

Environmental Insurance Production: The Secrets of the Trade

How to successfully and efficiently produce environmental business



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To Be Successful, You Must Alter The Insurance Production Process

Traditional Sales Process

- Complete applications
- Obtain multiple quotes
- Choose the best one
- Propose
- Hopefully get an order
- Bind sometimes, 1in10

Environmental Insurance

- Figure out the need
- Craft a placement
- Benchmark the price
- Sell it
- Get one application
- Get one quote
- Turn around in less than two weeks
- Bind every time



Little Known Facts About Environmental Insurance Production

- Every broker that uses the traditional sales process has failed to produce repeat success.
- Every brokerage with market share uses “resources”.
- Only “resources” with true subject matter expertise in environmental risk management succeed.
- The firms with staffed environmental “practices” control 60% of the entire environmental insurance market. There are 3 of them.
- The ante on an effective environmental practice is \$2,000,000.



ARMR.Net Value Proposition

- We create an “Environmental Practice” capability for the producers in the agency.
- We help you identify client needs and production opportunities.
- We help you efficiently produce and service environmental insurance.
- We provide you with a competitive advantage.
- Yes we paid the ante so you do not need to.



About American Risk Management Resources Network, LLC (ARMR.Net)

- Full time wholesale environmental insurance brokers, consultants and expert witnesses.
- Our senior brokers have more than ten years of experience in environmental insurance and advanced educational credentials in related fields.
- We are insurance advisors to EPA, DOD, the US Army, the Airforce and the US Justice Department.
- We are authors of the CPCU, ARM and Surplus Lines Products chapters on environmental insurance for the American Institute.



Producing Environmental Insurance - The Opportunity

- Environmental Insurance is a rapidly growing insurance sector.
 - Environmental Insurance is growing 15% annually.
 - Property & Casualty is growing 3% annually.
- When efficiently produced, environmental insurance pays twice the revenue per hour as traditional P&C business.



The Opportunity

- 70% of new business is written on first time buyers - there are no incumbents to fight.
- There is a prospect-rich environment - less than 1% of the market has been tapped (mold)
- 90% of the potential prospects do not have to fire someone in order to hire you.
- This is an easy route to incumbency and the rest of the account.



Knowing A Prospect When You See One

- Any Merger and Acquisition activity.
- Anyone who owns/leases or provides products and services to buildings occupied by people. (mold)
- Deal makers in the real estate industry.
- Transactional lawyers can be a excellent contact for production opportunities.



Knowing a Prospect When You See One

- Firms with obvious loss exposures - chemical companies, manufacturers, etc.
- Firms that handle or use quantities of any material that can “contaminate or pollute”
- Firms with balance sheet reserves for environmental remediation on locations abandoned, sold or in use.



What is Selling?

- Hot

- **MOLD**, one hundred million exclusions annually will have a material financial impact on somebody
- Condos and new construction projects (REEL)
- Restoration Contractors
- Gap-filling environmental insurance placements on firms that have materials that can irritate, contaminate or “pollute”
- Financial solutions to environmental legacy costs



Real Estate Environmental Liability/HPR/with Mold

- Insures property with first party clean up of mold coverage.
- Fixes insurance gaps for mold related losses in GL and All Risk property policies.
- Best coverage available for new commercial construction over 50,000 sq ft.
- \$250,000 average premium, 90% hit ratio.

(See supporting material on REEL.)



CPL Covering Mold On Contactors

- 95% of all CPL policies sold to this class are inherently defective.
- Incumbents are easy to beat because of this.
- Beware of Property Damage to Your Work and Impaired Property exclusions on CPL policies. (See CPL Roulette)
- Appropriate coverage is available.



Emerging Market Trends

- Expect lenders to figure out mold related claims exclusions.
- When they do they will:
 1. Demand coverage.
 2. Sue insurance agents for misrepresenting the coverage's provided. (See the domino effect of uninsured mold claims)
 3. GL and All Risk property policies with mold related claims exclusions materially deviate from the specified insurance in the loans.



Secrets of the Trade- Production

- If you approach the client's environmental risk management problems from the insurance quote side, you will probably fail to help the client or close a sale.
- Underwriters only close 1 out of 10 submissions that cross their desks. (bet they never told you this!) To win at this insurance production game, you need to dramatically improve your odds of closing by pre-qualifying the entire transaction.



Secrets Of The Trade- Production

- The chances of closing a sale decrease 10% per week after the conceptual sale is made.
- Speed to quote is critically important.
- Resources can achieve much faster turn around times on presold benchmarks.
- Resources have the respect and the ear of the top underwriters.
- Environmental insurance rating models are very flexible.




Resource Support Is Critical In This Sales Process

- Qualified resources have a broad experience base ranging from UST's to nuclear bomb plants.
- Resources can discuss the environmental risk “problem” with multiple technical buyers in a credible manner.
- Resources can discuss potential environmental insurance solutions in language the client can understand.
- Resources give the client an estimate of the price of the insurance on the spot to eliminate wheel spinning for everyone



Secrets Of The Trade

- History proves “designated experts” without education and training in environmental risks always fail to effectively drive production.
- ARMR provides true Environmental Resource Capabilities in our role as a wholesale insurance broker.
- We dramatically improve the closing ratios and service capabilities of our agent and broker partners.



Why Qualified Environmental Resources Are Necessary

- All environmental insurance policies refer to environmental laws in their insuring agreements.
- Environmental Laws are greater in length than the entire tax code in the US .
- There are over 140 different manuscript environmental insurance policies for sale, there are thousands of endorsements for these.
- Without subject matter expertise it is impossible to effectively match the customers need to the coverage.



How To Win In The Environmental Insurance Production Game

- Team up with qualified resources.
- Alter the insurance sales process.
(benchmark,close,quote, bind, *and do it quickly*)
- Work with a strategic production focus in target markets. (REEL, Restoration Contractors, FPRIL)
- Hopefully we can produce a lot of new business together.

Thank you for listening today!