

Northeast's E&S brokers in great demand by agents

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The continued reluctance of standard markets to write certain coverages and across-the-board hikes in premiums have created a business boom for the region's excess and surplus brokers. E&S brokers in the Northeast are busier than ever and have been enjoying tremendous growth with more of the same expected in 2003.

InsuranceTimes spoke with some of the region's E&S brokers to see how they are meeting the demand for their products.

Swett & Crawford

Among the E&S brokers filling in where standard markets fear to tread is Swett and Crawford of Maine, where trucking, property and umbrella coverages are in great demand.

The nationwide broker's office in Portland, Maine handles risks in New England and New York.

Swett & Crawford of Maine President Fred Jeffs said rates for trucking insurance have increased by about 10 percent over the last year, property insurance by 25 to 30 percent, and umbrella coverage from 10 to 100 percent.

"The more volatile the risks you've got, the bigger the price rises," he said.

The broker uses Canal Insurance, Northland Insurance and other insurers for truck coverage, and whatever the marketplace will allow for property insurance.

Professional liability coverage has had some availability problems, Jeffs said, as have excess liability, umbrella coverage, and coverage for construction, because when there are fewer people looking for a product, prices increase.

Swett and Crawford expects to see continued growth over the next year, along with more price competition, Jeffs said.

"We had a great '02. We're seeing significant growth. We've seen tremendous growth, but that's the nature of the marketplace," he said.

Quaker

Quaker Special Risk in Worcester, Mass., has seen increased demand for insurance in both property and casualty and professional liability. The company writes in all of the New England states as well as New York.

Vice President Karin Branscombe said she fielded increased demand for general contractor insurance.

"We have the market to respond to the need to write these contracting risks because contracting is not being renewed by a lot of companies," she said.

Branscombe said agents are seeking comprehensive general liability for contractors with a high percentage of subcontracting work.

She said that rate increases have been common, and that some have been double or triple.

"They're really just a rule of thumb but suffice to say that there is always an increase," Branscombe said.

She said professional, medical, and social services-related programs for directors and officers will experience serious rate increases.

In expanding their product line to the needs of the market, Quaker Special Risk has added broader writing authority and secured higher limits.

"The ability was there, we just increased it. We were able to increase it," Branscombe said.

The company expects the market to get tougher, and that 2003 will continue to be challenging in terms of property coverage. Companies are predicting this will continue for two or three years.

"I would tend to agree that the marketplace will continue for a while," Branscombe said.

Insurance Center Special Risks

Insuring general contractors has been the focus for Insurance Centers Special Risk, which is based in West Springfield, Mass., and operates in Massachusetts, Rhode Island and Connecticut.

Principal Dave Florian said that is where he has seen the most demand, as a reaction to the standard market's refusal to insure that class.

"Companies have been pulling out of that class," he said. "We've just been seeing a ton of it."

He said that most of his underwriting has come from Essex Insurance or Lloyd's of London.

Agents are looking for products like liability, tough casualty umbrellas, and property insurance for older construction, as well as bar and restaurant insurance.

"With contractors, I think especially with general contractors, there's less control over the risk," Florian said.

Issues have cropped up with mold and classification, and that certain standard markets have made the decision to

ue to grow," she said.

H.T. Bailey

Dave Robinson, president of H.T. Bailey Insurance, Arlington, Mass., has been writing more general contractor, restaurant and umbrella risks but the demand hasn't been limited to these lines.

"Everything is needed. We're seeing pretty much everything these days," he said.

"Excess limits are a real problem these days because of capacity," Robinson said.

He said coverage is generally not available for excess auto insurance or insurance for coastal property. Though many carriers used to write this insurance inexpensively, they stopped offering the coverage when it was no longer profitable, he said.

"Many think, 'rather than increase rates, let's get out of the class,'" he said.

Robinson said he, too, has seen rate increases average about 15 to 25 percent over the last year. He said that high prices are a problem for contractors, and that excess limits premiums are very high.

Robinson said his company grew about 40 percent last year.

"If we could grow 20 percent this year, I think it would be a good year," he said.

To help achieve that growth, his agency company has begun to offer a new restaurant program along with its regular roster of programs.

Russell Bond

Kurt Bingeman, owner and president of Russell Bond and Co. in Buffalo, N.Y., said his agency has experienced overall growth and, in particular, a boom in professional liability. The agency operates in New York, Vermont, Connecticut, and Massachusetts.

"Business was up across the board," Bingeman said. "We see that pattern likely to continue into the coming year, too."

The company's professional liability growth has come from increases in premiums.

"We're starting to see the increase in activity more in basic property and casualty lines," he said. "Standard companies are starting to exit the market."

Russell Bond offers coverages through Scottsdale, U.S. Liability, Burlington and similar surplus carriers. For professional liability, companies like AIG and Chubb do the underwriting.

Bingeman said his company usually cautions people to expect a 20 percent rate increase on most property casualty accounts, while public directors and officers insurance can experience hikes as much as 50 percent.

"Companies are looking for higher prices, narrower policy terms and lower limits so they can limit their exposure," he said.

Russell Bond grew by 50 percent last year, and Bingeman said he thinks the company will exceed its anticipated 35 percent growth over the next year.

underwrite by class.

"I think just in general, the standard markets are making greater efforts to underwrite their book and bring a greater product to their bottom line, which eventually lands a lot of accounts in the E&S market," Florian said.

Rates are expected to increase by about 15 percent for renewals, which are likely to be more if there have been losses.

Florian's agency has expanded more into marine business this year, adding products such as marinas, builders' risk on hulls, and more general marine classes like shipbuilders, shipyards, yacht clubs, and rental operations.

He said the market has become harder to write, but that coverage has been available through Market American, Essex's ocean marine department, and Great American.

Florian also noted that it has become difficult to write for large tract home developers.

"Overall, we're definitely growing, writing profitably...we see it going along those lines through 2004," Florian said.

Continental Agency

Vice President Gerard Prast has seen increased demand for homeowners insurance for apartment buildings, insurance for general contractors, and workers compensation at his Continental Agency of Connecticut, which operates in all of New England and also has offices in Rhode Island and New Hampshire.

His general contractor risks are typically underwritten by Western World and U.S. Liability; while homeowners' insurance is through Lloyd's of London, as well as Penn America and Nautilus.

Continental has begun to work more with a lot of workers compensation, and now has the capacity to write high-value priced property insurance.

He said that coverage is available, but that the carriers are getting the price for their exposure. He said that rate increases averaging about 15 and 20 percent are common.

"The prices are higher than they were four or five years ago," Prast said.

The boom in E&S business puts the pressure on brokers to maintain quick turnaround and quality service for agents they work with, notes Prast.

"We have more of a responsibility to make sure we can get our quotes to our insurance agents that are submitting business to us...on a timely basis," he said.

Prast does not see markets turning anytime soon, which is good news for Continental.

"I see continued growth," Prast said. "Some carriers are still staying away from tougher areas of business."

First New England XS

First New England XS Insurance Agency, based in Wilmington, Mass., has been flooded—with applications for excess flood coverage, that is.

Demand for flood insurance above the national flood program limits, and for liquor liability, has been tremendous, according to Mike Hoskinson, president of the brokerage which writes in all the New England states except Maine.

Hoskinson said rates have been increasing by an average of about 20 to 25 percent and that limits on coverage are being reduced.

"Everybody's being held to higher standards these days," he said.

First New England calls on AIG, Chubb, Houston Casualty, Hartford, and Zurich, and uses Lexington, Chubb Custom, Gulf Underwriters, Nutmeg, London, and Zurich to underwrite errors and omissions. The company uses Ace, AIG, Crum and Forster, Farmers' Fund, and Zurich to write umbrellas.

"We're doing very well because the premiums are up so high. Consequently, our volume is up. I don't see the pricing structure changing," Hoskinson said.

RCA

Maxine Lessard, branch manager of the New England bureau of RCA Insurance, said her agency focuses mainly on restaurant coverage—75 to 80 percent of its business is insuring restaurants, bars and taverns in all the New England states.

The company also has seen demand for coverage for vacant property and apartments, which she said many standard carriers do not insure.

"A lot of the standard markets are getting off this kind of risks. It's a high-risk kind of coverage," she said.

She said standard companies do not know how to price this kind of coverage, and are not renewing policies. The main companies used by RCA to underwrite are Fire and Casualty of Connecticut and Royal Surplus.

Lessard believes that insurers' poor investment returns, combined with the state of the market, will mean continued business for her.

Rate increases have averaged about 25 percent over the last year and about 15 percent this year, she noted.

"We will be getting more increases," she said.

The only coverage that might not be available is that for coastal properties with high property values.

"We had tremendous growth last year and we see that continuing this year. The excess and surplus market will contin-