

INTERSTATE'S DRIVE ACROSS AMERICA



RSG's Interstate Insurance Management plans to motor across the US, fuelled by a new automation system and a truckload of data, according to president and CEO **Jack Buchan** and executive vice president and auto underwriting manager **Larry DeFrances**

A focus on data and automation is fuelling ambitious growth plans at Interstate Insurance Management.

Those plans are powered by a list of capacity providers and driven by the growth engine that is the company's parent, Ryan Specialty Group (RSG).

Jack Buchan, Interstate's president and CEO, tells *Insider Quarterly* about the expansion strategy of this commercial auto binding authority and managing general agent (MGA).

Buchan begins the conversation not with futuristic automation, data and analytics, but by underlining Interstate's proud history of nurturing talent from its humble origins.

The MGA has focused on developing underwriting expertise throughout its 50-year history, beginning with Buchan's father, an ex-steel worker who recruited and trained a cadre of talented underwriters in Johnstown, Pennsylvania, a small manufacturing town in the mountains east of Pittsburgh that was struggling with

high unemployment.

Since then, Interstate's expertise and its product breadth have grown to more than 1,000 classes of small commercial business. Since the mid-1970s, this has been led by its strength in commercial auto and truckers.

Interstate's focus on trucking underwriting encompasses everything from one-unit owner-operators to 500-unit fleet businesses, from general freight haulers to refrigerated reefers, flatbeds, tankers and aggregate haulers.

The focus on nurturing underwriting talent has endured, leading the company to open new

and giving the MGA's carriers a broader spread of risk.

"We don't want to be writing business in any given state unless we have the market knowledge and boots-on-the-ground experience of underwriting there," Buchan says. "Every state has underwriting nuances as well as different rules and regulations. We want to have people who know the jurisdiction we underwrite in and know the agents they receive business from."

The scale of this ambition would not be possible without two major factors. The first is Interstate's relationship with parent RSG

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offices and employ new expertise. Since its acquisition by RSG, the nexus of talent has expanded from regional to national proportions.

Coast-to-coast

Aside from bypassing a few states Buchan eschews due to poor underwriting performance, the ambition is to provide a nationwide platform for the commercial auto and truckers classes of business. This, he says, is about boosting distribution

(the acquisition was completed in February 2017) and its responsibility for establishing and managing RSG's transportation platform.

"As RSG makes acquisitions across the country, if the acquired wholesaler or MGA includes personnel underwriting transportation risks they become part of our transportation platform and are under our centralised management, pertaining to that," says Buchan.

This role within RSG has seen Interstate grow the number of transportation underwriting offices it manages. These now include Atlanta, Buffalo, Chicago, Dallas, Houston, Kansas City, Oklahoma City, Salt Lake City and, of course, Johnstown, Pennsylvania.

This is where the nationwide ambitions come in.

“We’re just getting started. Our plan is to go coast to coast,” Buchan says. “We’re looking at acquisitions at a company level, and we’re also looking for teams of experienced commercial transportation underwriters to join our team and establish satellite underwriting offices across the country.”

Game-changers

In shaping this strategy, Buchan applauds RSG’s management culture as an organisation.

“One of the great things I get to do when I need to, is to bounce ideas off of some of the best insurance minds in the business. People such as RSG Underwriting Managers CEO Mike Rice and COO Miles Wuller,” he says.

One other advantage, for which he credits the RSGUM acquisition in 2017, is allowing Interstate to focus on its operational staff. Back-office roles such as accounting, HR and compliance, were moved to the group’s HQ in Chicago, freeing up Buchan’s organisation to be more streamlined and focused on frontline roles, repurposing staff towards underwriting and underwriting support jobs.

Which brings us to the second major factor essential to Buchan’s big plans for Interstate – technology. He believes technology is the game-changer when it comes to achieving the MGA’s ambitions.

The transportation platform is supported by an automation system tailored for the business. This is the responsibility of executive vice president Larry DeFrances, Interstate’s auto underwriting manager, and his staff of talented programmers.

DeFrances describes the system, which has evolved over years and been piloted and expanded across

lines of business, as graduating into predictive analytics.

The system takes 11 data points for each account and creates a rating scale. Overall, there are some 40 grades split into five categories to evaluate and compare how underwritten risks perform.

Retail brokers and agents gain an advantage because they know what to expect and what data is required, DeFrances explains: “They understand the benefits of supplying detailed underwriting information to us. We also help them understand how they can most efficiently grow with us.”

On the customer-facing side, he adds: “The retail agents we deal with can access us online to submit business. Then, once business is bound, any documents we produce are available to them on the broker portal, which is part of the customer-facing website.”

For Interstate’s own staff and the RSG employees sharing the transportation platform, it is also a big boost to productivity, he emphasises.

“Speed means everything, and it’s allowing us to rate and underwrite accurately and quickly. It allows our internal people to more efficiently accept and log submissions into our system, to review them and to underwrite in a much more consistent manner.”

This has become more important as the business has expanded with the RSG/Interstate transportation platform.

“Remote users have direct access from remote locations as if they were sitting in our office,” DeFrances says. “It’s an integrated system to allow our expansion across the country.”

Data advantage

Generating better data is also beneficial to Interstate’s roster of A+ rated carriers, DeFrances explains, most of whom upload their data to the system to add to its mine of information.

All this means Interstate is able to provide actuarial and technical data on the level of an insurer, a cut above what rival MGAs might offer.

“It helps us be proactive, not reactive, in evaluating underwriting processes in our relationships with carrier partners,” he says. “By collecting data from all our carriers in one location we are able to monitor the business as a whole, rather than relying on individual carrier partners to provide information piecemeal.”

It is at CEO level that Buchan sees the greatest benefit of quality data.

“The system retains all the underwriting policy data on every account we receive, process and quote, so we can slice and dice the data any way we want, looking at any risk, at any broker or agent, at any underwriter and for any carrier,” he says.

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“It gives us a leg up because we have the data and our competitors don’t. We have it in our system, whereas they rely on carriers for the data.”

Buchan gives an example of where Interstate stands out – it maintains a database of every driver and truck vehicle ID number.

What has happened historically, he suggests, is that when a bad operator becomes uninsurable, they reincorporate under a different business name as a brand new venture and go out into the market as fresh risk to get cover.

“We call these ‘chameleon carriers’. A lot of our competition find it difficult to recognise chameleon carriers because they don’t retain driver data within their systems,” says Buchan.

“If we see a submission with vehicles or drivers we’ve insured before on another account, but the company is a new venture, that’s a big red flag for us and we investigate it.”

“In this way and many others, we’re harnessing data and automation to improve the quality of our business.”

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