
The

Risk Retention Reporter

Rubino's Rules: Selective Underwriting and Customer Service

*Featuring Douglas Rubino, President,
National Contractors Insurance Company, Inc., A Risk Retention Group*

Douglas Rubino, president of National Contractors Insurance Company, Inc. A Risk Retention Group (NCIC), has two absolute rules that dictate management: selective underwriting and customer service.

Rubino's rules are working. The company was launched in 2005 to provide commercial general liability insurance to building contractors and others in the construction trades. The secret of NCIC's success has been to concentrate on a market niche, take only good risks, and provide customer service that's second to none.

"We insure homebuilders, cement contractors, roofers, framers, and other subcontractors in the building trades. We do not insure high risk operations such as blasting, tunneling, high rise scaffolding, or cranes," Rubino explains. By strictly limiting membership in the RRG to a less risky segment of the construction business, NCIC is able to offer stable coverage at lower prices with less volatility.

A combination of entrepreneurial spirit and market conditions got NCIC off the ground. It was 2004. In his law practice, Rubino had for many years represented contractors in construction defect litigation, so he was steeped in liability issues. The traditional insurance market was tight. Agents were having a tough time finding reliable, affordable general and professional liability insurance for clients in the construction business. Through an insurance industry friend, he met Diane Hendricks, owner of ABC Supply, Inc., a major building components vendor. Hendricks also owned American Patriot Insurance Agency. Her clients who needed liability insurance couldn't get it on reasonable terms in the traditional market, so Hendricks and Rubino put their heads together, did some research, and agreed to form an RRG.

Quota Share Reinsurance Important

Initial capital was supplied by Hendricks Holdings and quota share reinsurance. In the beginning, NCIC was domiciled in the District of Columbia. As a precautionary measure, regulators wanted the company to be able to take ten full-limit losses on day one—which would have amounted to \$10 million because at that

time the company wrote \$1 million per occurrence and \$1 million aggregate. Rubino secured 95 % quota share reinsurance to cover it. Since then, he has whittled the quota share down to 90 percent and will gradually reduce it as the company grows.

At the outset, Rubino decided not to bite off more than he could chew. He zeroed in on contractors with good track records who needed insurance in a tough market and he excluded riskier branches of the building business. He reached out for quality and avoided the market share game that got so many others into trouble. Selective underwriting paid off. The company has maintained a low loss ratio.

Rubino knew that when the market turned and traditional insurers jumped back in, NCIC would have to

Douglas F. Rubino President, CEO, and Treasurer

RRG: National Contractors Insurance Co, Inc., A Risk Retention Group

Organizational structure: A stock company owned by policyholders

RRG member/insureds: Contractors engaged in building operations: including roofers, framers, cement contractors, among others

Education: B.A. Claremont McKenna College in Economics and Accounting; J.D. Loyola Law School; Member, California Bar

Experience: 15 years in private law practice concentrating on construction defect litigation; five years as president of NCIC

Greatest challenge: Maintaining momentum in the overall depressed state of the construction business.

Proudest Achievement: Successfully navigating the current downturn in the construction industry.

Advice to CEOs of startup and early-stage RRGs: Surround yourself with people who know what they're doing and focus on customer service.

offer more than just stable coverage to compete. "Every company pays lip service to customer service, but we made a big decision to invest in building our own agent-friendly software to attract business, and it worked," he proudly reports. The proprietary, custom software developed by NCIC gives agents "instantaneous quotes online and policy processing that can't be beat by competitors, along with other features that make doing business with the RRG attractive."

"We're not dependent for software on a third party administrator who could jack up the rates later on. It would have been cheaper in the beginning, but the decision to design, build, and control our own software has enabled NCIC to give our customers the best service in the marketplace."

Best's Rating Gives NCIC Credibility

Unlike many early-stage RRGs, NCIC applied for a rating from A.M. Best. While others have been reluctant to seek a Best's rating until they've been in business for a number of years, Rubino was confident that the financial structure of his company, along with the backing of "A"-rated reinsurers in the quota share program and the notable growth achieved in the first few years, would justify a solid rating. NCIC achieved a "B+" (Good) rating from Best's and is shooting for an "A-." The Best's rating has given the Company substantial credibility with agents. "We're proud to have this independent third-party endorsement of NCIC's financial soundness," Rubino said. Would he recommend that other early-stage RRGs seek a Best's rating? "If the RRG is financially sound and stable—yes, absolutely—a Best's rating of B+ or better will send a good message to agents and potential shareholders."

Agent/Broker Relationships Top Priority

NCIC began with a few strong agent/broker relationships that were instrumental in launching the company. Rubino's approach to growth has been to secure wholesale and retail agents, who know the construction business, before expanding into new states. Some RRGs register to operate in multiple states first and then create a network of agents. Rubino wanted to have the distribution system in place before expending the time and expense to register in a state.

At first the RRG began doing business in California and 11 other western states. Today, the company operates in 24 states and is gradually going national with a presence in New York, Florida, and Illinois. In 2009, NCIC moved its domicile to Montana. "Montana is closer to our operating headquarters in Woodland Hills, California, and the western states where we've been most active," Rubino explains.

Rubino plans to build on the agent network with additional marketing. He recently brought on an experienced director of sales and marketing, Alan Ring—a veteran of Insurance Journal Magazine. They are putting together a marketing plan that is expected to include targeted trade advertising and outreach to contractors and homebuilders' groups.

NCIC is not immune from price competition in today's softer market. Traditional carriers and even some other RRGs are bidding for business in the less risky sector of the construction industry that is NCIC's niche. However, Rubino says, "NCIC has not been hurt because agents find us easy to deal with. Our original investment in software is paying off. It streamlines the process for agents and policyholders so they stay with us."

Management Structure Key to Success

Some RRGs farm out all functions to a single third party administrator and operate as virtual companies with the board of directors setting the rules. NCIC also uses outside services to perform important functions but does not depend on them for management. "We have a managing general underwriter who uses our software for underwriting and policy issuance, but we own the software. You can always get a new underwriter. The more you control the operation in house, the better off you'll be."

With a solid record of achievement since NCIC opened its doors in 2005, what are Rubino's goals for the next few years? "The short answer is stable, quality growth—not growth for growth's sake," he replies. Short term, he hopes to be able to declare a dividend this year.

Bottom line: He will continue to manage NCIC by Rubino's Rules—selective underwriting and outstanding customer service.

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