



Can You “Think Outside the Box” if Underwriting Dies?

By Susan Preston

Recently I read a book about people who achieved financial success. There were two common themes running through their personal stories: the first is the ability to accept risk, and the other is thinking outside the box. In the insurance industry, one might argue they should be the same thing.

Reading the insurance press every week, it is hard to tell who is comfortable with risk. It often appears that company and industry leaders focus on the same trends. There are many articles on cyber insurance, for example, which is a bandwagon a lot of companies and brokers are jumping on. There is also considerable focus on the Insurtech model. There is nothing wrong with these categories; it is just more interesting to see companies with unique offerings.

Our world is changing at an exponential speed. We see new services, new procedures people can get in facilities, and up-and-coming industries. There need to be insurance carriers and brokers who welcome newly emerging risks, or economic growth will come to a standstill.

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The trend seems to be that insurance companies are putting increased focus on data before being willing to consider writing business. For mature industries, this does not present a problem. Yet many new businesses leading to economic growth don't have a long track record. We approached one company about a program for cannabis businesses. They wanted 10-year loss history with premiums of \$5+ million. Yet the cannabis business did not exist to that extent 10 years ago, so we only had data for seven years. This insurance company had a set formula, and since the industry didn't generate actuarial data to their requirements, forget it. These kinds of companies may not see the value of having underwriters or specialty brokers, since it's all about the numbers to them.

In the past, Lloyd's of London often filled the gap for business categories that required innovation and specialized policies. Their model was to figure out how to price risks where no company had gone before. Lloyd's, as a corporation appears reluctant to continue this leadership in many instances, so American carriers must step up. It is often smaller companies that fill these gaps, and hopefully they will find success.

Recent reports outline how well program and non-admitted carriers are doing in the American market. Companies and brokers who think outside the box and are comfortable with innovation are increasing market share. Our changing world will call for unique services and products. Those carriers with an entrepreneurial mind are more likely to grow than are companies that are more formulaic.

Over the years, our agency has provided liability insurance for products and services new to the marketplace. We have had underwriters who can look at a product, service or new industry and imagine the worst-case scenario and agree to “take a chance”. Without that way of thinking there would likely not be insurance programs for tattooists, cannabis, medispas offering laser tattoo removal and cryotherapy units that immerse people in -200 degrees Fahrenheit. While there is more and more focus on data, some companies also seem to be embracing an entrepreneurial mind set.

People who innovate in insurance should be financially successful. Even an industry as conservative as insurance has room for companies who want to underwrite with their minds and not just with data. The growth of the surplus lines marketplace shows more companies recognize this. To be a market for the future, our world requires companies to analyze changing marketplaces and adapt to them, not just with actuaries, but also with those who can discover how to underwrite and develop unique market programs. 🌐

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beauty industries since that time. Over the years PPIB has developed or managed programs for medispas and laser centers, pyrotechnics, carnivals and circuses, cannabis centers and medical directors. This has enabled PPIB to be in the forefront of setting up programs for up-and-coming industries across the U.S. Preston works with states and other governing bodies who have desired to set regulations for these fields.

In 2017 Preston was one of 35 people inducted into the first Insurance Industry Hall of Fame. In 2019 Preston was a featured speaker at the Womentalkbiz conference in Northern California where she was “In Conversation” with Julie Zhou, vice president at Facebook. Preston has been recognized as an Elite Woman in Insurance four times including in June of 2019. Susan can be reached at Susan.preston@ppibcorp.com.