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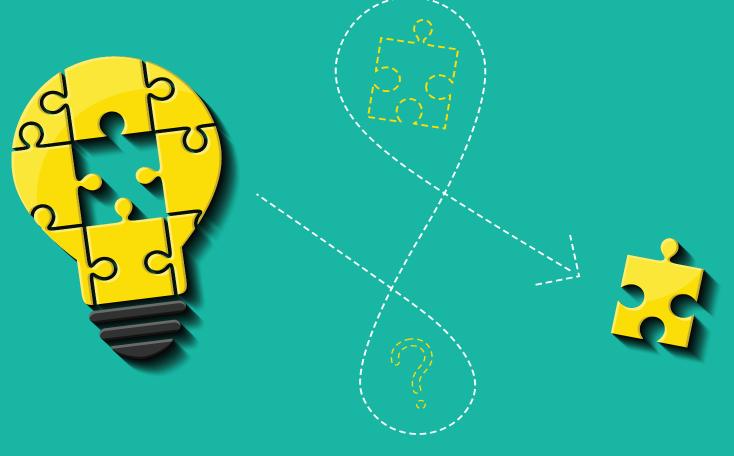
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CEO LETTER

A

s we advance into the second half of 2023, we continue to see the ripple effects of increased inflation and supply chain issues from 2022 which has delivered the U.S. private auto insurance industry's worst ever performing year.

According to an *Insurance Journal* article written in May, "the motor vehicle insurance consumer price index soared by 15.5% year-over-year in April — more than three times the overall CPI, and the highest such increase since 1977, when adjusting for the one-time impact of COVID-19 premium rebates."

Also of note, rising premiums were not enough to off-set rising losses over the last year. Losses incurred for physical damage and combined liability lines both increased by over 23%, year-over-year in 2022, while net premiums earned only increased by 6.4% and 3.4%. Experts attribute the rise in auto claims to the return to the roads post-pandemic, and rising parts costs.

"Inflation and unfavorable reserve development pushed the net incurred loss ratio to 79.8% in 2022, considerably worse than the previous high of 70.9% in 2000 and the 67.6% seen in 2021."

Without the abatement of loss pressure on our carrier partners' underwriting margins, we will continue to see this tightening and contracting until sometime in 2024.

So, what does this mean for independent agents?

Continued restrictions from the carriers will mean several things for independent agents across the industry:

- Continued deceleration of new company appointments
- · Carriers looking for agencies that are bringing value
- Companies tightening qualifications regarding low production, high Loss Ratios, bad retention, and poor quality of business (low limits, credit, prior insurance)
- More rate increases and tightening of class codes
- · More book audits
- Carriers continuing to focus on profitability over new business growth

However, even with these changes and challenges, the industry is seeing a continued shift toward the independent agency model. Despite growing competition from online and direct channels, the independent agency model is gaining market share. The Big "I" 2022 Market Share Report² shows that independent agencies captured 62% of all property-casualty insurance written in the U.S. and 88% of all commercial lines premiums.

Consumer uncertainty, rising rates, and restructuring of policies is shifting customer focus to trusted advisors, to help them navigate these changes. Independent agents are doing well because they can serve their clients better. Period. With rising premiums, many consumers want someone who can provide better rates and more customized solutions.

So, in many ways, independent agencies are much better positioned to be competitive and grow in the current market situation.

What you can do to succeed in this market?

We will continue to work with all agencies to help you navigate new carrier guidelines and policies as they shift to accommodate the market.

Continue to prepare your clients for rate increases and changes coming to their policies. Use the arsenal of market and product options that Smart Choice can provide you to keep the changes to customers' policies as minimal as possible. You should remain in contact and regularly engage with your company reps to make sure you're writing quality and desirable business.

Make sure you're taking advantage of national incentives, bonus opportunities and contests exclusively available to you through Smart Choice's carrier partners, in order to maximize your revenue.

Our primary objective remains to help you grow and create a profitable, thriving agency!

Jh S. Wolen

https://www.insurancejournal.com/news/national/2023/05/12/720495.htm

²https://www.insurancejournal.com/news/national/2023/05/12/720495.htm

https://www.independentagent.com/media/Pages/2022/BigI_Releases_2022_Market_Share_Report.aspx

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MIKE MILLER:

With 43 years of experience in the insurance industry, Michael (Mike) Miller has held management positions in almost every facet including Underwriting, Controllers, Sales and Agency Marketing. Miller began in the Industry in November of 1980 where he started a scratch Agency with Allstate and earned the Allstate's Honor Ring for performance. After three years he entered Sales Management where he earned the Key Manager designation 10 out of 10 years and Chairman's Inner circle 5 times, placing him in the top 1% of Field Managers company wide.

Miller then became the Director of Marketing for MSI Insurance where he provided leadership for all company operations including HR, Sales, Marketing and Claims. He was the lead for Revenue Growth, operational and strategic planning for the personal and commercial lines company. Miller has been a State Director for Smart Choice since 2009 and is a recipient of the Smart Choice® Presidents Award.



KATIE WILMOTH:

Katie Wilmoth has been Director of Marketing Communications since 2012. During her 19 year tenure with the company she's been kev in developing marketing and communication strategies to promote growth for the company, agency partners, and carrier partners alike. She first joined Smart Choice® part-time in 2004 in the accounting department, eventually joining the company full time in 2005 when she was named Managing Editor of Smart Choice Magazine. Katie currently supervises all content development, recruiting and lead nurturing programs, and carrier and agency communication efforts. She also serves as a liaison to carrier partners developing marketing strategies for product launches and promotions.



MARK BRANDT:

Mark Brandt is Vice President of Commercial Lines at Smart Choice. Mark has nearly 30 vears of experience in the insurance industry, across a broad spectrum of products in Property & Casualty and Life. He served as Vice President and Senior Business Development Manager at Victor US, and spent five years as National Accounts Manager at Dovetail Insurance, and 11 years at Grange Insurance, managing the Smart Choice partnership at both. In his role at Smart Choice, Mark will help drive the company's Commercial division's strategy by facilitating carrier relationships regionally and nationally.



DOUGLAS S. WITCHER:

Doug Witcher is the founder, Chairman and CEO of Smart Choice®. Launched in 1994, Smart Choice® was established to help independent agents access better markets and establish solid relationships with some of the top insurance carriers in the nation. Thanks to Doug's vision, today Smart Choice® has revolutionized the insurance industry to become one of the largest agency networks in the country.

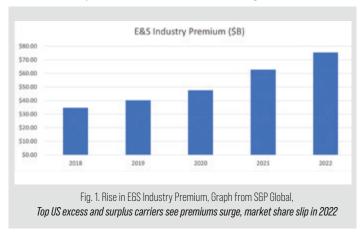
Charitable giving is an integral part of the Smart Choice® philosophy, and Doug is a dedicated servant leader in his community, avidly supporting various non-profit organizations and events. He has received numerous awards and recognitions by leading insurance companies, over the course of his career in the insurance industry, for his leadership and commitment to profitability and growth.



By: Katie Wilmoth, Marketing Communications Director, Smart Choice®

Gone are the days of low insurance premiums, extensive coverages, relaxed underwriting guidelines, and increased capacities. Since 2019, due in part to the normal cyclical nature of the industry, our market has seen an increase in premiums, more strict underwriting guidelines, and reduced carrier capacity.

A variety of factors have played a role in our current hard market, starting with insurance carriers' books becoming unprofitable & unsustainable. The Covid-19 Pandemic has prolonged this pain, and along with stubborn inflation and resulting rate hikes with a risk of recession, it may seem like there is no end in sight.



How can agents combat this?

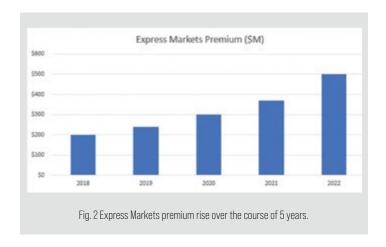
While all insurance agents are feeling this pain – captive agents may be feeling it more intensely and are losing policies to independents.

Due to the freedom to seek out additional markets, independent agents have an innate advantage - one that includes utilizing the growing E&S marketspace.

Per S&P Global, excess & surplus premiums increased for the fourth straight year in 2022, rising 20% to \$75.50 Billion from \$62.90 billion in 2021. This trend actually started prior to the last two years, however,

and in fact, the trend has aligned closely with the increase of the hard market over the past four years.

Smart Choice's specialty line division - Express Markets - has followed this trend as well, and the growth of premium shown in the chart above has provided Smart Choice agency partners an opportunity to combat the hard market with an array of available carrier partners. The program is providing agents a unique opportunity to grow their agency and have solutions for all their clients, even in the midst of a hard market.



Since Express Market's inception, a driving growth factor for David Wilson, Vice President of Specialty Markets for Smart Choice, was to diversify and partner with more carriers to add additional distribution points in agencies. Having significant experience in the industry, as both a former agent and national, major carrier executive, Wilson long ago anticipated the current market situation, and understood the crucial role excess and surplus lines carriers would play.

This led him to increase the number of new company partnerships in the program by nearly 30 partners in the last five years, resulting in 127% growth in written premium through Express Markets since 2018.

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Where has this growth in premium come from?

The carrier alignment within Express Markets can essentially be broken down into five categories: Wholesale Markets, Property & Home, Non-Standard Auto, Artisan Contractors, and Specialty/Niche. Each area has proven to be an important pillar of support to Smart Choice agencies since the hard market initially started.

Wholesale Markets

Wholesale markets, such as Burns & Wilcox, CRC Group, and RPS have accounted for an incredible \$327 Million in written premium. With hundreds of available markets, both admitted & non-admitted, wholesale partners provide a fantastic opportunity for independent agents to find a home for a risk that they would generally not be able to with a standard carrier.

Property & Home

Property & home has suffered the most from the ongoing market troubles. In fact, according to the American Property & Casualty Insurance Association, this may be the hardest market for property insurance in a generation.

Increases in claims frequency and severity have played a major role in the market conditions we are witnessing today, with current US inflation dramatically impacting the cost of replacement materials, and reinsurers beginning to pull back (claimsjournal).

With these difficulties, adding alternative homeowner carrier partners became a main objective for Wilson and the Express Markets vertical.

Over the course of five years, Express Markets has partnered with several highly regarded and financially sound property carriers including Heritage, Orchid, American Modern, Tower Hill Specialty and Aegis General Insurance.

Partnerships with these carriers has given Smart Choice agents an opportunity to write coastal and inland property in a market where they otherwise would not be able to, and home premiums have risen to an impressive \$50.5 Million through Express Markets.

Non-Standard Auto

The non-standard auto market has also seen tremendous growth, with some studies estimating that non-standard auto insurance coverage makes up to 40% of the auto insurance market (Forbes).

This trend is not likely to slow down with the dramatic rise in vehicle costs and vehicle repairs, and the plethora of factors that can send clients down the non-standard route including poor credit history, foreign driver's licenses, minimum limits of liability, speeding tickets/violations, and more. Although customers may not be pleased with being considered non-standard, this segment of the industry provides insurance agents with a whole pool of clientele who need coverage.

Following the trend of non-standard auto insurance growth, Express Markets partnered with several highly regarded non-standard auto insurance carriers including National General who was recently purchased by Allstate, and Gainsco, who was recently acquired by State Farm. Express Markets has also expanded relationships with Kemper Auto, The General and more recently with Embark MGA.

This non-standard auto insurance segment accounts for \$87 Million in written premium through Express Markets.

Artisan Contractors Insurance

Personal lines insurance has not been the only segment of the industry that has been affected by the hard market. Agencies are also having difficulties finding solutions in the artisan contractor market space, due to a variety of factors and risk characteristics that go beyond the hard market. Risks within this market space often fall out of the standard insurance markets due to their high risk nature. To combat this, Express Markets has partnered with several highly regarded carrier partners that offer solutions for these types of risks. Carrier partners like BTIS, ISC, Pathpoint, and Tokio Marine offer cutting edge platforms that make quoting and issuing policies simple. Express Markets' partnership with Tapco has also stood firm and flourished due to Tapco's call, quote, bind system.

Through Artisan Contactor carriers, Express Markets has over \$50 Million in written premium.

Specialty / Niche

The last five years have also seen a rise in new types of coverage needs and risks due to changes in legislation, laws and more. Outside of Wholesale, Property & Home, Non-Standard Auto, & Artisan Contractors, Express Markets also offers wide ranging specialty/niche markets that cover anything from cannabis industries and cyber, to professional bonds and flood. Through specialty markets like Attune, CannGen, Hagerty, and Propeller Bonds, Express Markets accounts for \$20 Million in written premium.

With carriers changing policy structures, tightening guidelines, and the slow economic recovery and reset happening with standard carriers, E&S companies are poised to continue increasing market share. E&S and Specialty carriers have invested millions in technology to make these products and coverages increasingly efficient, and for the near future – at least – look to be an enormous source of relief for agents and clients.

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Burns & Wilcox

Wholesale Specialty Insurance



Dog bites are increasingly painful in owners' pocketbooks

hile the number of dog bite claims has dipped, the cost of dog bite claims has been growing significantly, new data from the Insurance Information Institute shows. Last year,

the number of claims decreased 2.2%, but claim costs grew 32% to a per-claim average of \$64,555, Property Casualty 360 recently reported. These claims totaled \$1.3 billion in 2022, representing a 28% increase from 2021, the publication noted.

States with the most dog bite claims in 2022 included Florida, with 1,331 claims and a per-claim average of \$78,203, and California, which saw 1,954 claims last year at an average of \$78,818 each, according to the association.

With more than 65 million U.S. households owning a dog as of 2023, the new claims data "is not surprising at all for numerous reasons," said Chanon Murphy, Manager, Personal Insurance, Burns & Wilcox, Houston, Texas. Costs are rising across the board, higher-risk dog breeds remain popular, and "America is a very litigious country," she said. However, contrary to common belief, dog bite coverage under Homeowners Insurance is not a given.

"Homeowners assume dog bites are automatically covered; this is simply untrue," Murphy said. In fact, dog owners should confirm the coverage details of their Homeowners policy and seek additional coverage if needed. This is particularly true for dog owners who take their canine friends with them on trips, to the store, and anywhere around town.

"The more and more we incorporate dogs into our daily lives — going to restaurants, breweries, and sports games even — they are just everywhere," Murphy said. "With the potential of needing plastic surgery and ongoing medical care, especially if there is nerve damage, these can turn into chronic issues and that is why you see an average dog bite claim of over \$60,000."

Dog bite exclusions increasingly common as claim costs rise

According to the American Veterinary Medical Association,

over 4.5 million individuals in the U.S. suffer a dog bite each year — at least half of whom are children — and more than 800,000 seek medical attention for a dog bite.

When a homeowner's dog bites a guest or other third party — whether the bite occurs in the home or while the dog is outside, being taken for a walk, or elsewhere — the homeowner is likely to face a claim, Murphy said. Homeowners Insurance could cover the injured individual's medical costs, pain and suffering, loss of income if they are unable to work due to the bite, and more.

"A dog bite, regardless of who is injured, will most likely result in medical payout on Homeowners Insurance coverage, [and will often] escalate to a lawsuit," she said. With rising defense costs and other expenses, "before a lawsuit is even decided, there are already thousands of dollars spent."

Homeowners can also be sued when their dog attacks another individual's pet, Murphy added. "It is important to understand that we are not just seeing dog-to-human bites. There are also dog-on-dog bites that are a factor now," she said.

According to the Insurance Information Institute's recent report, U.S. dog bite claims increased in number by 1.4% between 2013 to 2022, while the value of claims rose 134.9%. The 2.2% decrease in dog-bite claims between 2021 and 2022 is a good sign that awareness of the risk is growing, says Michelle Allemang, Manager, Personal Insurance, Canada, Burns & Wilcox. She can point to insurance brokers and homeowners placing more emphasis on education and risk mitigation. However, homeowners should be aware that some insurance carriers will have dog-bite or animal liability exclusions on their policies.

"The majority of homeowners will have coverage that includes animal liability; however, if an incident does occur, they could be non-renewed or canceled and then need to be placed in the surplus lines market where animal liability will most likely be excluded if you had prior loss," Allemang explained. "It is really important to have a conversation with

your insurance broker because even some standard policy forms exclude certain breeds of animals, like pit bulls or rottweilers. Breed exclusions are increasingly common."

As per-claim costs increase, these exclusions are becoming more common, Murphy said. "We have seen a rise in carriers using an animal exclusion or limiting liability for animals," she said. If a homeowner is sued over a dog bite and finds out their policy excludes animal liability, "they could have to pay out of pocket for a lawsuit, which could definitely have a serious financial impact."

Business owners should review insurance before welcoming pets

From restaurants to retail stores, more businesses seem to be allowing dogs, Murphy said. This includes many shopping malls that have adopted pet-friendly policies to encourage more foot traffic, the Wall Street Journal reported in December 2022, detailing issues from fur on clothing to dog bites and scratches that some have experienced.

"The most common types of commercial claims are slip-and-fall claims, but dog bites are right up there with them. They are becoming more common," Murphy said. "The dollars being paid out are increasing and insurance carriers are more likely to start looking at their forms and want to cut back on their exposure."

Home-based businesses may be subject to animal liability exclusions, Allemang pointed out. "When individuals are starting to have clients come to their homes, that is definitely more risk exposure and it might lead to a carrier excluding this coverage," she said, noting that standalone insurance policies may be available for those who are unable to find dog-related coverage. "It is key to speak with your insurance broker and to read your policy. It will typically be very clear under the liability portion of your policy what is excluded."

Even 'the friendliest dog' could cause injuries

The cost of a dog bite claim can vary widely, depending on the circumstances of the incident. In August of 2022, a woman in Rahway, New Jersey, was awarded a \$1 million settlement after being bit by a neighbor's dog and dragged down her porch steps and driveway; she required 11 surgeries after the 2020 attack and lost the use of her right hand, the Union News Daily reported.

According to the U.S. Centers for Disease Control and Prevention, most dog bites affecting young kids occur during "everyday activities with familiar dogs." Even "the friendliest dog" can bite if provoked, Murphy said, and in some cases the dog is merely defending itself. "Sometimes it is really not the dog's fault," she said. Still, "once there is a dog bite claim, the insurance carrier will likely exclude animal liability altogether or some carriers will not write the homeowner at all."

Given the potential for large settlements, Personal Umbrella Insurance could be beneficial for homeowners with pets. Like Excess Liability Insurance for business owners, these policies can provide liability limits above and beyond standard policies.

"Especially in the U.S., where the initial liability limits for Homeowners Insurance are usually quite a bit lower — often \$500,000 vs. \$1 million or \$2 million in Canada — Personal Umbrella Insurance is definitely important to consider," Allemang said.

However, these policies would only provide coverage for dog bite claims if the underlying Homeowners Insurance or CGL Insurance policy also covers dog bites, Murphy noted. "If your policy excludes coverage, so will an umbrella policy," she said. "This is why it is so important to understand your insurance coverage."

Steps to prevent dog bites include knowing a dog's history and monitoring interactions with pets closely. "Policyholders need to provide proper training for their dogs and recognize the signs of aggressive behavior," Murphy said.

When it comes to liability, "typically it goes back to the owner of the dog," even if a stranger approaches the animal without permission, Allemang said. "Maintaining as much control of the situation as possible is really important," she said. "Individuals sometimes think if someone comes up to their dog and pets them without asking then it is their fault, but in many instances, that is not the case."

Find more insights from the experts at Burns & Wilcox by visiting burnsandwilcox.com/intel



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Over the last few years, the global pandemic, labor inflation, and weather-related events have negatively impacted profitability and growth in the insurance industry. Despite these big challenges, the industry is expecting an accelerated economic recovery and significantly larger revenues in the near future.

The industry confident it can overcome these challenges by using data to segment insurance customers into groups with common needs and develop new products and services to provide a more tailored approach to products and services. Much of this segmentation will occur in the excess and surplus market, which is served by carriers in the Smart Choice® Express MarketsTM program.

The Excess & Surplus Opportunity

The Express Markets™ carriers make up almost \$70 billion in premiums across the United States, with projected premium to exceed \$170 billion by the year 2030. Your Smart Choice® carriers have become extremely aggressive in offering you the ability to carve out a lucrative niche in this growing marketplace.

According to the Small Business Association, 99 percent of businesses in America are small businesses. That's more than 33.2 million companies across the country.

Many excess and surplus insurance consumers cannot differentiate between carriers and tend to make decisions solely on price. This is where you can become the product knowledge expert. Stand out from other agents by helping your customers and prospects quickly identify the carriers that offer the best value by providing best-in-class, quality products at the lowest-available price.

Beating the Competition

Approximately 52 percent of your competition can be eliminated right off the bat. While they may be experts on their own products, captive agents simply cannot offer the breadth of products you can. What's more, if you focus on the risks large brokerages avoid (i.e. risks that generate less than \$25,000 in the premium), you may find yourself in a unique position to capture your share of that \$100 billion premium growth over the next few years. All you need to do is get appointed with a few of our dozens of Express MarketsTM carriers.

If you can help commercial clients place coverage when their captive agents cannot, price becomes secondary, new relationships form, and allegiances are made that put you in line for cross-selling personal lines products. The byproduct of helping your clients with hard-to-place risks is making more money.

Technology in the Excess & Surplus Market

Our industry is undergoing a rapid digital transformation. A number of tech-savvy carriers are using innovative, industry-disrupting ideas to capture more market share. Technology is transforming the way we do business today, from improved quoting and service processes with legacy carriers to brand-new insurtech carriers entering the market. If you embrace these innovations, you will outperform other agencies in your area and become the go-to agent for tech-savvy customers who want to work with an insurance expert.

Consumers are moving at such a fast pace that the big carriers struggle to keep up before the market moves past them. You can excel by being in the heart of the market every day. Help your customers look beyond the price tag and offer personal service and product knowledge. By embracing the ever-changing excess and surplus market, you can grow your revenue and your reputation in your area. For help getting appointed with our Express MarketsTM carriers, get in touch with your State Director today.





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SMARTCHOICE® SCOPE

SMART CHOICE SIGNS A RECORD NUMBER OF INDEPENDENT INSURANCE AGENCIES

In 1023, 382 agencies partnered with the fastest growing insurance network.

Smart Choice® has signed a record number of independent insurance agencies in the first quarter of 2023 with 382 agencies partnering with the fastest growing insurance network in the nation. This number eclipses all historical first quarter results.

"Agencies that sign with Smart Choice want all the things that an insurance network should provide such as carrier access, but without risking their business to do so," said Ashley Wingate, Smart Choice senior VP of sales. "We are the network of choice because we let new, seasoned, and owner-agents — grow on their terms and timetables."

A recent report from the Independent Insurance Agents & Brokers of America (aka the Big "I") shows independent agents are gaining market share. This signals a major opportunity for agents – and the right partnership can help them take advantage of this growing marketplace. The Big "I" says the independent agency channel placed 62% of all property and casualty insurance written in the U.S. In commercial lines, independent agencies placed nearly 88% of written premiums. There's a reason why the independent agency model has staying power – it provides two things' people need: choice and guidance. Data shows that between 2017 and 2021, captive carriers saw their market share fall from 46.0% to 34.7%.

With over 150 insurance networks to choose from, agencies have no shortage of marketplace options. Smart Choice offers an Agent Friendly Contract that eliminates the leading concerns that agencies have when joining an aggregator, cluster or network. These objections include ownership and control of the agency, excessive contract length, joining and monthly fees and commission splits without a cap.

"There are other aggregator type groups out there, but I feel like their contracts tie you in much longer and much deeper. One big advantage is that Smart Choice stops taking a commission percentage once a certain level is reached," said Allan Miles, R. Allan Miles Insurance Agency. "With some of these other networks and aggregators, you don't have that cap. They're going to take a percentage of what you do in perpetuity, and they're going to take it at that same percentage no matter how big your book gets. To me, that makes Smart Choice a very equitable and fair proposition."



Risk Placement Services, Inc. (RPS), one of the nation's largest specialty products distributors, offers valuable solutions in National Brokerage, MGA/Binding and Programs.

Why Partner With RPS?

At RPS, we set the highest standards in the industry. Because we always deliver on our brand promise: we help you come through for your clients. RPS will assist in placing accounts that typically cannot be secured competitively in standard markets, in particular specialized or hard-to-place insurance. Our national team of experts work with agents every step along the way. With every article, interview and podcast, we share our insights on the changing insurance landscape to help you come through for your clients.

2023 Healthcare Market Outlook

Unsettled. That one word sums up the current healthcare insurance market. But not to worry, our 2023 U.S. Healthcare Market Outlook is here to break things down with a 360-degree look at challenges, trends, market strategies, agent-client communication musts, and why economic inflation—already greatly increasing the pressure on insurer profitability—should now be the greatest concern for carriers in this space. *Read the full Outlook at rpsins.com*



Q2 State of the Cyber Market

The cyber insurance market is maturing quickly, with new (and sometimes conflicting) patterns appearing daily. Sound confusing? It is, but RPS is here to help. From new underwriting approaches to real-life claim trends, we break it down in our latest Quarterly Cyber Market Update.

Read the full article at rpsins.com



The Changing Face of Commercial Transport

While it may not always be apparent, the face of the commercial transportation industry is gradually changing, shaped by the constantly moving world we live in. Instead of looking at the industry from the top down, it can be useful to look at a few of the individual elements of the commercial transportation industry that are changing. *Read the full article at rpsins.com*

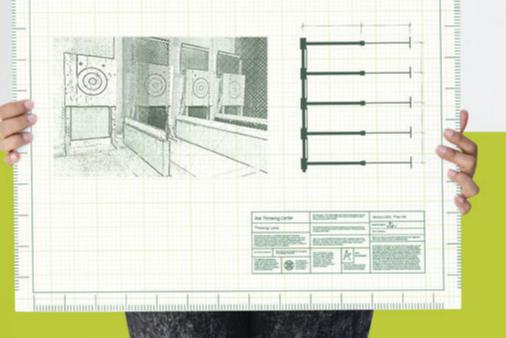


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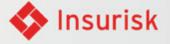
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SOLVING SMALL BUSINESS E&S IS A TECHNOLOGY PROBLEM

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Since 2017, Excess & Surplus lines Gross Written Premium in the U.S. has quadrupled, with another year of 20%+ growth on the horizon. The overall U.S. Property & Casualty market has also grown, but E&S has handily outpaced it, and makes up an increasingly large share of P&C — a share that will last as more risks structurally move into E&S. Despite this new normal, E&S placement processes haven't kept up, and aren't prepared for the coming influx of risks and agents either.

Existing solutions fail agents

Any P&C agent placing E&S business knows the huge gap between admitted and non-admitted experiences. E&S business is typically placed through wholesale brokers, a system designed to handle large commercial accounts that has not innovated in a number of years. Agents wait days or weeks for quotes as they manage endless back and forth between themselves, the insured, carriers, and the wholesaler. The current standard of waiting days or weeks is not practical for smaller premium artisan risks, where the end result is that writing small commercial E&S is both time consuming and frequently unprofitable.

Placing blame

To be sure, risks that fall into E&S present more complexity than those hitting the standard market, and are accompanied by a highly variable web of state regulations, taxes, and filing fees. Does E&S have to be *this* complicated and painful? The standard explanation is that *all* E&S risks are so varied and complex that only long-lasting relationships can get them across the line.

Meeting the challenge

What if, instead, agents could place business in the time it takes to read this article? This starts with challenging status quo assumptions about E&S complexity. By policy count, the E&S challenge is almost always a market-matching issue (who will write trampoline park GL?), which lends itself to a technology solution. Routing risks, and underwriting

guidelines themselves, clearly map to algorithmic systems that can power digital placement solutions that are faster, simpler, and easier to navigate for agents and carriers alike.

While specialists can continue to handle uniquely difficult risks, a strong marketplace can make matching carriers to most risks entirely available online.

A new way of doing business

If we accept accessing E&S through a digital, highly integrated marketplace, what features come first?

- 24/7, self-service solutions available on the agent's time, not the broker's
- Instant quoting through carrier APIs. Get a quote to present to your client in minutes, or a declination that allows you to move forward
- One application that eliminates duplicative questions and enables seamless multi-market submissions
- End-to-end e-signing and digital payments goodbye paper forms, mailing checks, and chasing payment status
- Close collaboration with agents, who know their needs best

This is only the beginning — there are far more features to carry over, and agents should seize the opportunity to not only be a part of existing solutions, but power the future of the industry.

Learn more about Pathpoint's small business digital placement solution, industry-leading turnaround times, and appetite. Visit app.pathpoint.com/smartchoice or scan this QR code:



Smart Start Commercial: A fast evolution from Trucking to Transportation

By: Mark Brandt, Vice President, Commercial Lines, Smart Choice®

In the previous edition of the Smart Choice magazine, we told you about our rapidly expanding product portfolio in Smart Start Commercial and the creation of a Transportation team. The momentum continues as we've added additional markets and classes in trucking and transportation, and our team has been hard at work to bring you a comprehensive solution for your clients in this segment!

Meet the team!



From Left: Chad Witcher, Nate McMurphy, Matt Cothran and Matt Heacox

The evolution of the Transportation team has been as significant as it was rapid. Soon after announcing the creation of a fully certified team to handle long haul trucking, starting with just one market, demand and activity soared. It was apparent that trucking was not only a viable segment for Smart Start, but we received countless requests for quotes across the transportation spectrum other than long haul trucking.

To seize this opportunity and help you win more Transportation clients, Smart Choice quickly pivoted to onboard additional markets for diverse transportation risks. From artisan contractor fleets to logging trucks, from Non-Emergency Medical Transport to Sand & Gravel Haulers, and much more, we've added new markets to expand our product portfolio and trained our team on these products.

To find out which of our Transportation markets are available in your state,

scan here:



Here are some of the options Smart Start Commercial can now offer quotes for in the Transportation segment. (Availability varies by state)

Non-Emergency Medical Transport

Dirt, Sand & Gravel Haulers

Escort Services

Artisan Contractor fleets

Waste Haulers

Cannabis Delivery

Loggers

Agricultural Haulers

General Freight

Expediters

Smart Start's Transportation team is driven to provide a comprehensive solution for all your trucking and fleet risks, while striving to deliver the extraordinary experience our agents have come to expect with all their Commercial opportunities entrusted to Smart Start.

Reach out to our Transportation team today, and find out how we can help put you on the road to growing your business in this segment!

1-888-264-3388 ext 9006 or trucking@smartchoiceagents.com





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To learn more, email Danny Goff at danny@propellerbonds.com and be sure to include your Agency Name (Alliance: **Smart Choice**). You can also visit our website - **propellerbonds.com** - to book a commitment-free demo with Danny!



There are many qualities that make up an ideal producer. We value these the most.



OUR STORY BEGAN AGES AGO

Our story began decades ago as a San Diego-based K2 Insurance Services Aegis General Insurance Agency's In October, K2 Insurance Services wholesaler in Harrisburg, Pennsylvania. purchases The Aegis Group, consisting opportunities for growth outgrew acquired the renewal rights to Global Mobile-Rec., Inc. wrote Manufactured of a wholesale MGA and two insurance the carrier and an additional capacity Indemnity/American Reliable's Home insurance on behalf of multiple carriers. Shortly thereafter, the MGA partner was secured. Boston-based affordable housing portfolio. The carriers before ultimately securing is rebranded Aegis General Insurance Homesite Insurance Group was process of converting this business sufficient capital to launch Aegis Security Agency and becomes the program attracted to our consistent history began the following year, and would Insurance Company in 1977. Over the administrator for all personal lines of profitable non-CAT business, ultimately double Aegis General business written with Aegis Security next few decades, Aegis would go on becoming our exclusive partner Insurance Agency's volume through to add additional wholesale distribution Insurance Company. Over the next seven for our affordable housing product the acquisition. partners and branch out into offering years, Aegis General would triple the suite. As the new chapter began, insurance products for Dwelling Fire, volume of this specialized personal lines **K2 Insurance Services sold Aegis** Motorcycle, Travel Trailer, RV, ATV, and book, growing exclusively through organic Security Insurance Company and Homeowners. sales and marketing efforts. began converting the book to our new capacity partner. 1977 2013 2019 2021





CASE STUDY:

How Market Access, E&S Expertise and Unexpected Friendships Helped Altamaha Agency Thrive

Kim Winningham first opened the doors of Altamaha Agency in October 2020. Although she had more than a decade of experience in the insurance industry, she was building her agency from the ground up, and she was doing it in less-



Kim Winningham Owner, Altamaha Agency

than-ideal times thanks to the Covid pandemic. She needed carrier appointments and access to a number of different types of markets, including excess and surplus lines(E&S), and she couldn't do it on her own. To thrive, she needed some support, and she found it in an agency network called Smart Choice.

Time for A Change

Kim became an agent in 2008. After many years working in an agency, the owner of the agency where she worked announced that he was closing his doors, and Kim decided it was time for a change.

"I opened my agency from scratch on October 15th, 2020," Kim says.

Kim lives in a small community of about 30,000 people. She runs a full-service agency, and because she sells everything from home and auto, to life and business packages, she can take care of all of her clients' needs in one place. She sells a large amount of personal property and casualty coverage, and her commercial business is taking off as well.

As an independent agent in a small community, word-ofmouth advertising and retention are essential. Since her agency opened, she's only lost four clients, and the fact that she can recall exactly what happened in each situation is a testament to how much she cares about each client. "I get customers, and they don't leave. Fortunately, they tell others about their experiences here," she says, which means Kim's referral marketing is thriving.

Kim excels at customer service, so she has the soft skills needed to meet clients' needs. That's important, but it's not the only thing an independent agent needs to be successful. She also needed access to carriers, and as the owner of a brand-new agency, that wasn't something she could do on her own without being able to meet the right people and build carrier relationships.

"I've always heard that when you open, you have to have a certain book of business in order to get certain carriers," Kim explains. Of course, with a new agency, you need time to build that book of business. In the meantime, not having access to certain carriers can mean not giving clients the insurance options they need. "I knew that I had to partner with a group to get where I wanted to go."

Finding Network Support

Kim knew she needed some support, but wasn't sure where to turn in the beginning. Her first attempt to partner with a group didn't work out. After contacting one organization, she thought she was set-up to work with them, but two weeks before she was supposed to open, she got word that they had rejected her application to partner.

It was a setback, but Kim wasn't going to let it stop her, and began looking for alternatives. That's when she found Smart Choice.

Running out of time before her agency was set to open its doors, Kim contacted Smart Choice on October 10... determined to keep her opening day of October 15. Smart Choice made it happen.

It isn't a decision that Kim regrets. "They've helped me get a lot of appointments with a lot of carriers," says Kim. "I only have one appointment outside of Smart Choice, and that is with Progressive. Other than that, I've been with them from the get-go, and I definitely don't see myself going anywhere."

Finding the Right Fit

Smart Choice has proven to be the right fit for Kim, but Kim also needs to find the right fit for her clients. Each client is different, and some have exposures that standard carriers won't touch. Thankfully, Smart Choice provides access to the excess and surplus market through their Express Markets program, where agents can find coverage for those hard-to-place risks and clients.

"I have several of my clients that are into buying rental homes, refurbishing them and renting them out. And that's where many of the E&S companies come in," Kim says. Kim has also found policies for other hard-to-cover businesses, including an indoor bounce house business. One particularly challenging account took a month and half to place, but through working with her Smart Choice territory manager, she was able to ultimately find a home for the business.

"I'm very honest with everybody," Kim says. Her clients need to understand the coverage they're getting, and education is an important part of the service she provides. "I make sure to carefully explain the differences in the policies they have," she says.

If Kim couldn't offer these E&S options, her clients might go to someone else who could, and that would hurt her close and retention rates.

Beyond Carrier Access

Carrier access is essential, but it's not the only thing Kim likes about Smart Choice.

"If I have an issue, I know that I can get my local Territory Manager or somebody in Smart Choice to help me with it," Kim says. Smart Choice has proven to be a great resource for Kim, especially when she's trying to find coverage for those hard-to-place risks.

Starting an independent agency can be scary, so it's good to have someone in your corner. "I didn't expect it to be such a close-knit group. I have access to the Georgia state team, Christy Stevenson and Elizabeth Wallace just about at any time I need them. And I didn't expect that," Kim says, explaining that she figured she would be on her own, but that hasn't been the case. "I didn't expect to have that friendship."

Looking Forward

2020 was a difficult year, but with support from Smart Choice, Kim got her agency off to a strong start. Now her agency is thriving.

"I was a one-girl show up until about two months ago and I decided to hire someone," Kim says, explaining that her agency had grown enough to make this happen.

Do you want to see how Smart Choice support and excess and surplus lines access can fuel your agency's success? Learn more.

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Homeowners have small farms and farm animals for various reasons – from wanting easy access to fresh vegetables and animal products to improving their physical and mental health or even earning a little side income at farmers markets.

These homeowners may think of themselves as hobbyists, but at what point do their hobbies present risks that only a commercial farm policy can cover?

Be sure to ask clients with farms the following five questions so you can steer them toward the right coverage – whether it's a homeowners policy with an incidental farming endorsement or a commercial farm policy.

1. Do you have more than 10 acres?

Some people own homes situated on 10, 50 or even 100 acres simply because they don't want close neighbors. Such homes are usually eligible for a homeowners policy, subject to acreage guidelines. However, if the owner uses that acreage for farming and related business activities that entail additional liability risks, they should consider a commercial farm policy.

2. Do you have a hobby farm?

Speaking of hobby farms, if a homeowner has one, you should take a close look at what it entails in terms of size, owned equipment, outbuildings and earned revenue, if any. Does the owner use pesticides extensively? Hire temporary workers to harvest crops or repair farm equipment? Any farm activity that generates significant secondary income or exposes the homeowner to a liability that falls outside the coverages of a homeowners policy needs commercial farm coverage.

3. Do you have any animals other than house pets?

Animals can be tricky. It's not just a matter of whether someone has horses, cows, chickens or other farm animals, but how many and what they do with them. Carriers usually set a limit on the number of animals homeowners can include on a homeowners policy – and a homeowners policy wouldn't cover their use for commercial activities. Horses are particularly difficult to cover with a homeowners policy. Even if their horses aren't used commercially, make sure you ask how many the client has, who rides them and how often.

4. Do you have any large equipment or additional structures?

Large equipment and additional structures – think tractors and barns – can be tough to cover under a homeowners policy, especially if they are high in value. For example, Safeco's incidental farming endorsement for home policies provides up to \$10,000 for farm personal property, but even a small tractor's value often exceeds that amount. Make sure you inventory all a client's farm personal property and evaluate its eligibility for coverage under carriers' homeowners products. Keep in mind as well that reconstruction estimates for farm structures differ from those for houses, so the customer may need to arrange a separate evaluation of farm structures if they decide to cover them under a homeowners policy.

5. Do you hire anyone to help with farm work?

While every carrier has different restrictions, covering workers, even temporary help, is typically challenging under a personal lines policy. Some carriers will allow hired help provided they do not live on the premises. Make sure you understand if and how the homeowner uses workers to determine if that arrangement is covered under a carrier's eligibility guidelines

UP CLOSE AND



QUALITY OVER QUANTITY

Quality measures the mastery or status of something – how it works, how it was made, or how it might be compared to a similar product or service. On the other hand, quantity measures the amount or number of a product or non-material item – it is articulated as a numerical value.

Sometimes we must step back and look at what we do from different lenses to understand what's most impactful. When we consider quality versus quantity, we must look at this through a wide lens to get a holistic picture of our end-goal – to support agents' and helping them build profitable books of business in the Smart Start Personal Lines program. While quantity is important, driving success and profit through the quality of our work trumps quantity every time! Did you know that the Smart Start Personal Lines Team handled nearly 149,611 requests and 27,896 phone calls in 2022 with a 93% overall measure of quality? Impressive, right! We pride ourselves on this and want to ensure an amazing experience for all of you, our agents.

QUALITY ASSURANCE (QA) MEASURES

As a standard practice, Smart Start Personal Lines conducts Quality Assurance audits monthly and measures:

- · Timeliness of quote handling
- Accurate proposal presentation
- Application of program coverage standards
 agent requested coverages
- Maximizing sales opportunities
- · Timeliness of new business policy issuance

Along with these core QA measurements, we measure our agents' willingness to recommend the Smart Start Personal Lines program to a friend or colleague. This is a net promoter score that is used to gauge our agents' overall satisfaction and loyalty to our brand. Achieving this level of satisfaction and meeting our QA goals equals a great experience for our agents. Ultimately, as these things are achieved, the quantity will follow. Please take a moment to complete our survey (scan QR code below).



Smart Start Personal Lines

Promote energy, excitement, and enthusiasm (E³) around program success and encourage employee and agent environment





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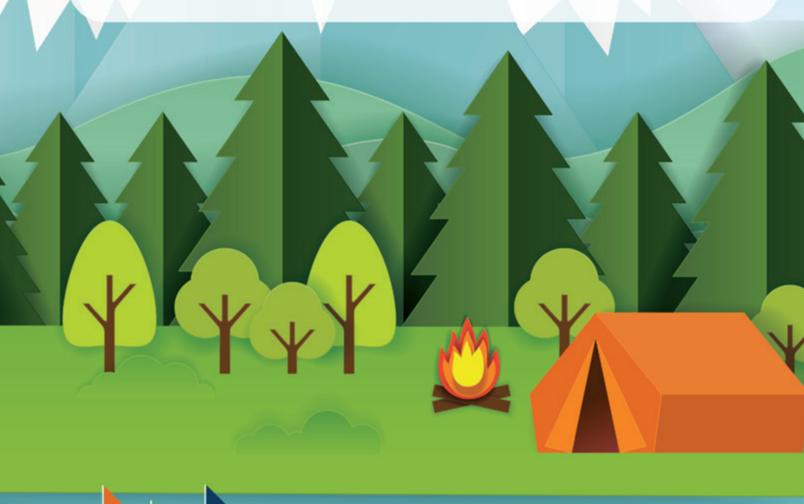
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LOOK Before You LEAP

What you must know about becoming a successful independent agent.

Many insurance agents start in the captive insurance model, learning the ins and outs of the industry, and building their knowledge of selling. Often, however, they find themselves lacking the ability to completely fulfill their clients' wishes, because they're seriously limited by the products they can offer, and are heavily regulated by their company. Most of these agents begin to wonder, "What could I achieve if I had more options? Should I switch to the independent agency model?"



If you're thinking about taking the leap from captive to independent, you need to consider both the pros and cons of such a transition. You also need to learn about the practical steps required as well as the strategies that can help you succeed in your endeavor.

To get the ultimate guide to going independent, go to https://www.smartchoiceagents.com/blog/whitepapers or call us at 888.264.3388 and ask for the *Making the Leap* whitepaper.





