

National Underwriter

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E&S/SPECIALTY MARKET REPORT

WHOLESALER'S PERSPECTIVE

Maximizing Retailer-Wholesaler Relationships

Retailers should periodically re-evaluate partners in management/professional lines

BY PETER R. TAFFAE

AFTER 23 YEARS OF UNDERWRITING, retail and wholesale broking of directors and officers liability insurance and errors and omissions coverage, the last seven as a wholesaler have been the most rewarding.

While growing up in the industry as a D&O/E&O underwriter, and as a broker for two of the mega-brokers (then, known as

pertise. For a long time, this small group had the D&O/E&O wholesale market cornered.

At the time, these wholesalers had philosophical similarities with their retail clients, who were looking for wholesalers that provided valuable value-added services, such as assisting in production, unbiased coverage recommendations, risk analysis, active claims participation and proposal presentations—making them very attractive as business partners.

Ironically, the very reasons that allowed these wholesale firms to grow initially, in the last

and making a comparison, can you be confident that you are receiving all the expertise and service necessary to enhance your insureds' programs and your relationship with those insureds?

If your wholesaler is not enhancing your position (in both coverage and service), you have chosen not to maximize your wholesale relationship. The successful wholesaler's primary objective should be to make you more successful—in the sales process, securing the best coverage and post-servicing/educational stages. Your clients' expectations of you are no different from the expectations you should have of your wholesaler.



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alphabet houses, when short-hand names referred to their initials), it became clear that wholesalers, in general, were not always perceived in the best light.

Part of this perception was caused by the wholesalers themselves. Historically, wholesaling was not considered an attractive career option as compared to underwriting and retail brokering. Another reason for the unflattering perception was that the wholesale side of the business had not capitalized on the virtues of specialization or the many ways wholesalers can bring value to their retail clients.

About 15 years ago, retailers had a small, select group of wholesalers to turn to when seeking D&O/E&O expertise. At about this time, the large wholesalers recognized and began to decentralize their operations in the interest of capitalizing on opportunities that required D&O/E&O ex-

few years, have caused a void. As many of these firms grew, they allowed themselves to become bureaucratic and to lose sight of the basic wholesale value-added concepts of “independence,” quality service and product expertise. What once was a niche-committed wholesaler often became a subsidiary of a mega-broker, insurance company or bank.

THE NEXT STEP FOR RETAILERS: RE-EVALUATION

Whether you are a retailer working with the wholesale division of a large broker or other type of organization, or with a boutique specialty firm, as a prudent business owner it is wise to re-evaluate your wholesaler relationships from time to time.

Re-evaluation does not necessarily mean changing or severing an old relationship. But without exploring your options

MARKET APPOINTMENTS

One of the chief ways for retailers to differentiate themselves from their competitors is through underwriter accessibility. Many lost accounts can be attributed to being blindsided by an underwriter that was not approached by the incumbent broker.

Do not assume the largest wholesalers are appointed with all the markets. One of the key ways a wholesaler can bring value is to have access to unique markets. Very often the less-known markets can have superior contractual wording and competitive pricing.

Be wary of any wholesaler that suggests coverage be placed with an insurance company that has less than an A.M. Best rating of “A-minus” and is below Best's Financial Size VII category.

WHOLESALER'S E&O RESPONSIBILITY

A professional wholesaler realizes that E&O prevention, for both the wholesaler and re-

tailer, should be a top priority.

Your wholesale partner should take proactive steps to eliminate, or at least to minimize, your agency's E&O exposure. The steps are numerous, but the most obvious include:

- ▶ Full disclosure of coverage (copies of policy wording and endorsements)
- ▶ Highlighting of potential controversial terms or conditions
- ▶ Prompt extension of binders
- ▶ Routine reminders of open items
- ▶ Comprehensive record retention program including redundancies
- ▶ Active and timely follow-up on policy changes
- ▶ Assertive claims handling

The very nature of specialized policies requires a high standard of care. When it comes to D&O, EPL, intellectual property, legal malpractice, fiduciary liability, digital risk and E&O, there are no small claims. These policies have high visibility, as do their problems.

ALL OR NOTHING

We are often asked why we feel it is important to have access to all the markets when engaged on a placement. We have a strong conviction that having one wholesaler in the marketplace is the optimum approach for the retailer and results in the best overall product for the insured. Our market is very different than the traditional property-casualty community.

First, an underwriter will only work with the "appointed broker." The underwriter recognizes the first broker who submits a proper submission on an insured's

behalf. Thus the first "in" is not always the most qualified.

Second, every underwriter in our segment of the insurance industry has its own unique policy language. Enhancing the policy wording for each insured takes a commitment by both the underwriter and the broker. Most underwriters are not inclined to make the investment of time and energy if they are not dealing with the decision-maker.

The investment made by a competent wholesaler is quite extensive. He or she has to become familiar with the insured's business, including its strengths and perceived potential weaknesses.

A good wholesaler will repackage the submission for the market in a way that increases effectiveness and the first impression.

Because of the usual short timeframe and pricing subjectivity of these products, wholesalers often need to capitalize on their personal relationships in order to deliver a superior end result. Relationships are based on trust and delivering the order.

Lastly—and most importantly—are the unbiased recommendations you should want from your wholesaler. Unfortunately, when two wholesalers are competing, potential conflicts of interest arise. Each wholesaler praises its proposal and criticizes the competitor's proposal.

This "flexible" recommendation shifts the focus from what is in the insured's best interest to that of the wholesaler's financial interest. Often this process will lead to a price comparison, diminishing the important objective of overall value—both

coverage and price.

This process is in nobody's best interest. We encourage all of our retailers to pick one wholesale partner and work as a team to secure the best underwriter, coverage and cost.

RESOURCE OR MAIL DROP

Providing clients with timely developments and product intellect is one way wholesalers differentiate themselves. We feel our roles are more than just obtaining quotes. Staying on top of the latest legal developments and coverage enhancements is mandatory to staying on top of the game.

When wholesalers bring this current information to the attention of their retail clients (in some cases, through periodic newsletters), they not only demonstrate their commitments to those clients but also allow the retail broker, in turn, to show his or her clients that they are being well represented. And having a pulse on current events allows the retailer to both maximize opportunities with prospects and build stronger relationships with existing clients.

Today's competitive and sophisticated coverage environment requires choosing wholesale partnerships wisely. As with any partnership, it's important to have realistic expectations and to know beforehand whether your wholesaler has the qualities to make you more successful. ■■

▶ **Peter R. Taffae** is managing director of Executive Perils Inc., a national wholesaler dedicated solely to managements and cyber-liability insurance. Mr. Taffae can be reached at PeterT@eperils.com.