Tarmika - Former Head of Agency and Brokerage Partnerships at Bold Penguin

Interview conducted on May 30, 2023

Topics
Insurance Exchanges, Carrier Storefronts, Independent Agencies, Competitive Landscape, Insurtechs, Due Diligence, Value Extraction, Macro Conditions

Summary
A Tegus client spoke with a former Head of Agency and Brokerage Partnerships at Bold Penguin about carrier storefronts and their utilization. The expert noted that some carriers create direct competition with their distribution, while others do not want to compete. The match rate for small businesses to insurance agencies or carriers on Bold Penguin's Exchange was typically between 70% and 80%, but may trend down to 60% to 70% due to the shift in the carrier agent landscape over the last 12 to 18 months. The expert also mentioned that the pricing for carrier contracts was typically more focused on making money from the agents, and that the value for carriers was in the speed to quote by the agent and the elimination of overhead costs on the carrier side. The Tegus client also asked about the competitive threat in terms of pricing power, and the expert explained the importance of maintaining relationships with agencies and providing additional opportunities. The expert warned that growth-focused insurtechs can come at a cost.

Expert Details
Expert is now the Strategic Partnerships for Ascend, overseeing insurance networks, aggregators, and clusters. Expert worked to connect executives by leading conversations to establish partnerships. Expert can speak to the Insurance Aggregator industry.

Expert was previously the Head of Agency and Brokerage Partnership at Bold Penguin. Similar to their current role, the expert worked to establish partnerships with insurance networks.

Tegus Client
Thank you for taking the time to speak with us today about insurance exchanges and especially the carrier side of those exchanges. To start off, it would be great if you could just give a bit of background about yourself and what you did at Bold Penguin as well.

Former Head of Agency and Brokerage Partnerships at Bold Penguin
Yes. So currently, I'm with an insurtech on the payment side called Ascend. I lead our partnership efforts. I've been with Ascend for just over a year now. And then prior to Ascend was with Bold Penguin for about four and a half years, where I was involved in both carrier partnerships as well as partnerships with top 100 insurance agencies across the country. Currently I lead our strategic partnerships efforts for Ascend. Ascend is a payments platform that's purpose-built for the insurance industry.

Tegus Client
First, do you have a sense of like how carriers are rethinking their own storefronts and how widely utilized that is?

Former Head of Agency and Brokerage Partnerships at Bold Penguin
Yes. I think it's a very complicated question, especially because you have these carriers that are committed to the independent agency channel. And so that starts to create direct competition with their distribution. As an insurance company you are essentially selling your own product instead of enabling the agency force that you provide contracts with to sell your products. So, I think there are some insurance companies out there

that their philosophical approach is that they're okay with that. And then there's others that are taking a stance of we don't want to necessarily compete with our distribution.

I do know of several carriers that have their own internal brokerage where they not only sell their own manufactured products, but they also will sell other insurance company products where they don't have an appetite for their own manufactured product. And so, I think the other component to consider is what's the type of insurance that the carrier is going after, where there might be less of an appetite by the traditional independent agency.

For example, if you think about small commercial, the revenue opportunity for an agency is fairly low. You have to have a very well-tuned machine that's built operationally to generate margin that is sustainable as an agency in order for that type of business to makes sense to go after, where the insurance companies have a lot more margin to gain there. And so there could be more opportunities as a result to target through these embedded channels or whatever sort of advertising the carrier wants to push.

Tegus Client

Yes. Are there any general rules that we could draw out from that about which carriers might be incentivized to make which decisions like if we could segment that out? Is there anything else that we could say about like scale of the carriers or specialties as they focus on anything like that, that you think is a role of thumb?

Former Head of Agency and Brokerage Partnerships at Bold Penguin

I mean a lot of these carriers that are now competing in this digital distribution space, they're still doing a lot of learning themselves to where I wouldn't say that there's any one particular carrier that has API-enabled products, and they have established a good niche or specialty for themselves and to offer it to the market. And the reason I say that is because just like when an insurance company starts to offer industry types that they would ensure, they start to assess what's the trade combined ratio looks like on that book of business to figure out is it profitable or not.

And so, I think the ultimate learning that a lot of insurance companies have seen is there is typically a lot of inaccuracies when it comes to businesses in particular or even just insureds in general. Accurately defining what type of risk they are and that creates an exposure then for the insurance company. And so, as a result, they're starting to pull back on the industries that they might typically ensure if it was being quoted by an independent agent because there's a more thorough process in the quoting stage compared to when someone is shopping for insurance online, and they're just trying to get a price.

That's why people typically are shopping online for insurance because of the speed and the least amount of friction there. They can do it on their own, by answering the questions in a format and obtaining a quote and then just buying it. And so, a lot of insurance companies might be a little outside of the plate when writing this type of business or now are going more towards middle of the plate type risks, because of the state that they're making after trial and error over the last couple of years. So, I don't know of any specific specialties or niches where some insurance companies have it defined.

I mean insurance is like it's a risk-averse business. And so, everyone's kind of trying to compete and figure out what's the way to get their hands on more distribution without taking a bunch of losses. So, it's always being adjusted in real time. And so that was like even one thing that we faced at Bold Penguin that would create a lot of frustrations for our agents was one day an insurance company would write a certain type of business through the APIs that was integrated. And then the next day, they wouldn't, and agents are kind of yelling at Bold Penguin asking why is this happening And it's just the carriers being so panicky on their side where they don't want to overexpose themselves.

Tegus Client

Do you have a sense in percentage terms, of what the match rate was like there? Or if you have any other qualitative feedback about sort of the evolution of that on the exchange side in terms of Bold Penguin?

Former Head of Agency and Brokerage Partnerships at Bold Penguin

Okay. So, the Bold Penguin's Exchange it's almost like a marketplace where it is a really easy way to position it where they can effectively bid on businesses by industry or location given their appetite to write certain types of businesses. And so Bold Penguin's Exchange will match small businesses to insurance agencies or even in some cases, insurance carriers when there's a risk that meets the requirements of the buyer of the exchange, being the insurance agent.

That question is also somewhat complicated in the sense that there's a variety of different variables that would determine when a small business was matched to a carrier in particular. So the way that Bold Penguin's Exchange operated from a mechanic standpoint was, again, just like the appetite based on the industry and the location of the insured.

So, if there was a carrier, for example, that was participating within Bold Penguin's Exchange, they could see several businesses that maybe fell within the industry that matched, but there was no overlap in terms of a match from a geographic standpoint. So, in that case, there wouldn't be 100% match and Bold Penguin, therefore, would not send that insured to that carrier call center to get a quote.

But I would say the typical match rate from like a global standpoint that Bold Penguin would see on any given month would be anywhere between like 70% and 80%, whether that's from a carrier standpoint or an independent agency standpoint. So they had a pretty high match rate across the board.

What would determine some of the match rate is back to that explanation on like carriers and their APIs and their finickiness in terms of making those changes where Bold Penguin provided their partners with the ability to change things in real time. So one day, they could be writing barber shops looking for general liability in Ohio. The next day, they might no longer want to write barber shops in Ohio. And so, they can make those adjustments. And therefore, there could be an adjustment in terms of the match ratio.

Tegus Client
Got it. Do you have a thought about how the macro conditions or strategically how the carrier agent landscape how would that number trend?

Former Head of Agency and Brokerage Partnerships at Bold Penguin
Yes. I would say it would probably trend a little bit down, so maybe closer to like 60% to 70%. A lot of business is being pushed into the surplus lines market. However, I know that Bold Penguin in particular and other comparative rating platforms have put together partnerships in place that fall outside of the admitted market with people that can help on the surplus lines. So that helps maintain as much balance and not as much volatility from their standpoint. But I would say, definitely, from like a macro standpoint, there's definitely been a shift, just given the pullbacks that we've all seen by insurance companies over the last 12 to 18 months.

Tegus Client
And then those direct partnerships you're referencing, could you say more about what those look like?

Former Head of Agency and Brokerage Partnerships at Bold Penguin
No. I would say it's providing more options ultimately at the end of the day. So, like you can go and find this publicly anywhere where Bold Penguin has a partnership in place with a digital wholesale called Pathpoint. And so Pathpoint focuses on the excess and surplus lines market, where non admitted or admitted carriers don't have an appetite and so they can help provide optionality for when those admitted carriers will decline quoting a specific type of risk.

And so that's kind of what Bold Penguin's Exchange has done is they have focused on trying to provide as much optionality for their agency partners as possible to maintain that match rate because effectively, if Bold Penguin can match as many businesses to the agents as possible, they ideally also want to provide quote options to the agent when they go and in Bold Penguin's terminal as well.

Tegus Client
From a business model perspective, what does it look like on the carrier side?

Former Head of Agency and Brokerage Partnerships at Bold Penguin
Very similar. And then in some cases, there could be implementation fees if there was work that needed to be done based on the API documentation as provided by the insurance company. So, some carriers are very sufficient and have better APIs than others. And so, in the use case where there's a carrier that's a little deficient in that area, there could be additional work, which would come as a result of an implementation fee.

Tegus Client
Got it. And then the pricing, is most money is made from the agents?

Former Head of Agency and Brokerage Partnerships at Bold Penguin
Yes.

Tegus Client
In terms of the carrier contract do you feel you were more or less price takers there? And what's the potential for value extraction from some of those people?

Former Head of Agency and Brokerage Partnerships at Bold Penguin
Yes. I think the value was kind of twofold for a carrier. So it was like speed to quote by the agent to access the carrier products where in a traditional sense an agent is going to go into a carrier portal, will plug in all the information about the insured and then hopefully, they get a quote back or maybe it has to go to an underwriter and that can take however much time.

There's also the overhead cost on the carrier side to go through that process of manual underwriting, so it is eliminating some of that burden there. And then the other impact, on a carrier-by-carrier basis, is in some cases, Bold Penguin would act as a wholesale partner on behalf of the carrier where they could provide distribution to insurance agencies that the carrier might otherwise not have access to. So a breadth of distribution as well.

Tegus Client
In terms of pricing power, how do you view the competitive threat more qualitatively?

Former Head of Agency and Brokerage Partnerships at Bold Penguin
Yes. I wouldn't say that during my time at Bold Penguin, we felt that there was necessarily a threat to adjust pricing given the competitive landscape, mainly because of some of the partners that Bold Penguin had in place and the significance of them to some of the carriers that we could have been prospecting or selling into at the time. And we even were able to have, in some cases, help from our agency partners to help push carriers to forming deals or partnerships with Bold Penguin and carriers realizing the importance of maintaining that relationship with the agency. And that Bold Penguin was a key triangulated partner in a sense as a result.

So, agents are kind of saying, we're placing our bets in terms of partnering with Bold Penguin to streamline and gain more margin across our small commercial book. We need you to seriously consider partnering with them. And it wasn't just that one agency that was typically having that conversation with the carrier, it was a multitude. And the other thing, too, we also want to be a good partner, and we want to provide you with additional opportunities that you might otherwise not get to experience. And so being a partner where there's like good give and take on both sides, and there was a lot of balance.

So it wasn't, strong arming them into a deal, it was detailing the opportunity of what it looks like to work together and the cost of doing business, so to speak. So we were never rushing to adjust price just because of Semsee and Tarmika and all the others that exist because carriers saw the opportunity of the partnership from a broader viewpoint.

Tegus Client

That makes sense. And in your opinion, if we talk about like the Tarmika or Semsee or whatnot, is there different kinds of risks that they would get as a result of the Bold Penguin versus the others? Or do you think they're sort of fungible offerings?

Former Head of Agency and Brokerage Partnerships at Bold Penguin

I think from what I have heard over the years, there were definitely different risks or call it, some partnerships across Bold Penguin, Tarmika, Semsee, others were probably more profitable for insurance companies than others. And that really had to do with the type of agencies that those people were partnering with.

And so, I think there was at least just from our standpoint of Bold Penguin, there was a fair amount of due diligence that was done on the front end to qualify invest agencies to determine is this a reputable agency that we want to pitch our wagon to or is this something that's going to down the road hinder us and hinder our partnerships with our carriers as a result. And so, I would say, at least from my experience, we did a fair amount of due diligence in making sure that we were working with the right agencies. I would say I've heard otherwise from other insurtechs where they were just focused on growth and sometimes that can come at a cost.

Tegus Client

Got it. Well, this has been very helpful. Thank you so much for your time.
