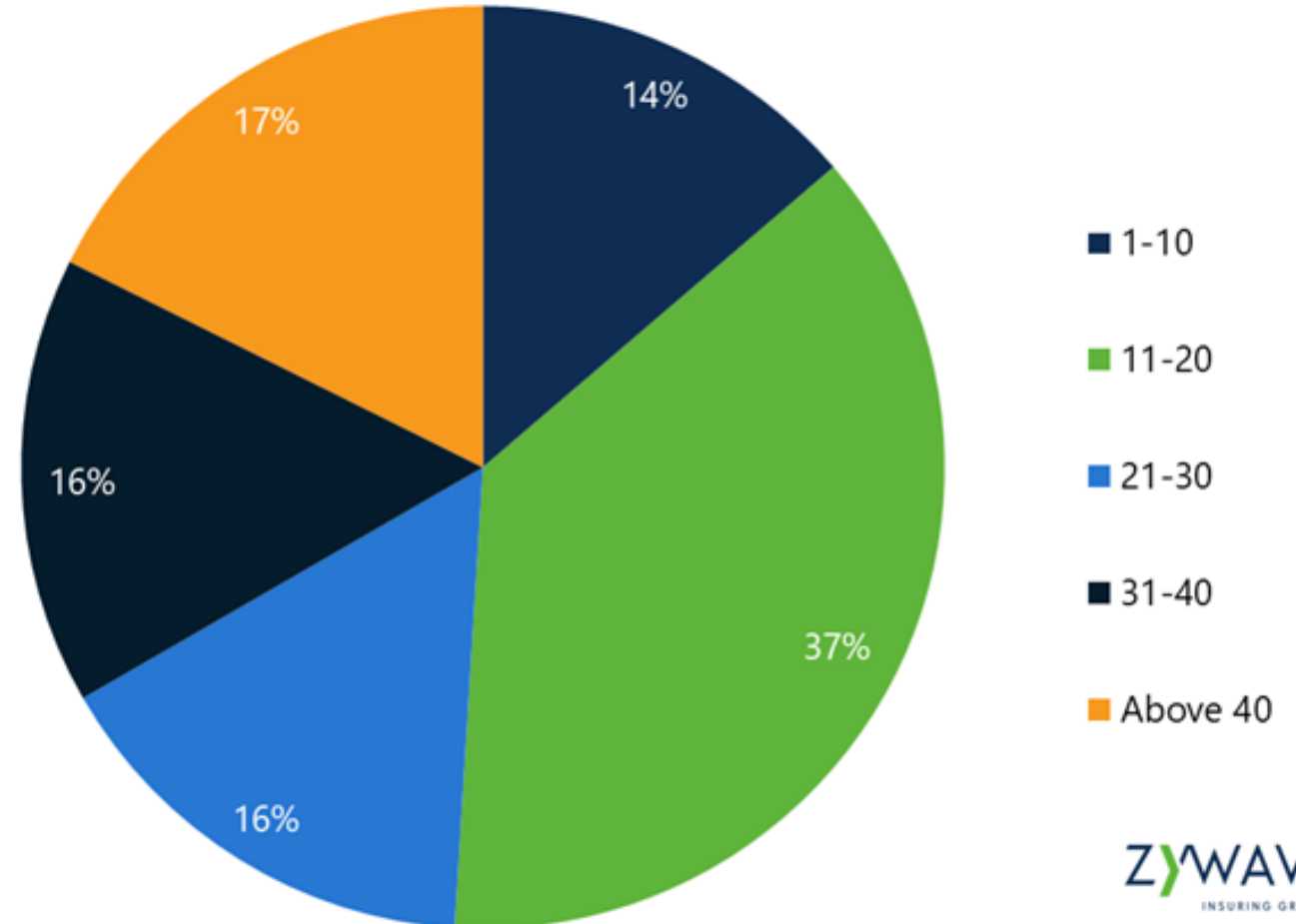


KEY FINDINGS: CARRIERS

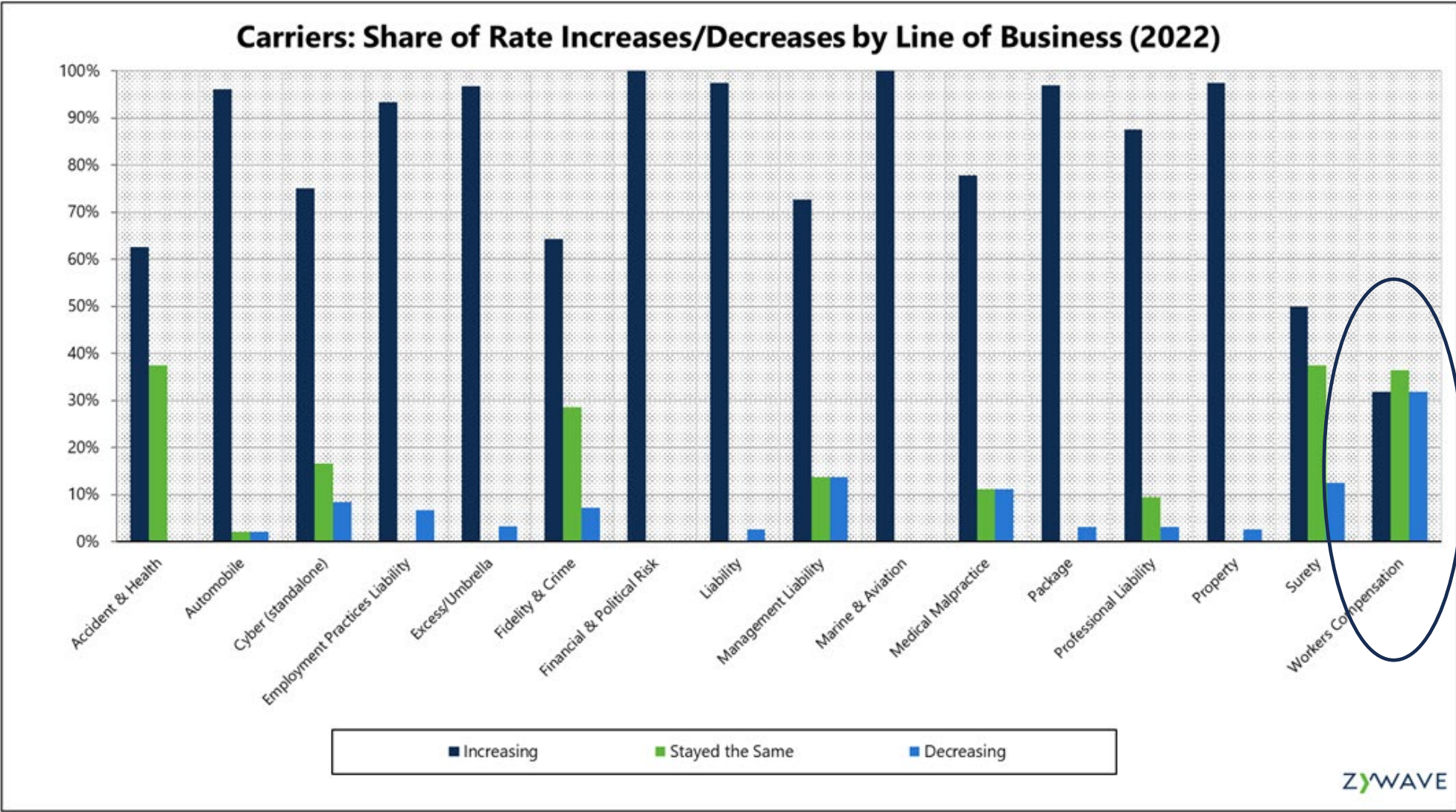
Carriers specializing in Program Business are growing in size and number of programs they handle.

In 2016 just 5% of carriers reported having more than 40 programs, as compared to 17% today.

Number of Distinct Programs Insured

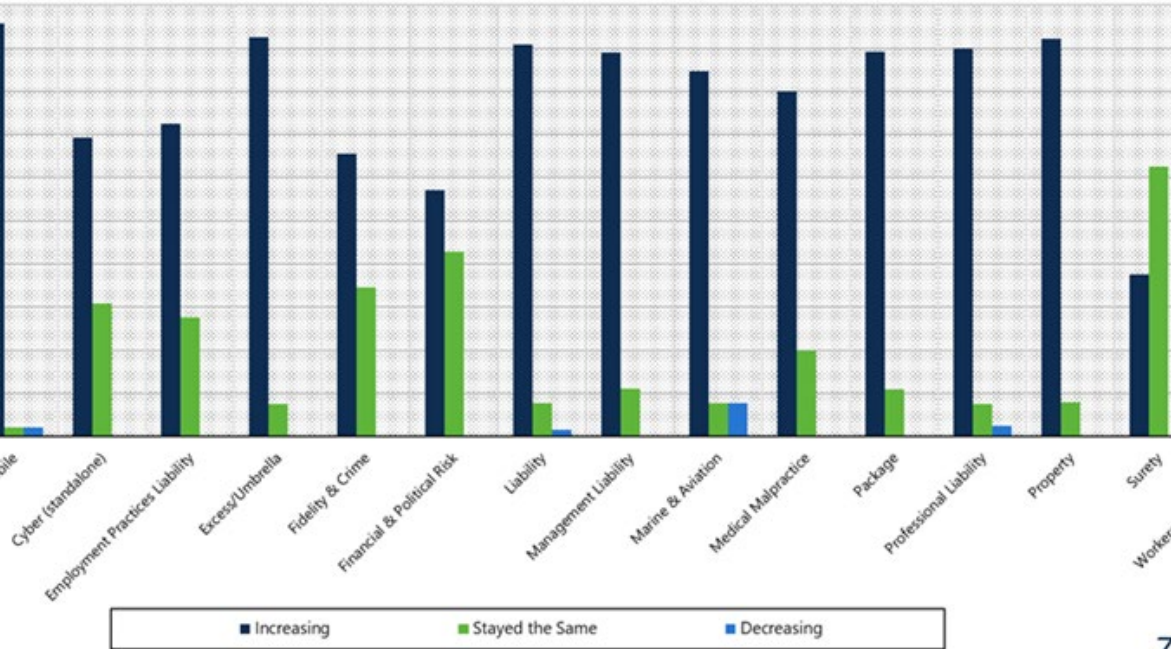


KEY FINDINGS: CARRIERS

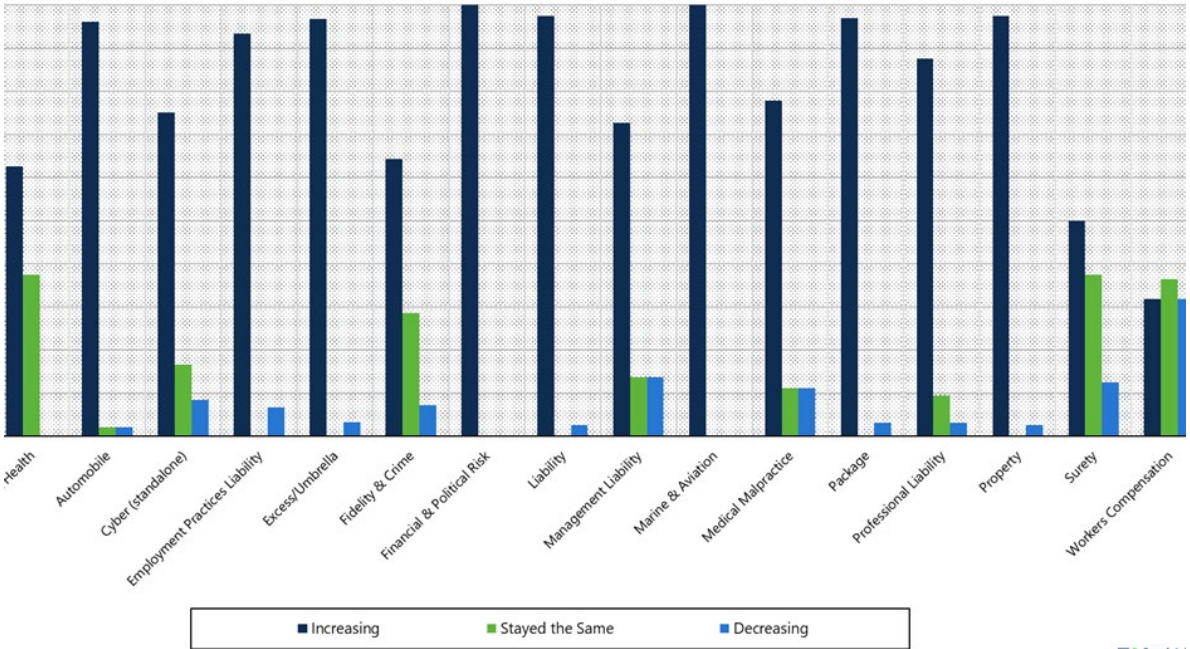


KEY FINDINGS: CARRIERS

Administrators: Share of Rate Increases/Decreases by Line of Business (2022)



Carriers: Share of Rate Increases/Decreases by Line of Business (2022)



Z

STRONG ALIGNMENT BETWEEN CARRIERS & PA'S

KEY FINDINGS: CARRIERS & PA Alignment

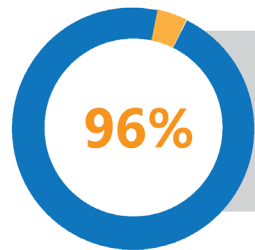
Program business is gearing up for further growth.



83% of administrators polled plan to **introduce new programs** in the next two years



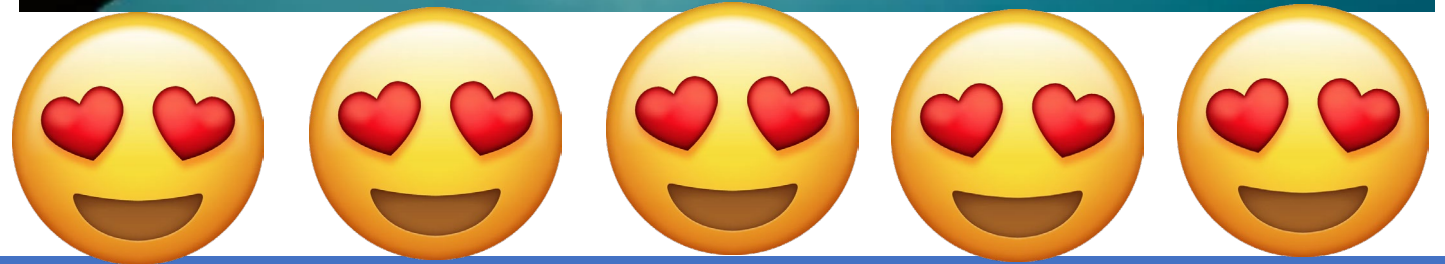
96% of carriers surveyed plan to **add new programs** in the next three years



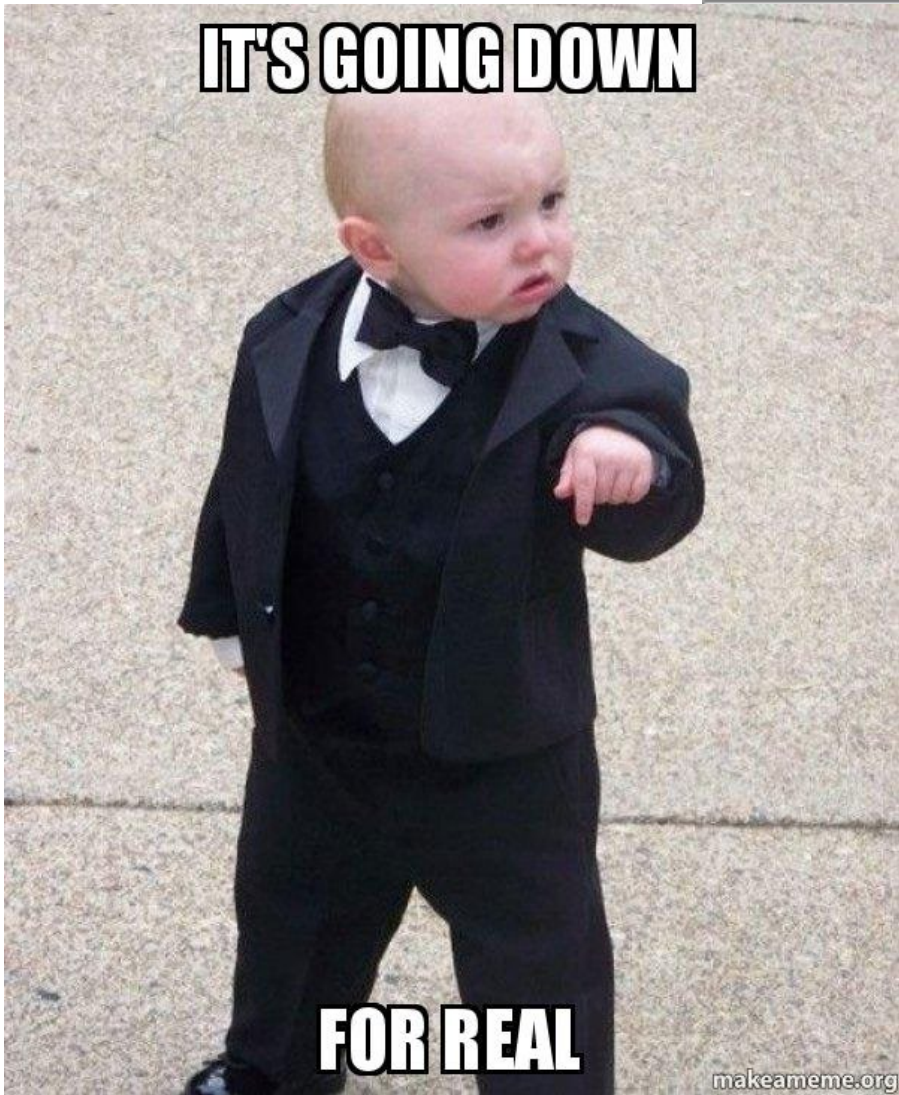
of carriers surveyed anticipate increasing the amount of premium written in the next three years.



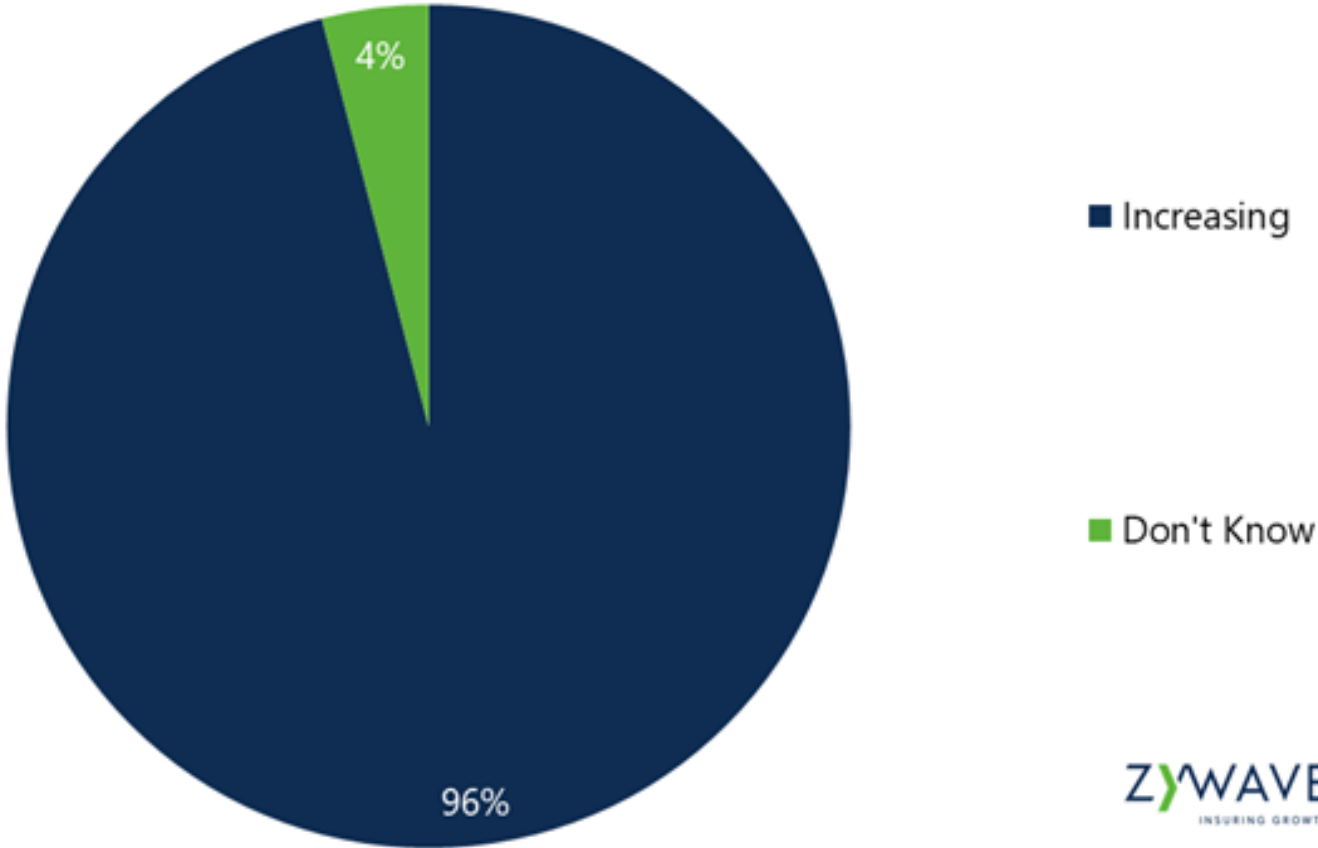
A MATCH MADE IN HEAVEN



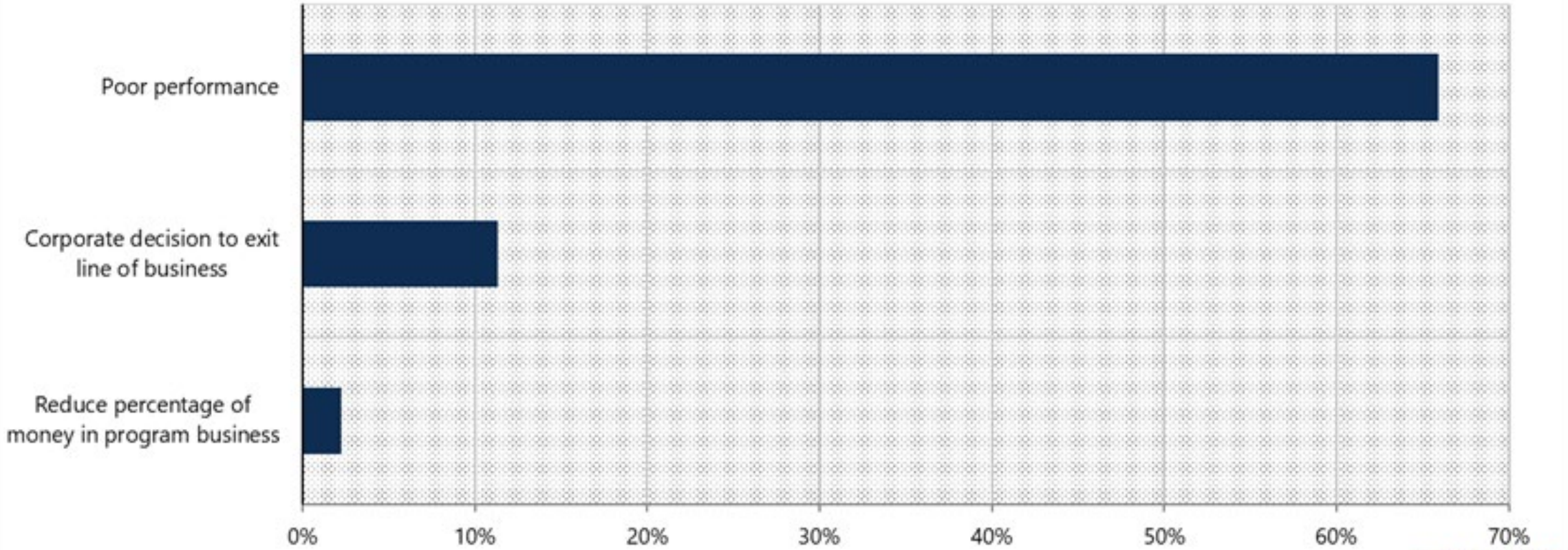
KEY FINDINGS: CARRIERS



Do you anticipate increasing or decreasing premium written in the next three years?



Reasons for Dropping Programs in the Past Two Years



LET'S HEAR WHAT OUR PANELISTS HAVE TO SAY?



We're still growing!

\$79 billion
in premiums in 2022

\$53.8 billion
2020

47%

\$79 billion
2022

increase in estimated size of the program business

352%

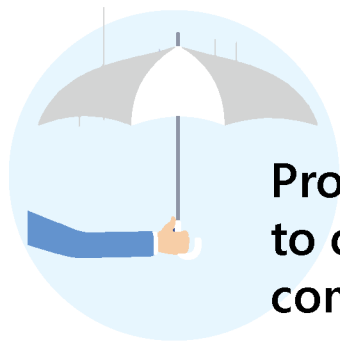
increase in program revenues from **\$17.5 billion** in 2010 when
TMPAA inaugurated the market study, to **\$79 billion** in 2022



47% increase in size of
program business in 2022

21% growth in direct premiums
written for commercial lines

Program business continues
to outperform the overall
commercial insurance marketplace.





Administrators show mixed enthusiasm for use of non-traditional carriers.

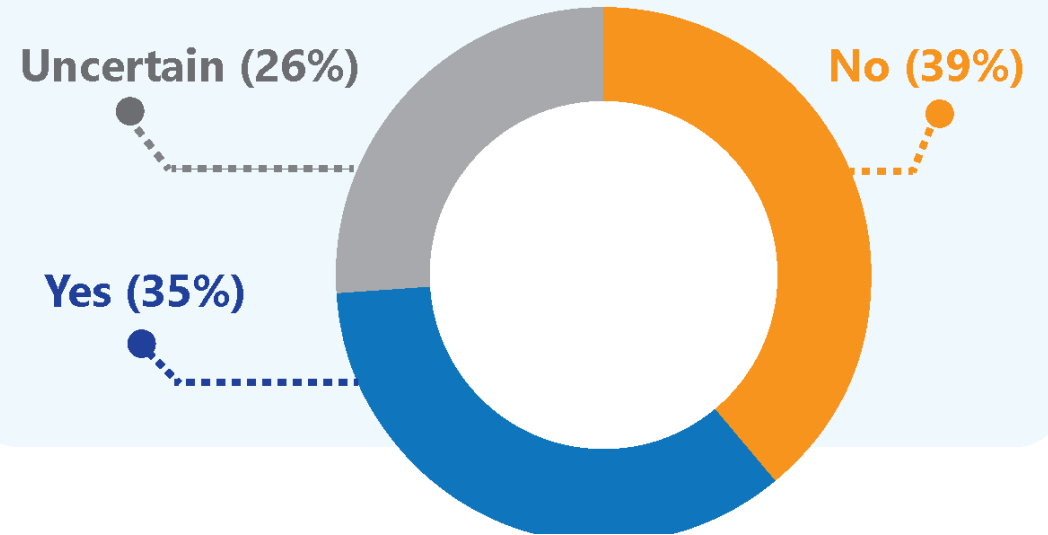


75% | **71%**

of administrators surveyed still prefer traditional carriers over non-traditional options like hybrid fronting and fronting.

of the administrators polled did not move any programs from a traditional carrier to other options.

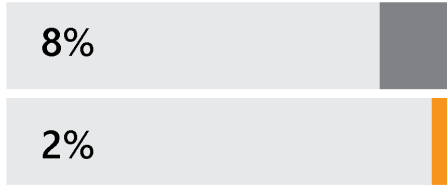
Views are split when it comes to plans to utilize **non-traditional carriers** in the next two years.





Program Business: The M&A Picture

The percentage of carriers who expressed plans to acquire administrators to grow their business



The percentage of carriers who said a hard "no" to acquiring administrators



Boon or Bane? There are **mixed views** among administrators and carriers about consolidation being a **threat or an opportunity**.



Administrators and carriers are fairly in sync in what they see as strengths, weaknesses, opportunities, and threats in program business.

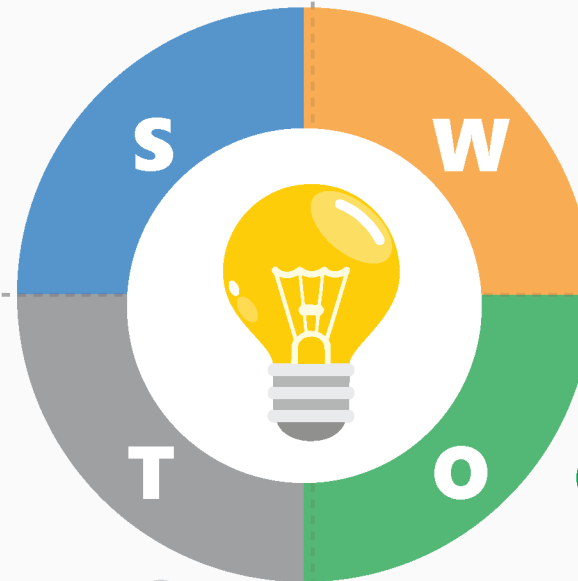
STRENGTHS

- Specialization
- Underwriting expertise
- Distribution
- Flexibility
- Technology



WEAKNESSES

- Administrator-Carrier relationships
- Competition
- Capacity concerns
- Data
- Reinsurance



THREATS

- Lack of capacity
- Consolidation
- Reinsurance availability



OPPORTUNITIES

- Technology
- Data analytics
- Emerging risks
- Specialization
- Growth

Top Responses: Emerging Risks in Program Business



ADMINISTRATORS

Self-Driving Auto

Artificial Intelligence

Drones

Cannabis

Climate Risk



CARRIERS

Parametric Coverage

Specie / Art

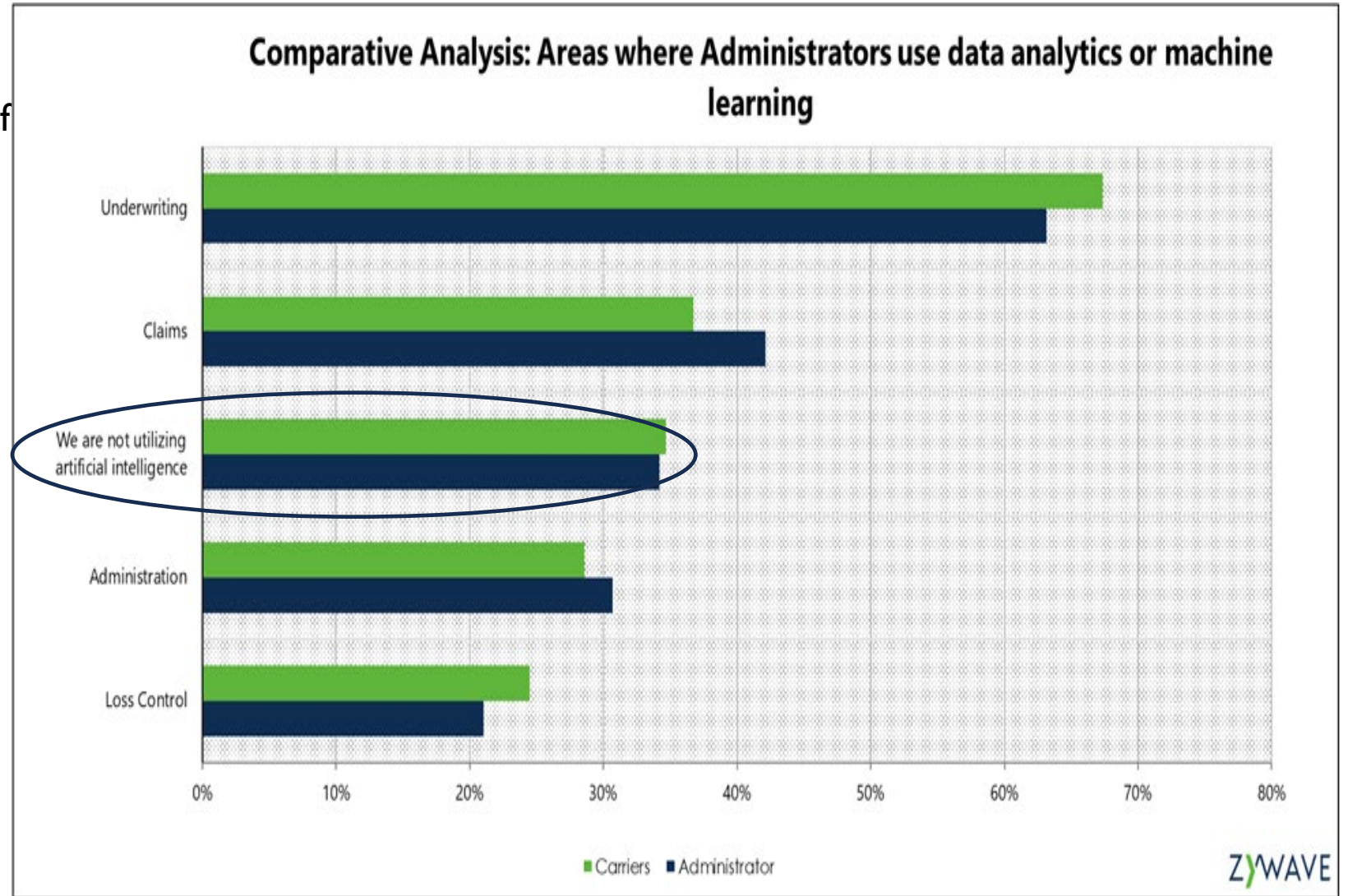
Pandemic Coverage

Artificial Intelligence

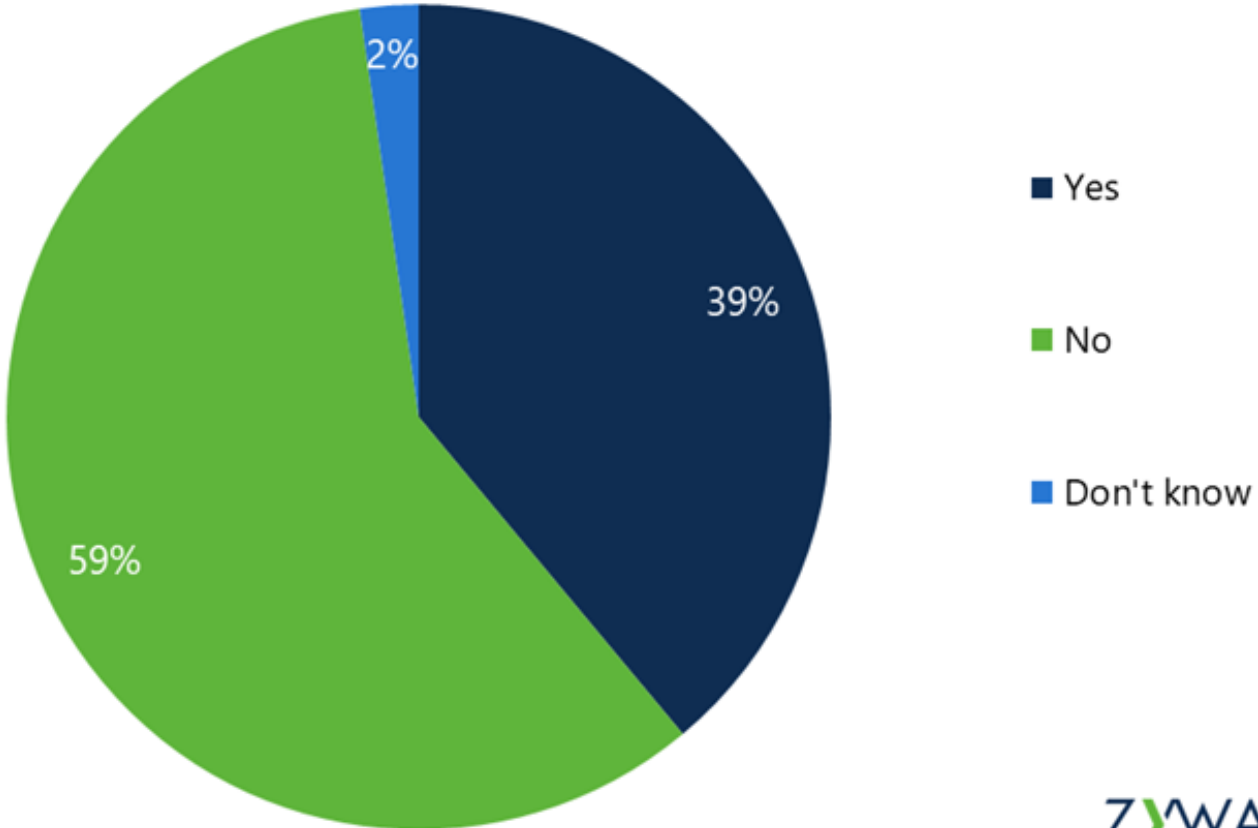
SAM Coverage

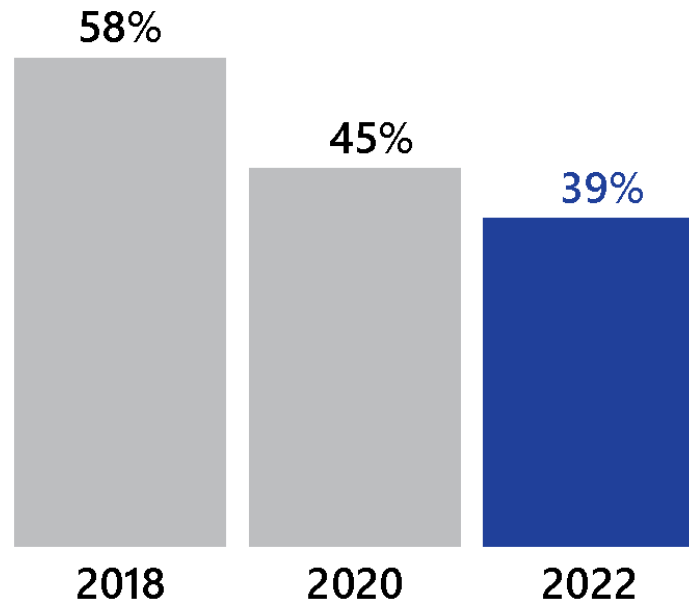
Artificial Intelligence

~ 65% of Carriers & PA's inferred they are currently utilizing AI for some part of their business.



Do you use a Lloyd's syndicate for any of your program business?





The percentage of **administrators** using a **Lloyd's syndicate** for program business

Administrators, carriers,
and service providers
have a **general positive
outlook** for the program
space.



AND SO MUCH MORE!



- Detailed review of rate changes, product mix and demographical information about the PA's and Carriers
- Risk Sharing stats and trends
- Profit sharing trends
- Review of services provided by PA's and how they offer them
- Details on the data analytics and utilization
- Review of reinsurance intermediary utilization

THE PROGRAM BUSINESS STUDY

THANK YOU!