

Fronting, Done Differently

Concert is a new fronting company that aims to serve captives and programmes that are being underserved by traditional players, and provide a high quality service. Captive International caught up with its CEO and one of its founders to find out more.

“There has always been a lack of really high quality fronting options for captives but it has become even more of a challenge in recent years,” says Jonathan Reiss, chief executive officer at Concert.

When Brady Young, president and chief executive officer at SRS, co-founded Concert this year, this was precisely the issue he intended to address. The new fronting company is targeting business with captives and programmes, two very large areas of the insurance market that are also growing, but which do not always have reliable access to the services they need.

“It feels as though there are areas, especially in the captives world, where the traditional fronting players aren’t nimble enough to meet the very particular needs of some clients,” explains Young.

“Insurance companies tend to be quite product-driven and have rigid rules around what they can do, relating to things like minimum sizes for deals. There is an opportunity here for a new, small company to come at this with a more open-minded approach and be a bit more opportunistic.”

Concert has seized that opportunity. It will work with clients that have unique or complex needs that might be unattractive to

larger carriers because of the amount of work involved, as well as with clients that are too small to be attractive to those carriers. While lines such as workers' comp and auto liability are relatively easy for fronting companies to service, Young explains, other lines are more difficult, and as a result, may not be worth the time for the larger, traditional players.

Business case

The business case for a new entity such as Concert is strengthened by the reduction of capacity in the market as some of the traditional players have scaled back their activities.

"There have been a number of fronting startups in recent years but most of them are small—like Concert—and they do not plug the gap left by the larger companies that have exited the business," says Reiss.

Meanwhile, demand for fronting services is only increasing, with companies under pressure to keep their operations as lean as possible, partly because of increasing regulatory demands.

"Fronting allows companies to scale up or down their insurance infrastructure relatively easily," explains Reiss.

"There have been a lot of captive startups in the last few years and many are quite small by historic standards," he continues.

"Captive insurance structures have become more efficient and captives don't need to be as big as they once did to be viable. There are some very profitable and sophisticated, data-orientated captives out there looking for fronting services.

"The captives industry is both mature and dynamic and there is a significant pipeline of business."

Concert distinguishes itself from many competitors in terms of the market it is targeting, but it also has ambitions to differentiate itself by the quality of its service. It insists it does not want to have transactional relationships with its clients, but wants to build partnerships that last a long time.

“That is how this business tends to be for captives,” says Young. “When they start working with a fronting company that relationship tends to be very sticky—people tend to leave only if something has gone wrong.”

Reiss elaborates: “What makes Concert different is that we see our captive and reinsurer partners as our clients. Most fronting companies don’t see their reinsurance partners that way and do not monitor their financial outcomes adequately, but our mindset is that we need to focus on all of our partners. It is all about the culture we are creating and our emphasis on service excellence.”

Reiss admits that clients increasingly want to see their fronting partners have skin in the game, which Concert is keen to get away from.

“This is just because they want their providers to do a better job—it is a symptom of their overall dissatisfaction,” he says. “In the short term Concert will have skin in the game but over time we want to get away from that, once we have established our reputation and demonstrated to clients what we can do.”

New players welcome

Young admits he had braced himself for negative feedback when he helped found Concert, from traditional players defending their territory, and hostile to a new competitor. In fact, he says, the reaction has been quite the opposite,

“I have received a lot of messages from contacts at these carriers saying it is great to welcome new players into this market,” he says.

“I think there will be opportunities for collaboration, for referrals for business that they wouldn’t be able to do but think might be interesting for us. There is such a lot of demand for fronting services, there are so many opportunities, especially with the hardening market.”

Concert was not launched in response to the hardening market, however, insists Reiss. “Concert is not a cycle play and whether the market is hardening or not doesn’t change anything for us.”

There are plenty of other potential avenues for growth, regardless of the market cycle. There are insurtechs, some of which have unique requirements, which could also be a future area of interest, but for now Concert has its attention firmly set on the captives and programmes market.

“There are insurtechs looking for fronting capacity but right now we are not going after that business,” says Reiss. “A lot of these providers are unproven and have yet to show they can make underwriting profits, which is our real focus.”

Jonathan Reiss, Concert, Brady Young, Strategic Risk Solutions