

# One More Option: Excess & Surplus Lines Insurance

**Presenter: Julia Perrine, FCAS, ASLI, MAAA  
Nationwide Excess & Surplus/Specialty**

**Presented on behalf of Wholesale & Specialty  
Insurance Assn (“WSIA”)**

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# Today's Topics



- What IS Excess & Surplus Insurance (“E&S”)?



- The fun (and challenging) world of being an actuary for E&S.



- Opportunities for you provided by WSIA



# About WSIA

## Wholesale & Specialty Insurance Assn (“WSIA”)

WSIA is a world-class member services organization that serves the entirety of the wholesale, specialty and surplus lines industry.

- WSIA provides service to members in five key areas:
  - Networking
  - Regulatory and legislative advocacy
  - Education
  - Promotion of wholesale value
  - Talent recruitment and development initiatives



# Everyone Needs Insurance



## Ever wonder who insures...

- Hurricane devastation
- Celebrity athletes' arms or legs
- Research labs working on promising new drugs
- Intellectual property lawyers
- Zip-lining or motocross
- Cyber risk and security
- Autonomous vehicles
- Cannabis industry



# About Surplus Lines



- Surplus lines is the “**safety valve**” of the insurance industry and acts as a supplement to the admitted market.
- Surplus lines insurers fill the need for coverage in the marketplace by insuring risks that are **declined by the standard underwriting and pricing processes of admitted carriers.**
- Most states require an agent to seek coverage from the standard market and verify they were declined before seeking surplus lines coverage. This is called **“diligent effort.”**
- Surplus lines insurance is **“Free of Rate & Form”**, which means that the rates and forms do not need to be approved by the state Dept. of Insurance prior to using.



# Medical Marijuana and Cannabis





# Autonomous Vehicles



# Medical Research

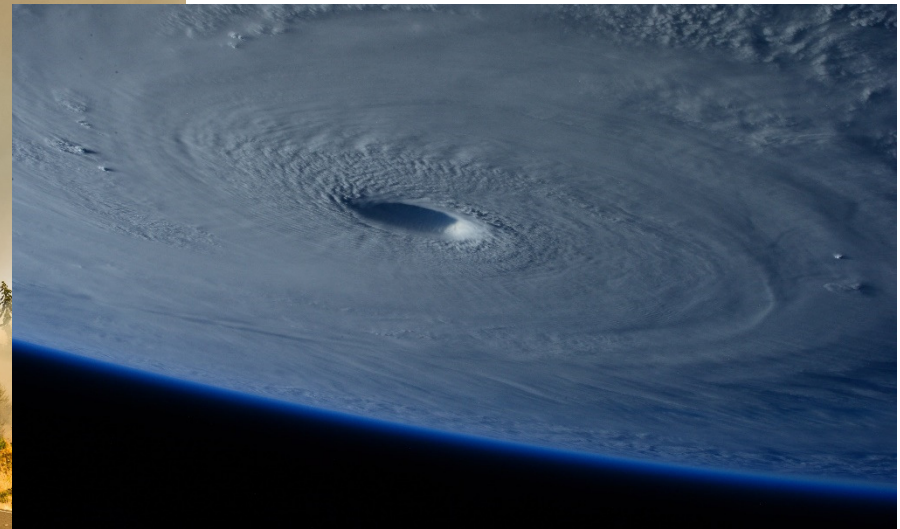




# Pollution Cleanup



# Natural Disasters and Storms



# High Risk Property

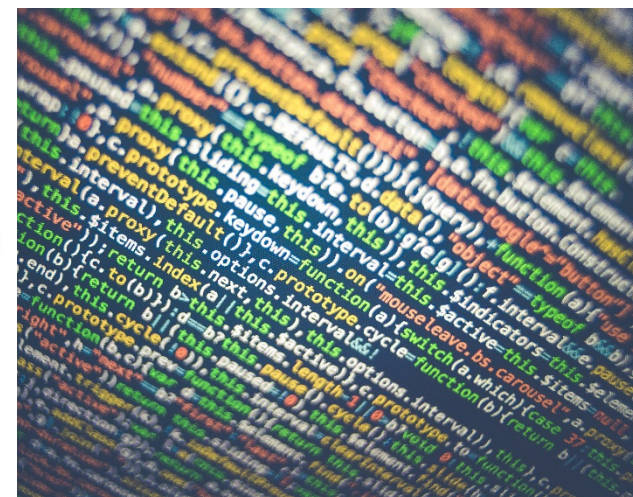




# Celebrity/Sports Risk



# Cyber Risk and Cyber Bullying





# Special Events

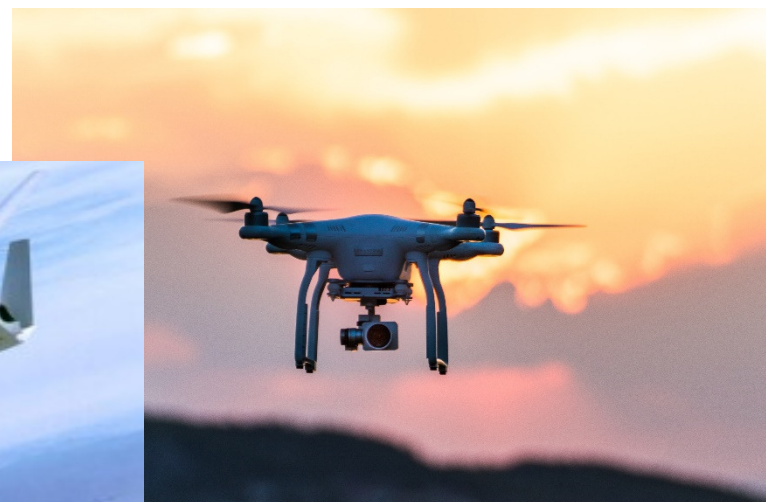




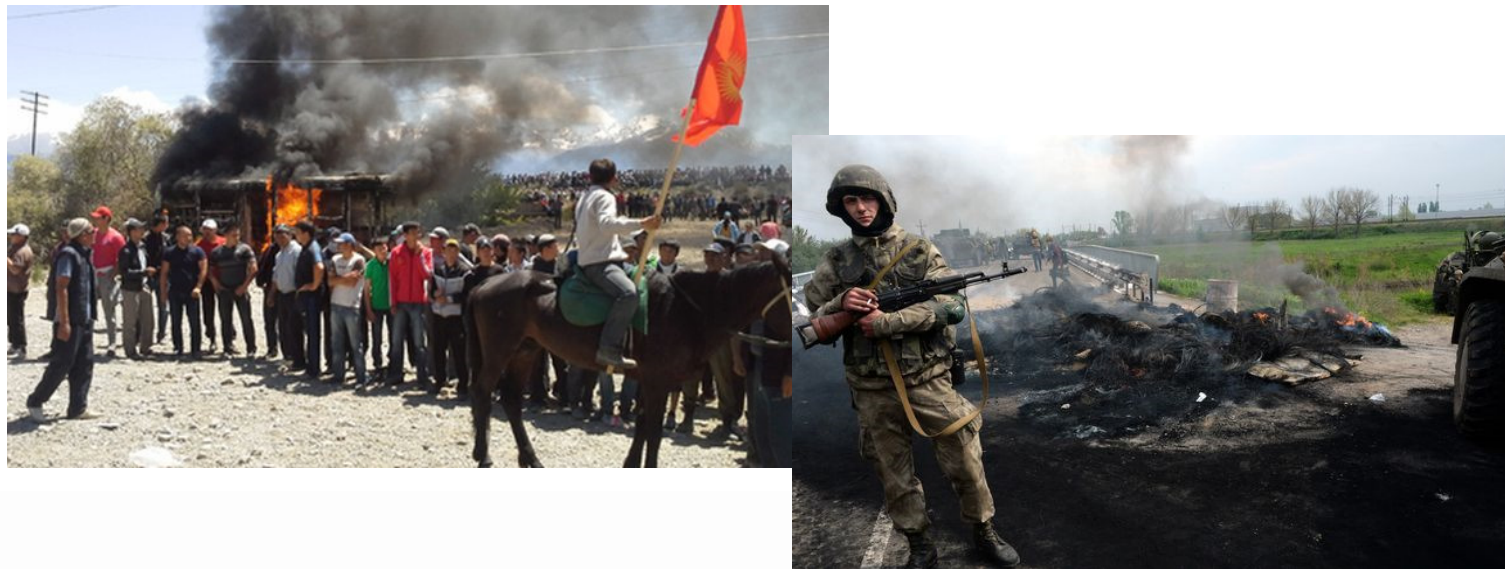
# Luxury Retailers



# UAV/Drone Liability



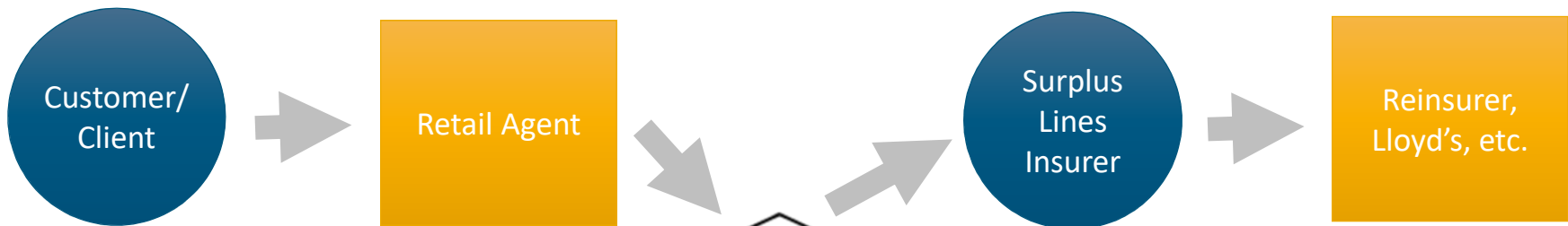
# Terrorism, Warfare and Political Risk





# Fraternity Houses





Wholesale Broker  
Program Administrator  
Managing General Agent  
Underwriting Manager



# Multi-Faceted Industry



Industry consists of many types of companies:

- Wholesale brokers
- MGAs
- Program administrators
- Underwriting managers
- Surplus lines insurance companies
- Third party claims administrators
- Reinsurance brokers
- Reinsurance companies
- Law firms
- Software vendors
- Consulting firms
- Other service providers





# Are Actuaries needed in E&S?

YES they are.

Now that we have shared a bit about the E&S industry – one may wonder what actuaries would do in an E&S company since the products are “Free of Rate & Form”!



# Actuaries in E&S



- Most carriers have actuarial teams as part of their operation.
- At Nationwide E&S/S in Arizona – we employ over 15 CAS members! (shameless plug – NW E&S hires full-time paid summer internships, including a housing stipend)
- Many large brokers also leverage actuaries.





# Actuaries and E&S Insurance

## Actuarial Science? Actuarial Art?

In the E&S world, to be an effective actuary, the art of the practice can be more important than the science. Limited data, evolving books of business, “long tailed” nature of some claims all make using traditional data-based analytics less relevant.

For all actuarial roles, communication and listening skills are critical as E&S is too volatile to just work with spreadsheets. The subjective data is as critical to the best answer as the data driven answer.

The responsible blending of the “science” and the “art” makes an E&S actuary's job challenging and rewarding!



# Actuaries and E&S Teams



## Integrated with the rest of the E&S team

### Pricing actuaries:

- Often are assigned to certain underwriting teams and work closely with them
- Typically are exposed to every type of product imaginable (or not yet imagined!)
- As rates are unregulated, underwriting considers multiple factors in determining price – actuarial recommendations are just one of those. Actuaries serve as thought partners, consultants, and problem solvers.



# Actuaries in E&S: A Day in the Life



## Day in the life of pricing actuary could include:

- Analyzing rating factors – How does location/credit score/loss history impact potential for future claims?
- Determining with underwriting team what actions can be taken to improve results?
  - Deductibles, exclusions, limits, etc.
- Working with claims team to understand legal and claims environment.
- Communicating results to team – are they meeting premium goals? Are risks diversified?



# Actuaries and E&S Teams



## Reserving Actuaries

- Reserving actuaries monitor solvency questions.
- Their job is to answer one “big” question... “If the company is required to pay out every single claim today that is covered under any of its policies – how much money would need to be set aside?”
- This can be tricky – as some E&S claims don’t get reported to the company until 10 years after they occur.
- Like Pricing actuaries, they are working with many types of products, often with very small amounts of data.





# Actuarial Challenges in E&S



- For incoming students - How do you work with longtime veterans to leverage their years of experience as well as new talent skillsets and technology to produce a better work product for your employer?
- What is the best way to incorporate robust predictive analytics and modeling using sparse data?
- How do you communicate your findings so business partners act on those results?



# Hole-in-One Competition – Part 1



How would you approach pricing a policy for a large cash prize at a Hole-in-One competition?



# Hole-in-One Competition – Part 2



How would you approach setting aside reserves for this competition



# More opportunities!

Now that you are excited to become an actuary at an E&S company .....

.. it's time to discuss what other opportunities are available in the E&S insurance world (outside of being an actuary)!







# Risky Business and Innovation

## Surplus lines professionals are:

- Risk Takers – Deal with the most challenging exposures
- Creative – Analyze cutting-edge risks, develop new, innovative and specialized insurance solutions
- Experts – Offer exceptional service, in-depth knowledge, expertise and added value to clients





# Positions Within the Industry

## Not everyone is an underwriter

- Accounting and finance
- Actuarial science
- Administrative and customer support
- Claims and investigative services
- Human resources
- Legal services
- Loss prevention
- Marketing
- IT and technology





# Industry Growth = Opportunity



***Insurance Business America* estimates that:**

- 200,000 new positions will open in the industry by 2022.
- The average insurance professional is 45 years old.
- Only 5% of college students report being “very interested” in a career in insurance.

Average starting salary according to GIS:

- \$71,000 – Actuarial Science Majors
- \$60,000 – Risk Management/Insurance and Other Majors



# Consider the Benefits

- Exciting, challenging and ever-evolving industry that allows you to work with what fascinates you.
- Competitive, merit-based pay and advancement opportunities.
- Entrepreneurial culture; fast-moving, nimble companies.
- Training and mentoring opportunities; seasoned industry experts help to guide you.



# Consider the Benefits

- Lots of camaraderie and cooperation in the industry.
- Global business with chance to travel and see the world – surplus lines professionals often travel for their work.
- Industry requires many skill sets offering many avenues to succeed and stand out from peers.



# We Need You!



- This is currently an aging industry with opportunity for young talent.
- Industry and WSIA dedicated to training and mentoring young professionals.
  - Many examples of bright, hard-working people who have achieved success at an early age
- Opportunity for you to...
  - Become involved in critical business issues
  - Chance for those not afraid to work to earn six-figure incomes
  - Work in an industry where no two days are the same



# What Can WSIA Offer You?



- WSIA internships
- WSIA Education Foundation Scholarships
- Industry mentors
- Connections to entry-level jobs and internship opportunities at career fairs
- Symposiums in Atlanta, Chicago and Phoenix
- WSIA's U40



Please see the Appendix for detailed information about these opportunities!





# Where Can I Find This Information?



[www.wsia.org](http://www.wsia.org)



- [Home](#)
- [About](#)
- [Members](#)
- [Students](#)
- [News](#)
- [Committees](#)
- [Join](#)

Sign In



**TALENT DEVELOPMENT AND U40**

Creating awareness about surplus lines career opportunities, and developing interest in them by young and emerging talent, is an important component of WSIA's mission to strengthen the industry.

[LEARN MORE](#)



# Where Can I Find This Information?



## WSIA for Students

WSIA offers a variety of educational and outreach programs to support college students majoring in risk management and insurance and those interested in working in the excess and surplus lines industry. [Sign up here](#) to receive the WSIA U-News and stay updated on all the opportunities for students and the information below.



## Insurance Scholarships

Each spring, the WSIA Education Foundation awards up to 21 scholarships worth \$5,000 each for the next academic year to students studying risk management and insurance. The 2019 application deadline is March 3. [Learn more here.](#)

## Symposiums

Three annual two-day college symposiums are held throughout the year for Risk Management and Insurance majors. All include a Career Fair, networking opportunities with industry professionals, and educational sessions with both young and experienced professionals. Registration is only \$25 for students and includes free or reduced hotel stay and meals. [Learn more here.](#)

**Extreme Risk Takers Symposium**, hosted by Illinois State University  
March 29-30, 2019 | Chicago, IL

**Wholesale & Specialty Insurance Symposium**, hosted by Arizona State University  
Dates TBD - Spring 2019 | Tempe, AZ





# Next Steps

- Read more about Excess & Surplus insurance by accessing the WSIA website ([www.wsia.org](http://www.wsia.org))
- Check out the **Appendix** of this presentation for more specifics on the opportunities that WSIA has for up and coming professionals!
- Look into opportunities to job shadow OR apply for a summer internship at an E&S company.



# Have Questions?

## **Presenter Information:**

Julia Perrine, FCAS, ASLI

Nationwide E&S/ Specialty

[Julia.Perrine@nationwide.com](mailto:Julia.Perrine@nationwide.com)

UCSB/CASS – 5/25/19



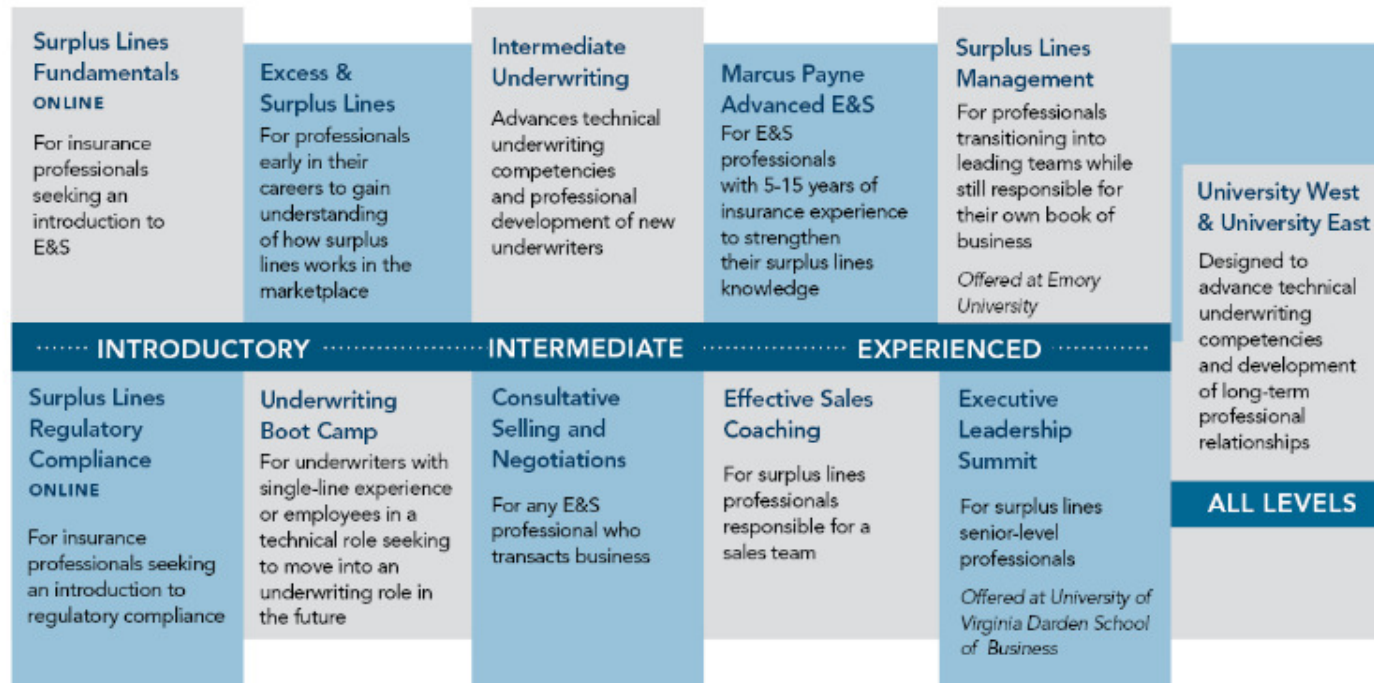
# Appendix



# Education Programs



## WSIA TECHNICAL & CAREER DEVELOPMENT



# WSIA Education Foundation Scholarships



The Foundation grants a minimum of 20 scholarships at \$5,000 annually for students pursuing career in the E&S industry

## Criteria:

- Must be sophomore, junior or senior not graduating before Fall 2020
- Majoring in RMI, taking significant RMI coursework, or have RMI work experience
- At least a 3.25 overall or 3.5 major GPA
- Submit online application, unofficial transcripts, resume, essay and letters of reference

Next deadline is **March 1, 2020**  
for the 2020-21 academic year.



# Surplus Lines Symposia



**Phoenix - October 11-12**

**Atlanta - November 14-15**

**Chicago – March 27-28**

Presentations on emerging risks, case studies, panels from industry professionals, and a career fair featuring WSIA member firms

- Registration is only \$25 for students and covers meals, full or partial cost of hotel room, and inclusion in a resume book given to Career Fair participants





# WSIA Internship Program Process



- Applications for summer 2020 internships due October 14.
- Application requirements:
  - Online application; letter of reference; resume; essay responses; and unofficial transcripts.
- Selected interns are announced early November
- Internships are 9 weeks: 5 weeks with a carrier and 4 weeks with a broker



# WSIA Internship Benefits



- Salary of \$18 per hour
- WSIA covers housing and transportation, and reimburses some additional expenses
- Access to industry training including online material and an orientation program prior to the internship
- Unparalleled industry exposure and hands-on learning
- Excellent job placement prospects
- Chance to attend WSIA Annual Convention in San Diego
- Chance to travel to London to study the market



# WSIA White Paper Contest



Research paper (10-12 pages) on a choice of three emerging issues and trends impacting today's insurance market and the wholesale, specialty and surplus lines segment.

- \$1,000 award (up to three winners)
- **Fall 2020 Topics** (submission deadline December 8)
  - Fall topics determined by mid-June. Check the WSIA student web page for an update.
- **Spring 2020 Topics** (submission deadline April 19)
  - TBD