

Warming Trend

by Dennis Gorski

One hot topic around Jim Parks' office these cold winter days is the company's just-launched traditional insurance program for residential propane and fuel dealers.

Parks, vice president at National Interstate Insurance Co.'s headquarters in Richfield, Ohio, noted the niche program is the company's first traditional product targeting small and midsize fuel distributors. Up until the end of 2012, NIIC insured only larger size operators through its network of ART—alternative risk transfer—programs.

"Our target with our new program," Parks said, "is really the smaller local and regional distribution companies who are generally more comfortable in traditional guaranteed-cost insurance programs." He said the NIIC's ART program, which has been available since 2004, "is really the best bet for operators who have the size and the risk appetite to assume a significant portion of their own risk."

The new program kicked off Jan. 1 and already has premium on the books, Parks said.

"Our sweet spot is going to be in that \$25,000 to \$50,000 range" of annual premium, he said. The policies will include "the entire package of coverages—auto liability, general liability, workers' comp, property, inland marine, crime and excess coverages," Parks added.

He pointed out that although the "majority of policies" will be in that



range, NIIC welcomes accounts "in the six-figure-and-above premium size" as well.

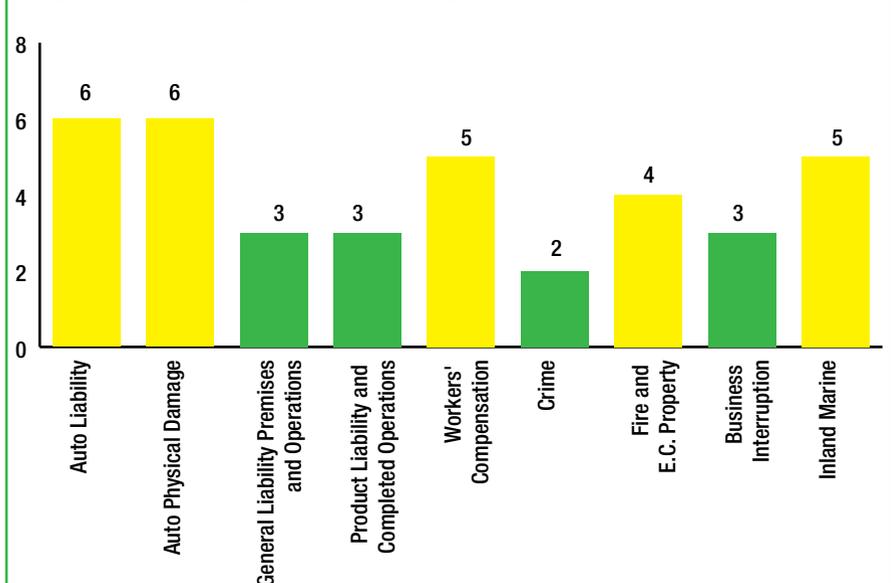
Parks said that NIIC has specialized in insuring transportation accounts that move propane and fuel oil since 2000, when it entered the trucking insurance market. The company moved into the actual distribution niche within the last few years, he added. "This class of business is a natural fit for us," he said. "We've had a good track record writing accounts in this industry."

NIIC rolls out a traditional insurance program for small to midsize residential fuel and propane companies.

The new program is written on an admitted basis in all 50 states and Washington, D.C., Parks said. NIIC is wholly owned by publicly traded National Interstate Corp., which is 52.2% owned by a unit of American Financial Group Inc.

NIIC and three other units that comprise the parent's insurance pooling group handle several thousand transportation companies, including fleets, specialized trucking and passenger transportation. All of these companies are written in either traditional or ART programs. The group also writes recreational vehicle and commercial vehicle policies and derives 20% of its book of business

Fuel Oil Dealers' Hazard Index



Low 1-3, Medium 4-6, High 7-9, Very High 10.

Source: Best's Underwriting Guide and Best's Loss Control Manual, 2013

from the moving and storage industry, according to BestLink, A.M. Best's online financial system.

Fragmented Market

Parks, a 19-year veteran with NIIC who began his career there as an underwriter, said a traditional fuel distribution product will help NIIC be more successful serving the industry in general and growing its alternative risk transfer business as well.

"We think there's some accretive flavor to having a traditional energy product that will also help us grow our other businesses. So to become a more significant player in this space, we needed to have specific attention placed on it with a team dedicated to driving its results." To launch the product, NIIC put together a five-person energy team along with additional support staff that serves it and other areas of the company.

Growth in the energy arena will be primarily organic for now, Parks explained. Rates presently are soft but "in general we see a firming trend in most commercial businesses over the course of the next few years," he said.

"We don't expect dramatic change immediately but rates across most insurance lines need to increase to keep up with lost cost



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—James A. Parks,
National Interstate Insurance Co.

inflation and to recoup rate decreases that have been handed out over the soft market cycle."

Parks described the residential fuel distribution market as fragmented, with plenty of competitors—some of whom are "indecisive with what they will do and what they won't do or what they will provide or what they won't provide." NIIC believes it can grab market share "with consistency and decisiveness" about staying in the market.

"We see that indecisiveness as an opportunity for us," he explained.

While admitting that results in the sector can be volatile, Parks noted, "We've been writing insurance in some of the toughest classes of business since we started in 1989...and have seen competitors come and go in our core business niches for years."

One of NIIC's key strategies, he said, is looking for markets "that are underserved."

"We expect that we will have

an adverse claim from time to time because we understand the exposure going in," Parks said. "However, we don't overreact to those situations, and take them as opportunities to refine and improve our risk selection and pricing. We believe there is room for improvement on what insurance companies deliver to this industry and we want to show them what they're missing at the end of the day."

He said NIIC is actively seeking a limited number of brokers "with established books of business, demonstrated specialization and a track record of writing profitable business in this class." **BR**

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