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WHOLESALE PROFILE

Simple Approach On Complex Coverages

By **Susanne Sclafane**

If you've ever come across Peter Taffae of the wholesaler e-perils.com at an industry meeting, it's likely that he was there delivering a sermon about the perils of cyberspace.

Even at a recent seminar on the subject of directors and officers liability insurance, the aggressive cyberinsurance evangelist managed to make his way onto the program as the sole presenter on the topic, "cyber liability and property insurance"—a topic that has little to do with D&O insurance.

In fact, Mr. Taffae is as well versed in the specifics of D&O, professional liability and employment practices coverage as he is in emerging cyberinsurance products. But when he sits down to talk about his company, a wholesale brokerage specializing in all those lines, it's not the need for complex coverage that's on his mind. Instead, he centers on simple messages—delivery, follow-through and customer satisfaction.

"Back when we were retailers, we used to think to ourselves, 'If we treated our clients like the wholesalers are treating us, we'd be out of business,'" Mr. Taffae said. He explained that while part of the concept for e-perils.com was to create a wholesaler narrowly focused on coverages for electronic perils and professional lines, the real vision was to create one dedicated to service.

"There was a huge void in the wholesale segment for expertise and quality service," he said, pointing to insurance policy delivery as one area where wholesalers consistently "drop the ball." Their clients often have to wait six-to-eight months for a policy, he said.

"Policy delivery is a huge thing. We

deliver 82 percent of our policies within 45 days of the effective date," he said. "We spend a lot of money on that," he said, noting that one of the company's five employees spends nearly 80 percent of his time on quality control.

The firm also makes use of technology to enhance its quality control initiative, he said. "We send acknowledgments within three hours," he said, indicating that high-speed technology also moves submissions into underwriters' hands.

"When I was a retailer, months and months would go by and you would never see a policy. They'd take forever," said Wayne Bernstein, another e-perils team member in a separate interview. For Mr. Bernstein, working at e-perils.com has meant an opportunity to apply a retail agent's mindset to a wholesale operation.

"Dealing on the retail end, you need to be a little more attentive to a client that does a tremendous amount of business with you. You have to live and die by that," he said. "On the wholesale end, you have a lot of variety because you're not only dealing with one client. You're dealing with different types of accounts for different people," he said.

The detail-oriented former retailer says he's found a comfortable home at one-and-a-half-year-old e-perils.com because "I can provide the same kind of service that I provided on the retail side to our clients here."

Both men say they encourage retail clients to have high expectations—and aim to meet or beat those expectations.

"We say, 'We're going to call you back'

and we call back. Or we say, 'We're going to have a quote by such and such' and we do," Mr. Bernstein said.

Indiana retailer Hugh McGowan Jr. confirms the level of service he has received from e-perils as a result of a phone call.

"All of a sudden I had this guy hopping on a plane and flying out from Los Angeles," said Mr. McGowan, the vice president of McGowan Insurance Group, a 71-year-old property-casualty agency in downtown Indianapolis.

Mr. McGowan, the past chairman of the Independent Insurance Agents of Indiana Young Agents committee, said his call was initiated by a seminar at the group's May 2000 conference. After hearing a presenter talk about how cyberinsurance was becoming more necessary, he asked the speaker about a client he had—an Internet-based bank.

The speaker recommended Mr. Taffae, prompting Mr. McGowan to make a phone call because "I wanted someone I could talk to about cyberinsurance."

"It wasn't like we have a significant book of business" or a long-standing relationship. "I told him our story and he took a leap of faith and flew out to Indianapolis. He learned about us. And he learned about our insured," Mr. McGowan said.

At the end of the day, the insured chose not to buy a cyberinsurance policy, but Mr. Taffae talked to them extensively and explained it in simple terms, Mr. McGowan said. Insurance is not the only



way to address risk, he said.

The fact that the client today has “the same policies they had before I met Peter” doesn’t make the story any less compelling for Mr. McGowan, who now uses e-perils for some of his other clients’ D&O and bond needs.

Mr. Taffae had “the ear of all the insurance markets you would want” and the willingness to explain the “good story” of Mr. McGowan’s insured to many of the underwriters that he had relationships with. He was also able to “explain to our insured why they couldn’t get some coverage,” Mr. McGowan added.

Mr. Taffae and Mr. Bernstein count their successes, not in terms of the number of policies they’ve bound, but the retailer relationships they’ve built and a dogged determination to keep trying new approaches for clients, even if the odds are stacked against them.

“Nobody ended up wanting to write” an EPLI policy for a “gentlemen’s club” submission, but that doesn’t stop Mr. Bernstein from using the risk as an example of innovation at work.

“My initial reaction was: why would a club like that want to buy this type of insurance policy [one that includes coverage for sexual harassment claims] when they’re surrounded by that aura?” he said. Still the e-perils team thought up an approach that might work—asking underwriters to consider “lasering out” the sexual harassment and leaving coverage for wrongful termination and discrimination.

“We don’t take a traditional approach on very difficult situations,” Mr. Taffae said, describing solutions ranging from retroactive D&O coverage for bankrupt e-tailers to “evergreens”—noncancellable D&O and E&O policies for future years.

He also recalled designing an “option plan” for a client worried about the

renewal of a tough D&O risk. “We had an underwriter make a binding quote [and] we were able to hold it open for four months” in return for a small option premium, he explained.

“The client wanted to continue his relationship with the current carrier, but was also very concerned about his expiring carrier’s interpretation of the risk at renewal. So he was willing to pay a little bit of money to have an option available to him at renewal,” Mr. Taffae said.

“People initially come to us as a last resort. It happens almost daily. While we’d prefer they come to us first, we look at that as an opportunity,” he continued.

With underwriter relationships going back 20 years, e-perils.com boasts a hit ratio in the high-70s. “We get right to the chase. There’s no educational process. We have to know what their appetite is. It’s our job,” he said.

Mr. Taffae, who over the course of his career spent eight years with retailer Marsh and two with specialty insurer Chubb, will point to e-perils.com’s relationships with 100 insurance company markets as one measure of the firm’s success.

Operating in the black just 14 months after opening its doors is another milestone for the company and its investor partner, Worldwide Facilities, a 25-year-old wholesaler writing over \$100 million in premiums.

But for Mr. Taffae, a more important measure of success is a 97 percent retention rate. “The 3-to-5 percent that we don’t renew arise because of things beyond our control—like mergers or bankruptcies,” he said. “That tells us our approach is working.”

Mr. Taffae wouldn’t be coaxed into revealing the company’s success in terms of revenue dollars, but did say e-perils.com has 1,500 retail broker rela-

tionships—he calls them “partnerships”—and that the firm now does business in 34 states.

The employees at e-perils.com are partners also, he says. “No one has titles. We’ve tried to make it a team and not a hierarchical situation. We’re all equal. We make decisions in consensus,” he said.

So what’s with the name?

“We think it’s a great name and a lot of people like it, but in many ways it’s misleading. We put more of the emphasis on the word ‘perils’ than the ‘e,’” highlighting the staff’s expertise in D&O, E&O, EPLI and intellectual property coverage, in addition to cyberinsurance.

As for the “dot-com” part, he said, the company has over 70 applications on its web site that retailers can download and print or forward directly from the site to a prospect or client. The site also has educational information, including cyber-definitions, claims examples and articles that retailers can use when they talk to prospects. In addition, Mr. Bernstein puts together a monthly newsletter that’s e-mailed to retail partners, extracting and reporting recent news on management, cyber-liability and professional liability coverages.

The two men also reported that e-perils.com is evaluating a quote and bind distribution mechanism. If it’s launched, Mr. Taffae said, Quote ‘N Bind will be a way to buy coverages over the Internet for very safe and small risks. ☐



Peter Taffae



Wayne Bernstein