

Prospecting Opportunities in the Assigned Risk Pool

Introduction

Being an agent or producer, chances are good that you have heard of the assigned risk pool, sometimes referred to as the residual market. Chances are also good that you don't have a ton of experience working with employers in that space. In this article, we will describe the worker's compensation assigned risk pool and offer tips on how to create opportunities in this area that is largely overlooked by most agents.

What are worker's compensation assigned risk pools?

States require worker's compensation coverage for employers, and in most cases, this requirement is met in the open market, where providers compete for the employer's business. However, in some cases, the providers elect not to provide coverage for the employer, due to the nature, location or environment of the work they perform. In those cases, the employer is placed in a state-mandated Assigned Risk Pool (ARP) where a 25% premium surcharge is usually applied.

Where is the opportunity in assigned risk?

There are some employers for which no provider will offer voluntary coverage. For those employers, an ARP is their only option. However, there are other cases that cause the employers to be placed in an ARP when voluntary coverage is available. For example, the producer working with the employer might have limited knowledge of the employer's market and only represent a few insurers, with no knowledge of other markets that might accept the employer.

Or consider this, perhaps the producer covers multiple markets, but is unsure which markets are willing to accept the employer. In that case, the producer may solicit coverage from several markets, but inadvertently exclude the insurer that would write the employer.

In both examples above, the employer should have found the appropriate coverage in the open market, but the "right" insurer willing to provide the coverage was not identified. Somehow, the normal process failed for this employer. The underlying reason for this failure can be described as a "matching problem". The employer's needs were not matched with the insurer's products. In other words, the demand of the employer was not met with the supply of the insurer. As this continues to happen, the ARP grows with this pent-up demand, but no supplier. Sound like an opportunity? You bet.

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So, how does prospecting in the ARP actually work? Well, it turns out that it works much the same way general prospecting works. The main difference is that producers need more familiarity with products offered and underwriting guidelines of the insurers that they represent. Access to several worker's compensation markets, either directly or through insurance wholesalers makes this process smooth sailing for the producer. Access to an automated system that allows the producer and underwriter to work together to define the acceptable parameters would take all of the guesswork out of identification of prospects. Taking this one step further, if the system could do the matching of prospect to acceptable parameters automatically, the entire problem is reduced to a simple prospecting exercise where targeted, acceptable prospects are flagged and made available automatically via a system that then enables traditional prospecting techniques to be managed and tracked.

Here's what to look for in a prospecting system for the ARP

The critical core competencies of the prospecting systems that enable producers to target the ARP are here in this short list of things to look for:

1. **ARP PROSPECTS** – First and foremost, the pool of assigned risk prospects must somehow be made available in the system. Data downloads and uploads are tedious and time consuming...don't try it yourself.
2. **APPETITE PROFILE** – Does the system allow setting of an appetite profile that reflects the insurer's products? Is that profile easily modified/updated? Does the system support multiple profiles that could represent multiple product offerings? If not, you will be right back to the manual match method...not recommended.
3. **PROSPECT FILTER** – Setting your profile does not do much good if the system does not filter, or qualify, the pool of prospects based on the profiles set. Again, this should be automated with the matching prospects delivered automatically to a dashboard or simple interface.
4. **LEAD MANAGEMENT SOFTWARE** – Is the system designed to manage the prospecting process? Can you track activity, send out marketing material, schedule follow-ups, run analytical reports, etc? Is this system web-based, requiring no software installations?

Summary

Prospecting in the assigned risk pool is possible, and actually could provide a more valuable source of demand for those producers skilled in navigating the waters. In this article, we described the ARP, discussed prospecting techniques and outlined requirements of the tools that will make this process a whole lot more productive and successful. If you are interested in learning more about the assigned risk pool or prospecting systems that would support actively pursuing ARP prospects, please contact Bill Kossack at ClearData at (724) 387-1713 or request more information via email to: bkossack@cleardataint.com.