

# Gallagher Bassett - Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC

Interview conducted on November 09, 2022

## Topics

Claims Management, Insurance Industry, Automation, Loss Control, Organizational Structure, Technology, Market Entry

## Summary

During a conversation with an Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC, the Tegus Client learns about third-party administrators (TPAs) and their use in the insurance industry. The expert explains that TPAs are evaluated based on their experience, resume of managers and owners, training programs, vendors, and capability to handle claims, with cost being secondary. TPAs can be paid either on a per-file basis or a percentage of premium, and carriers prefer to work with only one TPA to handle their claims. The expert suggests attending conferences to build relationships and emphasizes the importance of handling claims well and avoiding mistakes. The expert also discusses the organizational structure of a TPA for personal lines business, the use of technology in TPAs, and the potential for AI and machine learning to revolutionize claims processing.

## Expert Details

Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC. The expert can speak to the P&C Insurance industry.

Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC. Reporting to the President the expert is responsible for building and managing programs in the P&C market. The Expert works with large carriers working to strategize their data migration through APIs. The Expert works to oversee the team that analyzes their 3rd party data integrations to ensure they are able to "rate, quote, buy."

Prior to Aura Risk Management & Insurance Services, LLC, the expert has developed experience in all aspects of running a successful business, specifically insurance company operations: accounting (GAAP & SAP), finance, financial reporting, financial analysis, treasury, and investment management, marketing, advertising, strategic and organizational management/development, underwriting, due diligence, mergers and acquisitions, information technology development and customization, capital raising, statistical and regulatory/governmental reporting, hiring, training, and new business development. The expert developed a broad knowledge base as a CEO/Managing Director/CFO/CTO/Treasurer/Director of several privately-held insurance groups.

The expert can speak to the P&C Insurance industry.

Q: Do you have experience in hiring Claims TPAs to process personal or commercial auto claims for your company?

A: Yes, have over 7 years in experience here.

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## Tegus Client

Thank you for taking the time to speak with me today about the TPA space, or third-party administrators. To start off, could you please give us a quick overview of your background and experience in this space?

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**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Absolutely. I have a lot of experience in the space. I worked at a carrier, and we also had an MGA and we had a TPA that did work for our programs. I've also used Sedgwick. I've used NARS, I've used probably seven of the top 10 TPAs in my last 20 years, so very familiar with this space.

Some states have a requirement that you have to have a claims analyst that has to be licensed in that state. So there are several states that you have to physically have an agent in the state. You have to have a claims adjuster who's licensed in that state in order to adjudicate claims in the space.

So that's the first quirk. I mean, yes, you could set it up, but you would be missing some states. Because you would physically have to have the people in that state, licensed in that state, in order to adjudicate claims. So that's just kind of a quirk with TPAs. Other than the couple of states, yes most of the TPAs run out of call centers.

NARS, Sedgwick, York, I mean all those guys, Carl Warren, Gallagher Bassett. I've used all those over the years, and they all have call centers, and they all have their property specialists, their commercial property specialists, their residential property specialists, they have their commercial auto specialists, their long-haul trucking guys, their taxis. They have specialists for all the different industries.

I mean hiring, sure, there's a lot of adjusters out there and you can hire them, but making sure you have the adjusters with the right training and the right background to handle the claims you're going after, that's what would your focus be?

Kind of trying to make sure you can hire that, and then having the staff that can support that and the managers. And I mean, your biggest thing will be getting business. So yes, in that space, there's a couple of things that you would do target markets, TMPAA.

**Tegus Client**

So maybe at a very high level, could you go over your current role right now, and then maybe the last few years. And your current understanding of TPAs and how you work with them now.

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Right now, I am at an MGA, and I use TPAs to adjudicate the claims on my programs. Prior to me being in the MGA space, I was on the carrier side. I was the Chief Underwriting Officer, Chief Executive Officer, Chief Financial Officer, Chief Operations Officer at a couple of carriers.

I've been a reinsurer, I've been in an admitted carrier, a non-admitted carrier, and I've been doing program business for the last 20 years. I've written about \$2 billion worth of program business, and all of that needed a TPA in the back end. So yes, I've written a lot of business and worked with, a lot of TPAs.

**Tegus Client**

Yes. When it comes to the TPAs, are you the primary decision-maker when it comes to selecting the TPAs? Or who does it?

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes. When I was the carrier, I would approve. If somebody came to me and said, "Yes, we want to use this TPA," I would say yes or no. So I would make that decision as the chief underwriter signing off on a program, doing all my due diligence. And then as an MGA now, yes, I select. I pick who I want. I just operationalized a cannabis program with a program, and I'm now somewhere else doing the exact same thing, helping somebody else.

But I went in and I said, "Yes. This is who I want to use." And the carrier said, "They're not approved by us, so you either need to pick one of these two." So then I went with my second choice. But that's kind of how it's picked in the program world.

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The MGA says, "Yes, we want to use this." But then it's up to the carrier to give that approval or not. Have they already been vetted by the carrier? Are they already on the list and they're already approved? So that's kind of the first step, is you go to carriers and get approved.

### **Tegus Client**

Got it. Well, let's go ahead and stick there. So thinking about it from the side of the MGA. You've written business or you have a book of business and you need to manage the claims. Let me understand this. You have TPAs that you maybe previously worked with or want to work with for this line of business. You actually have to go to the carrier to get them approved. Can you explain a little bit about that qualification? And then maybe how you might evaluate your use of certain TPAs?

### **Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes. So, someone came, they said, "We want a program. This is what I want to use as a TPA." And me as the carrier, programs live or die by how well the claims are handled. So the faster you can close claims out, the less money you pay in claims. That's just a fact of life. I mean, if you got a trucking program, you've got \$5 million limits. You can get it closed out in a month, you'll pay less than if you wait five years. So they got to be closed out quick.

So I would evaluate who they wanted to use. And if it was a smaller firm, like a boutique firm and I didn't think they had the experience, I would say, "No, that isn't approved. You're going to use Sedgwick or NARS." It would be who I would bring it down to.

When I was at the carrier, those were my two preferences. I had bad experiences with a lot of the other ones in other roles. So, I mean, even the largest ones, I mean, they still have problems. But every TPA's, at some point in their lives, has screwed up on a claim. Nobody is perfect.

But when you get to Sedgwick, they have so many people. They operate in so many different industries. They handle more claims than like Farmers and Allstate and State Farm because they handle so many programs. So that's just kind of who you're up against.

### **Tegus Client**

Yes. So can you maybe walk me through the evaluation criteria? Like what would be your top three things that you're looking at, whether it be cost, quality, capacity. Maybe a few things that you look at. What are your top three things that you look at when evaluating a TPA?

### **Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes. I mean, so I kind of have a general guide of what type of business and where the market's at for what the TPA is charging. Is it on a percentage of premium? Or is it on a per claim file basis? More comp claims, obviously, are a lot more expensive because you have all the reporting that has to happen in there and all the services that you have to offer, the return to work, the cost control, so there's just so much that goes into that.

So they're more expensive, than just a nonstandard auto TPA, that all they're doing is churning and burning \$35,000 minimum limits policies, and they just open and close them as fast as they can. So different skill sets for different lines of business that you're going after.

So as a startup, I mean, I would evaluate a TPA, okay, how many programs have they been on? How long have they been in business? I need to see the resume of the managers. I want to see the resume of the owners. I want to see how much experience they have. Who are they hiring? Who's doing the training? Do they have their own internal training program? Are they using outside services? What about their SIU? I mean, who are their vendors? All those things come into play.

I mean, at the end of the day, are they capable of handling the claims, yes or no? That's first and foremost, and then you get to pricing because then it's just a commodity. It's like, okay, so I got five people. You're two

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points higher on a percentage of premium. You either need to come down, and I'll use you, or we're going to use somebody else.

As a carrier, that's how you make those decisions. I mean, when I was at Dallas National, we wrote a lot of work comp, and we had seven TPAs handling our claims. Was that efficient? Probably not. But we used different TPAs in different areas. When I took over, I tried to consolidate in there. I said this is ridiculous, having seven TPAs. We're not getting economies of scale. This is just absolutely crazy. We've got to use one TPA and we just got to work it out.

When I was at the Knight Insurance Group, we had our own TPA because we had Knight Management and certain services at the MGA, and we used our MGA for programs when we would go to other carriers to front for us. So we were able to do our own claims work.

And even me, at my current role bringing on a program, I would say, "Okay. I know we can't handle these claims on this program, we need to use an outside TPA." So I would even go and use outside TPAs when I had a TPA on my carrier because I knew we didn't have the personnel.

I mean, this is internal. I know my employees. And I know we didn't have specialists in that area. So, we're going to use somebody else. Because like I said, you've got to be able to handle the claims of the type of business you're doing, and you got to be good at it, and then the cost is secondary.

### **Tegus Client**

Yes. So, when you typically hire TPAs now, do you use them for very tactical types of work? Or do you use them from S&L to closure? Do they handle everything? How does that typically work for you?

### **Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes, I'm going to have one TPA, and they're going to do everything. First notice of loss, they're going to take that in. We're going to build a bridge from the policy system to the claims system so they can get real time, they can look at the file and make sure that the policy is in force and then they can get a copy of the policy. So just integrate into the system. And yes, they need to handle everything for me.

But now that I'm on the MGA, even when I was on the carrier side, I would have weekly calls. When a program started, I would have weekly calls with the TPA. And then I would switch it to bimonthly and then monthly once I know everything was operating properly. But as the Chief Underwriting Officer, that's what I did.

Now on the MGA side, the carrier is the one who should be doing that, but I do it as well. I need to know how all my claims are performing because it's my program, and I need to make sure I'm getting the best results out that I can possibly get for my carrier partners and my reinsurers.

So yes, I'm on those calls, and I'm in the claim files and I'm looking at things, now large losses, all those types of things. Are we mitigating this? Can we just issue a reservation of rights and throw up \$1 million and get out of it so we don't have to worry about defense costs? So yes, I mean, like I said, different lines of business, you have all these different nuances.

But yes, at the end of the day, yes, you have to be involved. It's a partnership. The MGA and the TPA and the carrier, you're all working together to get the same end result. You want to have the best loss ratio possible. You pay the claims you have to pay; you don't pay claims you shouldn't pay. It's that simple.

### **Tegus Client**

Yes. So you'd mentioned a little bit based on price, where you had talked about either a percentage of premium or flat fee. Is there any other models that you've seen for pricing?

### **Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

No, it's either a per file basis. How you pay on a per file basis. And you pay one fee for a new claim, and then

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that's open a second year or if it's reopened, you pay a smaller fee. Or it's just a percentage of premium. So I mean, when you're doing nonstandard auto or personal lines auto, and you evaluate it by what is the frequency of claims, right, and less the severity of things. Is it high frequency?

So if it's high frequency and low severity and you're just churning to burn, you're going to do that on a percentage of premium because now your cost is fixed. So you know you're going to pay four points or eight points, somewhere in between there. I've had programs at 3.5%. I've had programs at 8% just because there was so much work.

What you're charging has to match the workload. And how many files does each adjuster have? Are they handling 50 files per adjuster? Or are they handling 200 files per adjuster? Different lines of business. It varies for that.

But on a not as much frequency, yes, with less claims, maybe a per file basis is the way to go. Because in my cannabis program, I had very, very minimal claims, and I've been on three cannabis programs in the past. And one of the largest ones, and I operationalized two other programs, now three programs, but very small claim activity.

So I wouldn't want to pay five points or three points of my premium volume when we might only open 10 claims in a year, and we're just going to pay on a per file basis. So yes, it just kind of makes sense that way.

### **Tegus Client**

Interesting. Did you say cannabis?

### **Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes. Cannabis. I've done cannabis. I've done night clubs, casinos, tribal nations, strip clubs. I've been on some of the hairiest business ever. I've seen a lot of claims over the years.

### **Tegus Client**

Interesting. You've talked a little bit about pricing. You mentioned a little bit of valuation criteria. Let me think a little bit about, if we were a new TPA, let's say we started a new TPA and wanted to kind of enter the market. How would a TPA go about doing that?

### **Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

If I were you, I would go to some of these conferences, and I would start talking to somebody at Gallagher Bassett, at NARS, at Sedgwick at some of these places. And well, first, I would talk to maybe a smaller firm and see if you could buy into it. That would be your easiest venture into it. Buy an existing firm. Now you've already got a name, it's been in business, and it's just a change in ownership. So I would say that's your easiest way in.

Number two, if you're going to go the other way, you've got to hire somebody from one of those other shops to give you credibility. To say, "Hey, we've got somebody been doing this for 20 years." They're a claims expert. They can manage. They're going to hire the staff. They know how to hire the staff; they're going to bring people on. That's kind of would be my second recommendation if you're not going to buy into somebody.

### **Tegus Client**

Okay. When we think about this, one of the things that we're thinking about, just from a digital perspective, is more about the auto, personal lines, maybe small commercial auto lines of business.

With that in mind, would these be still be kind of the two ways that you'd want to enter the market? Do you think, regardless of line, regardless of business line you're looking at, that these are the two main ways? You got to acquire somebody or basically bring somebody in that has a wealth of experience and basically a Rolodex?

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**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes, I would think those would be the two ways. Or I mean, there is a third way. And I am now working at a place that did it this way. So they bought an existing MGA. It was in a nonstandard auto business. And so the new owners bought the business, so they got the operations. And then they formed their own TPA and they just started hiring adjusters.

Started hiring people from Sedgwick. They were up in the Bay Area. So there was another TPA up there, so they started hiring people away from them, and they just started hiring people that had personal lines business.

And it was their program, so now they're on the hook. We're the MGA and we're the TPA. So that's a true managing general agency, where you do the underwriting and the claims. I know this is very specific. There's managing general underwriters, who only underwrite and there's managing general agencies that underwrite and administer claims. So you're doing both.

Now to manage their claims, you either need to be a licensed adjuster or you need to be an attorney. You're an attorney, you can run a claims organization because you're an attorney, versus have your adjusters license or have you licensed to do that.

You could do it that third way where you're your own program, you bring your own claims team in and you live or die by your results. But you're going to live or die as a program anyway, but now you're really stepping up to the plate and saying, "Hey. I'm going to handle my own claims. It's my destiny."

**Tegus Client**

Yes. You had mentioned that previously the carriers got to actually sign off on that TPA when you're an MGA. If you're starting your TPA, do you still run into that issue with the carrier signing off on it?

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Well, especially in program business, all the fronting carriers that don't take a lot of risk. It's not like an AmTrust or Zurich or an AIG that does programs, but they take all the risks themselves. Like a Markel, whereas if you're a Trisura, a Clear Blue, a State National, a Spinnaker, all those types of places, Accelerant, Accredited, they don't take a lot of risk. So now there's reinsurer panels behind them.

So yes, now the carrier has to approve, go through their process to say, "These TPAs are approved by us." And I will say you're going to run into issues where, as a carrier, like I said when I took over Dallas National, we had seven TPAs. To me, that was crazy. I wanted one TPA. So now I'm a carrier, I'd only want one TPA handling my claims.

And some of those guys run into that. Or State National used to use anybody. So they have 50 programs and probably 10 different TPAs. But they weren't taking any risk, they really didn't care. But when you're on risk, it just makes it easier to, instead of having to go into five different systems to monitor claims, you're only in one or two systems with your people.

But starting up, you're going to go and want to meet with all those people and say, "Hey. We're here. What do we got to do to get into your pools, so we're approved, so programs can use us if they come to you?" That's the next process.

And they're going to ask for all your information, all your resumes, basically a business plan of why they should accept you as a TPA. And then once you get past that, if you get signoff and you get on a program, if there is ever any claims issues, then you'll be off again.

**Tegus Client**

Got it. When it comes to actually having a TPA, when you're talking about, let's say, staffing it for a personal lines business, auto. What do you think that organizational structure would look like?



**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes. So let's just say you're talking about auto. You're going to have your physical damage people, and you're going to have your casualty people. So your bodily injury guys. So you're going to have some people only doing the physical damage side, and you're going to have some people just doing the bodily injury side. That's the best way to do it.

And then you're going to have people that specialize in the large losses. So complex claims where you have maybe tricky situations that aren't everyday normal. And you're going to have a complex claims litigator that has to have experience doing that. Especially as you get into commercial auto. When you're talking about maybe hazardous materials, and somebody's hauling hazardous chemicals and they jackknife and it gets all over the road. That takes a different set of skills.

And now you've got pollution that you have to worry about. There's a lot of other issues. You got to worry about city, state and federal issues, making sure you're meeting all of those qualifications. So yes, it just takes somebody to a lot more experience to handle those types of claims. But usually, again, you break it up like that, property damage versus the casualty side, the bodily injury.

**Tegus Client**

When it comes to, let's say, like attorney-represented claims or litigation, do you typically see the TPA handling that in-house? Or do they hire an outside counsel? How does that typically work in those more complex losses? And are they expected to handle those? Or would the MGA or carrier basically pump that out to somebody else for that unique situation?

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

When somebody is repped, so the claimant gets attorney-repped, that's the claimant. The carrier is still at adjudicated to claims. And when they go to court, the carrier either sends their General Counsel in, when I was at the Knight Insurance Group, we had a General Counsel and we had our claims, the CP, or the President of the claim.

So if we had a large loss that was litigated, we were going to go to court, our General Counsel was there or maybe we used an outside insurance industry defense specialist to go in and help us with that in court. And mostly, they would review the case files. And so the adjusters then start working with the attorneys. Here's all the files. So they get up to speed and they can go into court and then they argue it out there.

So yes, the TPA still handles the claim up until the point it actually goes into court. So you're still doing everything you have to do, and you would have to meet the Fair Claims Reporting Act. You have certain things to do in a certain amount of time. You have to do this by this date, this by this date, this by this date. So as long as all your ducks in a row.

And then your claims system has to be able to segregate those things, too. So you have to make sure your system is, if it's an attorney, any attorney correspondence, you have to be able to flag that or to tag it. So, if somebody requests all the files, you don't give your attorney-client privilege files out. So, you have to be able to segregate because all your claims' notes are going to be requested by the court, subpoenaed. But if it's attorney-client privilege, so claims system has to be able to do that so that you don't mess up there, too.

**Tegus Client**

So you would tag it as sensitive or private or something like it, along those lines?

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes. You don't really just tag attorney, but it has to have that tag. So when you're reading claims notes, only the ones that print out, because, usually, they're in chronological order and you can just kind of go in and read everything.

**Tegus Client**

Yes. You mentioned a little bit earlier around the technology. Do most TPAs, are they working out of their own claims management system with potential integrations into policy systems to the carrier? Or are they potentially logging into the carrier's platform?

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

So at Knight, our internal guys used our internal system, yes. But outside TPAs used all their own systems because the adjusters are used to working on those systems. So that's what they get trained on, and they can't be expected to learn three different carrier systems. So then the information is just set up through APIs or it's kind of nightly dumps, however you want to do that.

**Tegus Client**

Got it. And in general, when it comes to TPAs in the marketplace today, what's your general kind of opinion of TPAs? And do you think there is a desire for a market for a more digitally native TPA to handle things, like digital first notice of loss, automation, where you can start improving cycle times?

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Well, some of those things are already out there. I mean, there's already first notice of loss that's automatic, just drag-and-drop type of stuff. And a lot of that stuff is being done 24 hours. So they are being used at call centers in India or in the Philippines or Costa Rica, some of these other places where things are being set up now. So there's always a call. Somebody's always able to take that call.

**Tegus Client**

Well, I get the 24-hour call centers and those can be shipped overseas, but especially from a cost perspective. But in regards to actually like digitally filing a claim, being able to have customers to self-serve a claim.

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

There's a lot of that out there. I mean, where I'm working now, the insured just goes right under their phone and touches a button and it does a first notice of loss. So that's already happening in the marketplace. I'm not going to say everybody is doing it, but that's where things are going.

**Tegus Client**

Okay. Are any of the large market players doing that today?

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

I think NARS was on my cannabis program last time. And yes, I think the first notice of loss was either a phone call or an e-mail. I mean, just like "Hey, e-mail here", that's how you do it. Call this number and just leave the stuff or make an e-mail. But yes, there's more app-based applications people are coming out with to do that. Especially if you're doing your own, yes, you would just have your own app, and somebody would just download it. And then it's all on the carriers as well. Like if you have to report a claim, click here. So it's on all the systems. Hey, click here to report a claim, and it just goes in.

**Tegus Client**

Got it. In regard to automation, if one of the TPAs came to you and said, "Hey, we're working on straight-through processing. We're going to intake a majority of the claims digitally and then try to automate a majority of them with some human oversight because it will help reduce costs. We can offer a lower cost and improve the customer experience. And let's say it's with the same quality. Do you think that's something that carriers or MGAs would be interested in?



## **Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

If you could pull that off and not have the human involvement, that would be revolutionary. I'll make a general comment. I've been doing this for a very long time. I've seen a lot of stuff out there, on the underwriting side and the claims side.

So, I've seen, commercial underwriting, AI. The only real underwriting that can be done instantly is with the life insurance, because life insurance is all morbidity tables. How old is somebody? Do they smoke? Do they have high risk factors? And you can price it, it's easy. That's all automated. Somebody might look it up.

Personal Lines auto. I mean, Progressive, State Farm, GEICO, all those people, you don't need an underwriter, really. 90% of everything is done by AI. Here's your rate. You've got this car, it's this old, this is how long you've been driving, you're married, you're single, you're male or you're female, you have a clean driving record. Do you have one point, two points, three points. And it spits out your price. That can all be done with no touch.

When you start talking about claims and somebody has to talk to the insured and they have to talk to the claimant and there might be three people in the car and you've got to get recorded stories from everybody and you got to ask them what happened, tell me what happened? I need this, I need it all to try to figure out what the true story is. Yes, if you can get that figured out in an AI, artificial intelligence, or machine learning, that would be groundbreaking.

And you would have to have proof of concept. I was the first one to be on Metromile when they came out, that usage-based insurance. I backed them. And they did a proof of concept for a year and then they went to another carrier, and now they're big. So their proof-of-concept work, that they thought they could price it by mile. Well, that was revolutionary.

And they had to get their feet wet and you have to get statistical credibility. You have to get 1,038 data points to be statistically credible. And once you can do that and you can prove it, that's the tipping point where you've got to get to. But yes, I mean, that would be great, to be able to reduce the actual amount of speaking in claims, the human involvement.

### **Tegus Client**

Okay. So, getting that to a couple of just tactical things around entering the market, decision-making. You mentioned a couple of conferences previously or at least a couple of different ways to enter markets. And you had mentioned creating a network of conferences or basically talking to smaller firms. Are there conferences or general meetings or things like that where TPAs might gather, or where you might be able to build a network of that sort of thing?

## **Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes. So there's ACE, the American Claims. ACE is one of the big ones for claims every year. So all the claims people go there. Yes, if you just went, you started looking online, you could find that. Each state has it, there's West Coast, East Coast, and all the adjusters go to those things. So yes, there's claims-specific ones.

And then you have PCI, property casualty insurance association of America. That conference is CEOs, CFOs and Chief Underwriting Officers from all the insurance companies in the United States and around the world. There's 3,500 executives from insurance companies there. Those are the decision-makers. That's who you want to talk to. So they are all the reinsurance brokers are there and program people are there and TPAs are there. So that's one.

WSIA, the Wholesale and Specialty Insurance Association. It used to be AAMGA and NAPSLO, the surplus lines association, they merged. That's a big one. This year, there were 6,000 registered attendees in San Diego and 4,000 nonregistered. So, there were 10,000 insurance executives in San Diego. London was there, people from France were there, Canada, the United States, that's big. There are people from Japan, China. That's a huge event.

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And then Target Markets, that one is big. Then if you're going to do other things, there's NAMIC, which is for mutual insurance companies, that's theirs. There's PLUS for professional liability underwriting. So if you're going to get into LPL or Mednow or accountants, real estate agents or any of the E&O types cover, you go to PLUS. So you would want to be at PLUS.

So I mean, let's say, I'm at WSIA and I'm going to a meeting. And I actually see somebody from a Gallagher Bassett, that actually I knew, I used to work with. I'm like, "Hey." So we're all at the same parties. We're all at the same thing, all talking to the same people. I mean, that's where you get into it.

**Tegus Client**

Yes. So one more tactical and one general question I have. So, you mentioned on the carrier side, carriers signing off on that. Who would be the point person that would sign off? Who actually has the authority to sign off? Would it be the Chief Underwriting Officer?

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

It would go to the committee. So, it would be the CEO, the Chief Underwriting Officer, maybe somebody from the Board. But you get to the CEO, the President and the Chief Underwriting Officer and their General Counsel, those three, that's where you're going to get signed off from.

**Tegus Client**

Got it. When you think about the market players today, what differentiates a Sedgwick from Gallagher? Why would you choose one versus the other.

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

I know people. I mean, I've known a guy at Sedgwick for 15 years now. There's somebody at Gallagher Bassett who I don't like, so I wouldn't use Gallagher Bassett anymore. And NARS has been on programs of mine for 12 years on and off.

**Tegus Client**

Got it. It seems to be more of a relationship type of business.

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes.

**Tegus Client**

Okay. In regard to smaller TPAs, is there anybody in the market that's maybe not as big as a Sedgwick, that you, for some reason like?

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Dynamic Claims. I know one guy that used to be my claims guy at Knight, he's now there. He used to write claims philosophy for Farmers.

**Tegus Client**

Got it. And is that just again because more of the relationship you have? Or is it because they've got that differentiation.

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes, I know them very well. That's why I would use them.

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**Tegus Client**

Got it. I do want to understand a little bit more around price sensitivity. I know you mentioned, cost comes third or fourth down the line after quality, capabilities and just their ability to handle the claims in general. And then it comes down to cost.

But if you were looking at somebody like a Gallagher Bassett and Sedgwick. And let's say a smaller TPA that maybe is less well known came in and said, "Hey, we'd do it for 20% less. Give us a shot." Is pricing that big of a concern? Or is there that much pricing power in the market? How sensitive are you to price so that you guys can make more of a profitability out of it?

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes, if you were 20% different, that would be a huge difference, as an MGA, my economics are affected by how much I'm paying the TPA. How much my commissions and my commission slide is affected by my loss ratio, and my loss ratio is the TPA fee.

So if my loss ratio is 50%, and I'm paying eight points for the TPA, that's 58%. Well, if I only have to pay four points, that's four more points that come commissioned to me. So that now goes into my slide. Well, yes, I would want four more points at this. I have a \$50 million capacity, and four points on \$50 million, that's real money.

**Tegus Client**

Yes. But I guess what you were mentioning earlier is it seems like you're more of your concern is on the loss control versus the loss expense because I'm guessing right now the market is relatively stable in regards to price.

**Executive Vice President and Chief Underwriting Officer at Aura Risk Management & Insurance Services, LLC**

Yes, price is pretty much there. It's how well did you handle claims. If I got a trucking claim and you closed it out for \$200,000 and we got a demand for \$1 million, you got it done for \$200,000, that saved me \$800,000.

I've seen people pay \$1 million when I think it should have been \$300,000 and I looked at the claimant. Why did we pay this? Why did we pay \$1 million on this? And I looked, and there was a bad coverage opinion. I'm like, well, why didn't anybody catch this bad coverage opinion?

I'm giving you a real-world example in Florida. It was on a car rental claim. Somebody paid \$1 million. I walked in that claims manager. I said, "Hey, what is going on here? Why do we do this?" "Well, the TPA, they got a coverage opinion." And then I said, "Go ahead."

And I go, "Well, did you read the coverage opinion? That's the wrong statute. You're looking at the wrong statute. Now you paid \$1 million, and this should have been a \$200,000 loss." That's \$800,000. Why would that happen, right? So, I mean, it's the little things like that.

**Tegus Client**

Okay. Well, thank you again for taking the time to speak with us today. This was very helpful. Enjoy the rest of your day.

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