Podcast Transcript

"The Insurance Guys" Podcast featuring Orion180's CEO and Founder Ken Gregg

Hosted by Scott Howell and Bradley Flowers
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Scott Howell: Welcome to the insurance guys podcast powered by HawkSoft. My name is Scott Howell, your fearless host and leader, insurance agency owner and insurance evangelist for our Protect Insurance and financial services based out of Huntsville, Alabama. And before we get started on today's episode, please help me welcome: He is a six-foot-three sophomore from Mobile, Alabama, for a first team all-American rivals, five-star recruit. He is a fantastic insurance agent and a great American. Ladies and gentlemen, please put your hands together and welcome the incomparable Mr. Bradley Flowers. How are you, Bradley?

Bradley Flowers: Great, Scott. How are you today?

Scott Howell: Best I've ever been. Ladies and gentlemen, I'm in Mobile, Alabama today. I am so fired up to be here. And I've got a very, very special guest on this podcast today. But before I put him on the on the air with us here and I've heard through the grapevine from about five people that he has a very inspiring story that I might get up and flip this damn desk over and end the podcast before this is all said and done.

Scott Howell: Guys, we've got a very special guest today. And I'm so excited and proud to have him on. I'm humbled. I'm blessed for him to be here, and I want to give him the introduction that he has always deserved. Ladies and gentlemen, he is originally from Long Island, New York, and he currently resides in Melbourne, Florida.

He is married to the beautiful Kelly Gregg, and they have three beautiful grown babies, Keegan, age 29, McKenna age 24, and Corbin age 26. Now guys, y'all are old enough now that your daddy's going to let you listen to this podcast, and I want you to do me a big favor when you hear this podcast, I want to give all three of you a shout out. Keegan, McKenna and Corbin, listen to what I'm saying. Your daddy has accomplished so much in the insurance industry and he's a pretty damn big deal. I want you all to do me a favor. I want you to go hug his neck and tell him how much, how proud you are, and even how much you love him. Because I know how much he loves you, and you all three should be very proud of what he's accomplished in this industry.

He's a University of Central Florida graduate with a bachelor's degree in both economics and a master's degree in finance. And like myself, he served in the 1985-86 time frame in the United States Marine Corps. In a past life, he ran third-party distribution nationally for CNA and Allianz and resurrected an underperforming region for AXA. Today, he is the founder and CEO of Orion180, bringing over 25 years of experience in the insurance industry. He is pioneering new ways of assessing risk and serving the needs of customers and community. He is seen as an industry visionary, winning the 2009 Risk Innovator of the Year, and he brings his achievements and experience in management consulting in business development and risk analysis and applies them to read where the market is and where it is going. Ladies and gentlemen, it is my profound honor today to introduce to you, first-time guest on the IGP, Mr. Ken. Gregg. How are you, Ken?

Ken Gregg: Doing well, thank you for your kind words there and your very generous and warming welcome. Thank you. It's my pleasure. My honor to be on your podcast.

Scott Howell: Ken, I've talked to probably three people in the industry that we have mutual friends that have all said to me: “Get Ken Gregg on this podcast and let him tell the story”, I guess, of kind of how you got in the industry. So, climb into my DeLorean today and take us back in time and tell us that story that I've heard so much about.

Ken Gregg: Well, I appreciate it. You know, I think when you look at it. Yeah, I don't I don't know if I've met many people that sit there and say they, you know, when they go to school, they're going to - or when they're planning their future, they say we're going to get in the insurance industry. Right? Such an exciting business. Right? As we all know, it's such an exciting business. It is, actually, once you get into it, but not knowing it from the outside. But so, when I came out of college, you know, graduate school, I was looking for a career and I fell into a space running distribution for some companies, as you mentioned. I ran distribution nationally for CNA and then Allianz. But it really brought me into that world of insurance and opened my eyes to an exciting area that a lot of people just don't understand and don't know about until you get in it. You know, one of the things, I think, is it speaks a lot to you, what you get, what you do. And a lot of the folks listening to this podcast do... are agents. You know, when everybody I talk to, if they ask about industry, I'll say I'm in the insurance industry, have an insurance company, they immediately think I'm an insurance agent. Right? And it says a lot because that's who they daily interact with. And it means how important the agents are to their lives. For one, that's the big thing. But it really showed me when I got into it and learning about product and risk mitigation and dealing with consumers, you know, and throughout the entire U.S. and you’re finding out what's important and what - different things. And so, you know, 20 something years ended 26 years later, I was very fortunate to work for some very good companies, have a lot of good opportunities that took advantage of them. And what was most important to me was learning, you know, learning a lot as I went along the way, learning what was, you know, what worked, what didn't work. So, it brought me to a journey to where someday I created that first product on the policy, on the on the property side, that reduced -- innovation product, I saw a need in the marketplace after the hurricanes of 2004 and 2005, when really everybody was being introduced to the hurricane wind deductibles being put in place when people weren't aware of them and what that would do.

Ken Gregg: So, I created a product that would ensure that those deductibles, 100%, which nobody in the industry was doing at that point in time. So that got me into the side there and built out. One of the other things I learned through my experience was ease of doing business, right? How important is that to do it for the customers, for it doesn't matter just for the customer, but as well as our folks on the agency side or distribution side, how important it is in the decision-making process. So, you know, those are things that, kind of, some of the things that kind of drove me to start Orion180, you know, throughout, you know, through my experiences and different things. And one of the things I saw and learned that the right things and the things that I didn't agree with. And when I started Orion180 I wanted to do something different, and that's one of the things I focused on as a company. And we think, and we hope, we're delivering on that and are giving a different experience.

Scott Howell: So, talk a little bit about - I know Bradley is very intimate with Orion180, but for all the agents out listening to this, the 250,000 insurance agents from around the world...what is Orion180, what makes you guys so much different?

Ken Gregg: That's a great question. I get asked that a lot about, you know, because everybody wants to know a couple of things. Where did the name come from? You know, we position ourselves when we tell people, you know, that when you hear about our story, our value proposition - is about technology. You know, I created a unique technology platform. I didn't write the code, don't get me wrong here; I can't write a line of code to save my life, but I designed the platform, and it was about making it easy to do business and manage your insurance policy from all the way across the board, though, and I take all the perspectives in place. I take the insureds' perspective; I look at the agents' perspective and I look at my own employees' perspectives.

So, for example, my technology team that works - as I'm sure Bradley shared with you - we have 35 software developers on staff that only work on our own technology platform that we designed. It's our own proprietary technology platform. And one of the things I talked to my technology staff was, they've got three customers and most people are like, "Oh, you know, what do you mean, you have three customers, you have an insured and you got the agents, right?" Well, I also have my own employees. You know, that's their job in their department. They've got to solve for three customers. We've got to make sure we're solving for all three of them. And really, there's four. I can throw my executive team on there. Right? They've got to have different needs, too. So, all four have different needs. There's no ONE commonality here. But the biggest thing is: how do we utilize our technology to run our business better? And that's what I designed - our company about - is making sure we can create very... three basic premises that I look at as a differentiator. When we talk to agents, we give competitive products, we give competitive pricing and competitive pay. And you don't hear me say we're giving the highest compensation. You know, we're not buying business. We don't give every bell and whistle out there because that's not sustainable as well; and we're not going to compete on the lowest price. It's about providing opportunities and doing it and giving you a way to make it as easy as possible for you to do business with us and at the same time giving transparency. And that's really the big value proposition we talk about is: make it easy to do business with us, give you a great experience, and as you saw, I'm sure you've seen in some of our branding and we've, you know, really promoted is, you need to expect more of us, you need to have higher expectations. You know, one thing as a person growing up and as a young kid and growing through my life and then going into the Marine Corps, expectations matter and you should expect more. If you expect less, you're going to - guess what? You're going to get less. Right? You know, expectations matter. We strive to win. We strive to put out nothing but the best and we always look to improve every day.

Scott Howell: But I want to touch on the ease of doing business too, Ken. So, I gave a talk to a group of carrier executives. It was a group of carrier executives and technology - it was the technology department as well for an insurance carrier - about two months ago. And, kind of the ethos of my talk, where I kind of like concluded was, in every decision you make with the technology and the...and the direction of your insurance company, focus on making it easier on the agents to do business with you. Because if, if you can make it easy for the agents to do business with you, we can then in turn make it easy on our customers to do business with us. And when we make it easy on our customers to do business with us, price matters a lot less than it does in the other situation. And an example I like to give, there's a carrier that we have that we're selling like hotcakes on the commercial side that is not the cheapest by far.

But we are turning around quotes extremely fast because they make it so easy to do business that the customers are thrilled. So, to me, that's a huge piece that makes you guys unique, especially compared to a lot of the other carriers we deal with on the personal lines side.

Ken Gregg: And it's a great point. One of the things I quote, “I live with” and we really, really push around here as a company and when we start, we try to really get it out there to resonate because I think as an agent... if an agent can get this point, it's a way to differentiate themselves in the marketplace, right? And early on in my career, I learned this as well and really lived by it, had success with it is: price is only an issue in the absence of value. Right? And that's a fact. And that's when you start differentiating and start trying to find out what is the value that you're giving? Because if everything's equal, that's when you start talking price, right? It's a matter of: I don't care if you're buying a pair of shoes; you're buying a hat, you're buying a car, you're buying two different mugs, you're looking at: what's the value for the differentiation of price? And that's one thing a lot of people have difficulty with. And I think as a society, we went away from it. You had some marketing groups that went out there for whatever reason. From an advertising standpoint and associated with value: we're cheap, right? And value is not cheap. Value is what are you getting for what you spend. And that is the key out there. And I'm glad to hear, you know, Brad, when you mentioned it about not being...selling the cheapest price because these are doing business, that our focus was making it easy to do business with us, but giving you a competitive product, competitive price that you could sell. It allows you to do what you do best. Your job is to find the right coverage at the right price and make it easy to manage life. People don't want to spend a lot of time dealing with headaches, right? It's human nature. When you start talking about the ease of doing business, there's people... hear about it all the time and a different side - the path of least resistance. Human nature says, go search for the path of least resistance. And that's what the ease of doing business is.

Scott Howell: Well, and to, I guess, tag on to the back of what you said earlier: so, we were talking about that 2004-2005 time period, and you were talking about, you know, great experience and, you know, expectations and things like that. And here we are, the year is 2023, which for you and I both probably in our fifties, that time period has just flown by. I mean, there are days when I still feel like I'm 25 years old and I'm 51. But my point in saying that is, Amazon and the convenience of Amazon today has made the words that you said back in the 2003, 4, 5 timeframe even more important, because all of the customers and prospects that we serve expect that Amazon same, you know, convenience and customer... you know what I'm saying?

Bradley Flowers: You're competing against the expectations of Amazon. Even though I don’t think insurance will ever be bought and sold as easily as it is on Amazon, that's what the customer expects in the transaction.

Scott Howell: Correct. Correct.

Ken Gregg: Right. But, you know, one of the things, though, the difference between Amazon and not having a consumer, being able to do it like an Amazon transaction is an Amazon transaction is they're buying a shirt, right? Or a pair of shoes.

Scott Howell: You’re speaking my love language right now, by the way, go ahead, keep going!

Ken Gregg: And that's where when you heard we've all gone through the world and they just ran through the world, and this is something in my previous, earlier in my career I ran against because I was on the financial product side of the of the insurance industry and the financial advisors had an earlier experience with essentially the online or direct to consumer competition. Right? They dealt with E*TRADE and everybody was scared that E*TRADE was going to take all the customers. But what they found out, it wasn't taking their customers. Direct to consumer, digital was the same concept here with homeowners, you know, the Hippos, the Lemonades, which I don't know if I'm allowed to say that or not on here, but you know, those companies that went to digitally online...what they found out was the customer they're getting, and what you're presenting is, in the insurance agents world, they kind of built open the door for that to happen by shopping on price and everything, always trying to find the cheapest price. What they said is: everything else is equal, right? As we all know, everything else is not equal with insurance companies. Products are different, coverages are different, different limits, the way the forms work and what experience do you have at a claims time standpoint or customer service? All these things matter. So, there is a value conversation and the agents through a period went down a path of saying, right, coverage and all those other factors, those value props don't matter, it's only price. And that opened the door to those direct-to-consumer companies.

But what we found is the consumers really don't know what they're buying. They need the agent to explain to them. The agents are really risk... essentially consultants because insurance is a transfer risk. That's what we all know, that. Right? I don't think our industry really speaks about that enough that we're paying for a transfer of risk. That's what the insurance industry is. What is the risk that you're transferring? What is the price associated with that risk that you're willing to transfer? How much, if a consumer wants to talk about a price point, well, first thing they need to figure out is how much risk are they willing to retain and then, from their start looking at coverages and price points, based on what they're getting is a risk appetite. And to me, I think the agents that focus on that, that - that's the agent that will absolutely build a long, long term, sustainable, very sticky business that brings a lot of value to the table and they don't have to worry about price. We talked about early in my career, I would always focus on - we didn't want to talk about... on the financial side returns because one day you could be the hottest guy, the next day you'll be out of favor, right? And that's the same thing on price. One day you may be the cheapest, the next day you're not. So, you're going to lose your business. It's the same thing with bells and whistles on coverages. One day you may have the hottest bells and whistles, the next day you don't. As long as you stay competitive and you provide a good quality service and you do what meets the needs and wants of the of the customer, you have the long-term sticky business. And that's what we focus on as a company.

Bradley Flowers: What happens too, with the direct-to-consumer companies, for most agents, for 80% of agents out there, the direct-to-consumer companies are picking up the customers that really, you don't want anyway, and what you're getting - the problem, with direct, the big problem with direct-to-consumer insurance, is the customer acquisition cost is through the roof. You're not selling a SaaS product where the margins are 99%, you're selling an insurance product where the margins are 12, right? And you don't make any money unless you keep that customer, year over year over year. Well, guess what happens if you do happen to keep that customer year over year every year? You have claims, which is the second problem with direct consumer insurance. Every time they call, they're talking to a different person. Right? And then the third problem is, is you get adverse selection, you get customers, you get the houses with issues, you get the cars with issues, you get the people that they know they have a crack on their windshield, but they're going to buy the Geico policy and then wait two months and file a claim. That's - those are the three big problems with direct-to-consumer insurance...was taken care of in my opinion. I don't mind and I know you guys don't go direct to consumer which I do love; I don't mind when my when some of my carriers do go direct to consumer. I know I differ a little bit from other agents on that, because it lets them get all the clients that I don't want. And there's a little bit of a brand being built there, and I don't have to explain who the carrier is, you know what I mean? So, it makes my job a little bit easier in that regard. But there's still the ethical standpoint of competing with your agents and that sort of thing, which obviously, have a problem with. But one thing you said when we were together in Melbourne a couple of months ago is you said, don't go direct consumer and never will, or at least that was that was implied. So, talk a little bit about -- kind of some of those things.

Ken Gregg: Well, I mean, you nailed it on the head. I mean, we do we believe in the agency channel. We believe what you bring, the value you bring to the table of finding the quality risk that we want to have and underwrite. The other, there's another major problem that you mentioned - that is the fourth problem of direct-to-consumer is: that buyer is a price buyer, right? They are - that's why they're online. They are a price buyer. In that price buyer is going to constantly be shopping. That means there's no stickiness for a company; and those direct guys, they need that customer, to your point, to stick a long term right to get their... recoup that cost of acquisition. And that's not going to, it's going to be a problem for them going forward.

Scott Howell: I said some of the same things you and Bradley were saying on a podcast with Nick Barry last week. We got into this conversation about direct-to-consumer. You know, I've always said people should not be able to buy insurance online, and the main reason for that is the liability component of insurance. People want it fast. They want to jump online and they want to get something as quick as they can, even though they really don't know what they're doing. And, but that part of it does bother me, is it here's where the rubber meets the road is when your kids are on a helicopter getting flown to a trauma one center. You damn sure want to talk to Scott Howell or a Bradley Flowers at that moment. You don't want to call a call center and speak to a 21 year old, not to mention the fact, what if that's their fault? And now there's another family in a minivan sitting on the side of the interstate that are all by, you know, hurt and got to be in the hospital for six months. I don't believe, you know...it's okay to go to Amazon and buy a t-shirt or hat or a camera, but when you start talking about the liability component of insurance and somebody's having to file for bankruptcy because you bought your insurance online and you just chose, well, "I can get it cheaper, pick this coverage right here"... that to me, that's where you should not be allowed to jump on somewhere and buy insurance online. You need some advice.

Bradley Flowers: And on that note too: one angle, I think we don't talk about enough as insurance agents... so, I got into a discussion with one of these real estate guys on Twitter. You know, and...you know, I don't know if you know this, Scott, but real estate guys know everything.

Scott Howell: Oh, yeah. I can damn sure tell you that! (laughing)

Bradley Flowers: When I say real estate guy, I mean, like investor... I don't mean real estate agent.

Scott Howell: Oh, I know exactly what you were talking about.

Bradley Flowers: And he says, he says, it was giving advice around your vehicle, and he was like, "I drive a cheap car, I do this", and he's like, "I only carry state minimum car insurance." And one of my points when people tell me, when these people - and I have a few friends like this - that are too smart, they only carry state minimum right? You know we all know the spiel of, well that's not where the claim stops, that's just where the insurance company starts, stops paying. So, if you have a $50,000, you do $50,000 worth of damage, you know, extra 25, you know, all that kind of stuff. But here, let's flip the script a little bit. And what if you hit somebody and you paralyze them for the rest of their life? It's exactly what I'm talking about. Don't you want them to be taken care of? Right. Ethically, don't you want them to be taken care of? We're not talking about your assets being protected anymore. We're not talking about your insurance premium. Don't you want to ensure that they're going to be taken care of because you would feel really bad and then you're going to come out of pocket, right? Are you're going to be sued, and that sort of thing. And you're literally talking about $13 a month? You're so smart.

Scott Howell: You're making my point right now.

Bradley Flowers: I know, I know. I'm adding to it.

Scott Howell: Yeah. I just I've just always felt very strongly since we started this podcast that somewhere, somehow, some way, somebody needs to outlaw the ability for somebody to just jump on a website at two o'clock in the morning and try to get insurance. I just don't believe that that's the right thing to do, but…

Bradley Flowers: Well, the other thing you have to, is there's so many companies now that are VC-backed, and we only sell direct to consumers. We cut out the agent, we save the 15% there. Sounds so good to VCs because they're out in Silicon Valley, which is not the real world by any stretch of the imagination, that it sounds so good to them. They're almost pigeonholed into doing that angle, which is why all of these companies start out direct-to-consumer and then end up back with agents. It's like, "Oh, we don't use agents! We save the 15%! You can buy insurance online, it's better." And then three years later, after their 4300% loss ratio drops and…oh, hey, by the way, like I'm waiting… the CEO of Kin Insurance was in my DM's a year ago saying he would never use agents and I cannot wait to reach back out to him in a year when they say…and what they're going to do is they're going to go to MGA's first, right? And then they're going to make their way there and then, all of a sudden, they're going to be doing direct appointments.

Scott Howell: So, Ken, I had a question. I'm a neophyte with Orion180. I don't know a ton about you guys…are we talking for these agents listening right now, this is a homeowners' insurance product, is that correct? Am I right about that?

Ken Gregg: Right now, it is correct.

Bradley Flowers: Okay. I know you guys have some other products you're launching - you want to talk about that a little bit.

Ken Gregg: Yeah. We're looking to add right now. We launched our home warranty, home electronics products. We were launching a life…essentially an income term life type of product prior to coming out here. In short order, we'll be launching. We're right now getting ready to begin development on a commercial product. And so, for us as a company, our future is… we're expanding lines of business and we're also expanding geographically as well as you know, we've got our surplus lines product, homeowner product, which is for the coastal exposures and a coastal market as well as we have…we're launching our admitted company here. We've done all of our filings; we'll have our inland in all the states that we're in. And for our admitted offering.

Bradley Flowers: And what states are you guys in currently, just for the agents listening, if they're wondering? Or is there a website they could go to, to get that information?

Ken Gregg: The website they can go to, of course, is Orion180.com. They can learn a little bit more about us, of course, and see what states we're in. Our current marketplace is…the great news is we've just got authority today. We'll be launching back in North Carolina, so we're: Alabama, Mississippi, South Carolina, North Carolina on our coastal offering. And then we'll be we're waiting for… so back to step… we've got two. We've stood up two insurance companies. We have our first one, is Orion180 Insurance Company, that is our Surplus Lines company for our coastal offerings. Both Demotech rated A and as well as Kroll rating. We've got a… stood up our second company which we received our authority with… for Orion180 Select Insurance Company. That's our, essentially what you would call your standard carrier that would be offering the admitted products through and those… we bought… we filed for licensing in those same four states as well as Georgia and Tennessee, and we'll be building out a product for Indiana, and more of the Midwest as well.

Scott Howell: So, we've talked a lot about where we are today and setting expectations and all the different things we've already talked about. What do you feel like is the future of home and auto insurance over the next ten years?

Bradley Flowers: And where do you think these hard markets go? What do you see, and when you talk to reinsurers, and that sort of thing as well, because you had an interesting take on all of that when we were down in Melbourne.

Ken Gregg: Yeah, we just finished. We're just wrapping up our reinsurance placement, so we're always ahead of the market in the south. We are for one renewal, so we're finishing up our reinsurance placement right now and we've already placed our tower. We're just getting ready to start signing contracts. Put it in perspective: we did really, really well. We increased our tower by nearly 20% in size, because of our growth, we had to buy more. The other thing we've done is, we actually… we're a great performer, as you're aware, and we've shared our numbers with you when you were in Melbourne, but our loss ratio is fantastic. It's one of the best in the industry. We're trailing 12-month launch ratio about 41% and...

Bradley Flowers: Your reinsurers love you.

Ken Gregg: They do. And you know what? We haven't had any losses to the reinsurance market in two years straight and we only had one year out of five years that we've given losses to the reinsurance market and that was Sally and Zeta in 2020. And they weren't even significant losses that we gave to them. We outperformed our peers. And we still experienced a 25% rate increase on our reinsurance placement. So, companies are going to be experiencing...being anywhere from 35 to 40 to 50% rate increases on the reinsurance placement. It's an extremely tough market. There's a multitude of factors working against us, though, you know, you've got not only the market of losses last year with (Hurricane) Ian of course, and even though (Hurricane) Nicole was not a big loss into reinsurance market, it was still a loss to the market, right? But Ian was pretty substantial and it's going to keep on giving a little bit for... we've already seen some adjustments. We'll see how that works out. But there's other issues that go along with it. The reinsurance market does do private flood, which Ian was a massive flood loss. So, a lot of drivers to that. And then you throw on top the cost of capital when you look at the interest rate environments, right?

These are all impacting the reinsurance market and the cost of the reinsurance, which is a major contributor across the board to companies. And it wasn't just in the southeast. It's a lot of the Midwest companies because of the tornado hail events that they had experienced last year, as we all know, and we've dealt with in the marketplace, those are all driving losses to drive up the reinsurance market ,and for outside capital or what came in to save the market after essentially ’04, ’05, outside capital came in because it was cheap money, right? And they came in and found an alternative market to come in and participate in the rates, and that's what brought reinsurance costs down very quickly.

After ’04, ’05, outside companies came in and new companies were stood up or the ILS industry came in and brought capital in the reinsurance. Well, right now that's not happening. And I think what you're going to see is we're going to still have a very hard market this year. I think we'll have a hard market. Who knows what happens if the wind blows again, but if the wind doesn't blow, I think we get the... we will have a... we think this could be a peak, but there should be tradeoffs.

But people need to be aware. It's not just in the southeast. It is national. I do know the nationals in the Midwest and the Northeast all took significant price increases or had significant price increases as well as retention increases as of 1/1, and that's going to continue into the 6/1’s as well. The 6/1’s are going to get retention increases again, changes in forms and conditions, terms and conditions, and they're going to have significant price increases going forward. So, the market's not settling by any means on the reinsurance side. And it goes to one of my complaints, about my complaints in the industry, by the way, I've got my own little complaint points. You know, I look at it, we say we got one highly regulated entity, which is the insurance companies right? And they're significantly dependent upon three non-regulated entities. Insurance agents, for the most part, aren't regulated. You've got reinsurers – that are not regulated, and you've got the rating agencies that are not regulated.

So, for example, if I were to go to Demotech and ask Demotech and say, "Hey, you know, I'd like to get my A rating to an A prime, what do I need to do?" They won't tell you. They can't. They'll say, "I can't tell you that. You can file and see what we'll do is we'll look at it and we'll rate you again." But if it comes out at A, there you go. Okay. Again, "What do I need to do to get to A prime?" They won't tell you. Same thing with Kroll. Kroll will give you the rating; they'll say, "Here's our results. You can either accept it, you can reject it, or you can, you know, resubmit." But they won't tell you what you need to do to get a better rating, right? How is that the case? I'm looking to improve it. If you tell me I need to put more capital, I need to write less business or I need to diversify. Tell me what I need to do to do it and get a better rating. But they won't tell you. And that's not a regulated entity.

They'll tell you they are because the, you know, the FCC or FINRA will regulate them and look at their process and that's why they get their NR or NRSRO. But the fact of the matter is, there's nobody looking at it and say, "No, you don't have transparency, how you do your calculations, how you came up with your, you know, your rating" for them, what your determination was. You don't have any the processes for that, right? And they're all unregulated and we all… but us, as an insurance company, we're answering to a highly regulated body that never has to put the money into the company. These rating regulatory bodies don't have any money at risk. They've never run an insurance company for the most part. But they're going to tell you how to run your business and they don't have to deal with outside parties.

Scott Howell: Hey, I got a question for you. You guys aren't in Florida yet, are you?

Ken Gregg: Not yet. We're looking… we're working on going there.

Scott Howell: So are the changes that have already happened, and then the stuff that DeSantis is… I think they're even looking at doing some more things down there as well. They just signed some more stuff, yeah. But today… is it today?

Ken Gregg: They just signed I think last week. It's more geared toward auto though.

Scott Howell: Okay. Okay. Is all of this stuff making it in the next year or two more inviting for you I assume, to get back…to get down there.

Ken Gregg: Absolutely. They actually did some nice changes. It will be in an inviting market you'd have to… for a new company like ourselves, it'll be good because we go in, we get in without having any legacy issues. But there's still an issue, and I met with all of these departments we do business and I go around; I might want to meet with the commissioners, and I talk with them and stuff. I would love to see the regulatory bodies really do... and kind of get with the modern times, and really what I believe they should be regulating is the transparency of marketing materials, what the coverage is we offer, what we sell, and making sure we're financially sound. They should not be telling us what we should charge and what coverages we have to offer and what our form should say. Let the coverage...we should be transparent what our forms say, right, and be held to it. But we should not be... they should not be regulating us from that standpoint when they don't have the money. It's not their money at risk, right? And they've never run a company to see what the competition is. If you want to increase competition, for example, like myself, I want to create products. We're working on a very creative product, a new product that will come out here hopefully in the next well, not hopefully, we'll have it out in the next six months, and we'll start introducing it into some of our markets on our surplus lines and we'll look at the admitted companies' states and see if they allow it. But we want to give customers a choice and why does the regulatory body have to care about choice? That's what they tell you. They always want to give their customers right, choice. But they restrict it by telling you that you have got to have these things certain ways. And that's to me is a change. I think the regulatory body should get to the point of regulating carriers and companies to make sure they're financially sound and making sure they're transparent on coverages. Outside of that, let the market determine.

Bradley Flowers: I'll give you a hot take. I have Kin and the people that don't like me roll their eyes and think, "oh, of course he thinks that" when I say this: I think the soundness of your technology as a carrier should factor into your rating.

Scott Howell: I thought it did.

Ken Gregg: It did for us because it's the quality of data. Right? It's to your point, I think, and that's a fair point. I like what you're focusing on, I believe if I take the right, you know, essentially if I'm inferring correctly, is that what you're worried about is the soundness of your data. Do you know what's going on and is your technology able to give you the insight for what you need to run your business?

Bradley Flowers: Correct.

Ken Gregg: And that's what we focus on. When we talk about our technology, it's about knowing our business. You know, it's about giving the ease of doing business, given the ability to manage and give a better experience across the board. But for us internally, it's about knowing our business. We know our business, every aspect of it, all the time, real time and every angle there is.

Bradley Flowers: Well, I'll give you an example. When you and this is not me, I'm not trying to like pump you up here, but Scott, when you log into Orion180's dashboard, like the data it gives you, is unbelievable up to the minute. Contrarily, I had a meeting with my Safeco Rep last week,

Scott Howell: I bet that was fun.

Bradley Flowers: And I logged in to their system to pull some numbers. That way, I had the most up to date data. It is March, almost April. It's March. And I log in and I have my numbers and he stops and he's like, "Oh, no, that's last year's numbers." Three months into the year, the most up to date data they could give me on my agency was last year. That is a telltale sign of other issues in other areas, and I think that should factor in more into the rating than what it does, because how does that ball roll downhill to customers when you have claims and am I able to pull out the most accurate… you know what I mean? So absolutely, I couldn't agree with you more. I think the more real time data you can have, the better off you are.

Scott Howell: Ken, I want you to teach these insurance agents something really quick. And I'm only asking you this because you're the CEO of an insurance carrier. Okay? I want you to think like you're talking to a group of eighth graders because I have the brain of a small squirrel. How do I… if you were talking to me and I'm in the audience, at any event and I ask you, how do you determine Orion180's combined ratio, how is that determined on an insurance carrier basis? What numbers are used to get to that combined ratio?

Ken Gregg: That's a very simplistic calculation. Good. It really is. You can look at it one of two ways, right? And there's people they can put their spin on it, but I'm going to make it very simplistic for you. You take your reinsurance, what is called your total loss cost, which will be your reinsurance expense plus your actual losses, right? Your total incurred loss ratio, total loss, will be what you paid out plus your reserves. That's your total loss cost. Your total loss dollars. So, you got those ratios because combined is a combined ratio, right? It's a percentage. So if you got the total loss cost, which would be your reinsurance expense ratio, plus you took your loss ratio… that's your total loss cost plus what is your operating expense, the operating expenses of the company, those two numbers combined equals your combined ratio. So I'll give you an example. Let's say you spend a dollar, right? Because that's really what it is, it's a hundreds of dollar. So, if you pay 30 cents of every dollar to your reinsurance expense, that's 30 cents. Let's say your loss ratio is, is 40. Now you've got 70 cents and your operating expenses, let's just say it's 25, you've got a 95 combined. That's as simple as it can be done.

Scott Howell: Got it. I think that's the easiest way to explain it. So, we've got a one dollar bill.

Ken Gregg: Yup, that's your 100% combined.

Scott Howell: So, insurance, I'm sorry, reinsurance is 30 cents of that. Okay. Our loss ratio is say 40, 40%. So that's 40 cents.

Ken Gregg: Yep.

Scott Howell: And then our operating expenses are 25 cents. Gets you to 95.

Ken Gregg: That's 95% combined. That's correct. That’s called your 95 combined.

Scott Howell: Yep.

Ken Gregg: So, if your reinsurance expense is, let's say your reinsurance expense is 40, and your loss ratio is 45, right? You're at 85 and you've got a 25, you're at what 110? Right.

Scott Howell: Yep.

Ken Gregg: That means you're losing money for every dollar you brought in, you're spending out 10 cents more than you brought in.

Scott Howell: Got you. That calculation is not as hard as I thought it was going to be. Once you explain it using the dollar bill example, that's pretty easy to understand. So, most carriers on a combined ratio: are they including home and auto? If they sell both, or are they breaking it down like, okay, our combined ratio of homes is this, our combined ratio of auto is that?

Ken Gregg: I don't know, I'm not going to speak to the other company. More than likely they're looking by line of business. They will look at combined ratios. But as a carrier, when they report as a carrier, they'll report their carrier, their company results, their carrier results, as a combined entity. Right? And then let's deep dive a little further. State Farm came out a couple of weeks ago and the media is talking about them losing 15, was it $15 billion dollars on - I believe it was 15 billion - on auto I think, if I'm not mistaken. But then, you know, they make up a lot of that with financial services stuff that sold, things like that. So is that—

Ken Gregg: That won't play into it. Financial services won't play into it. That's a separate line outside the insurance industry. So, insurance products can combine together, you know, if their auto line-- and by the way, their homeowner and their other renter's, commercial, whatever else they're writing, as an insurer co’s -- those companies could offset what is going to a combined, what they were telling you if they said the auto lost 15 billion dollars, that line of business lost 15 billion.

Scott Howell: Right.

Ken Gregg: But as a company as a whole State Farm, probably, I don't know what their results were, but the results… they could have still been positive as a company.

Scott Howell: Right. I got you. That makes sense. That's very interesting that that combined ratio -- I remember when I was a Nationwide ‘captive’ agent and we would go to Southeastern district meetings, the leadership would talk about combined ratio. And to me, that was just some kind of wild ass number. They threw out that -- I didn't know whether that was legitimate or whether they had, you know what I mean? Like, I just don't know because I didn't understand really what combined ratio meant.

Ken Gregg: So let me ask you a question. Did anybody ever share with you what the combined ratio really is? It's just a profit loss. All it is, is profit loss.

Scott Howell: Right? Yeah.

Ken Gregg: An underwriting profit or are they making an underwriting loss? So again, that's all it is. Combined ratio says: have you made an underwriting profit or underwriting loss?

Bradley Flowers: Part of that captive agency culture, at least the ones I've been involved in is to, to almost give you enough information to be dangerous, but keep you in the dark a little bit, too. They don't really want you knowing their business like some of the independent carriers do.

Scott Howell
Well, you know, and usually when a carrier starts talking about combined ratio in a captive sense, it's because they're about to tell you they're taking rate.

Scott Howell: Exactly. They're talking about this and then it's going to be like, "you're about to get a pay raise." "And because of this we're about to take a 26% rate increase." Yeah no, I, I just never really fully understood what combined ratio meant. I'd ask a couple people on the podcast and I still didn't get what I felt like was a great answer.

Bradley Flowers: I remember when I was at Alpha, we had like 105% combined or something like that. And their solution -- and I don't know if they're still doing this or not, it's been too long since I've left -- there. But the solution was, they built a discount on your homeowner's policy. You got a discount based on how many on-time monthly payments you had on your auto. So, if you paid your car insurance on time, you got a discount on your homeowners. Might have made sense in actuary world, but try explaining that to Memaw, whose homeowner's insurance went up $300 because she was three days late on an auto payment. Yeah, it was like the time of my life explaining that.

Scott Howell: It's like when one of your customers gets on the phone and you've got to start talking about -- what was it we used to have to explain to people -- their auto, their monthly premium went up, and then you start talking about the you know, there was -- you added a base, added a vehicle in April, and now it's June. So now we've got to start talking about factor months, start talking to some redneck from Alabama about factor months. They're like, what the hell are you talking about? Well, you added this vehicle in April and now we're in June, and it was -- you almost needed a PhD in like a redneck… and even normal people… You know, a lot of people wouldn't understand what a 'factor month' is to figure this stuff out.

Ken Gregg: The average person doesn't understand it.

Scott Howell: Yeah, very, very difficult to explain and you know what I'm talking about in auto insurance… if you call me and you add a BMW in June…well, maybe you added it June 15th and your bill comes out June 21st and it's too late to put it on that. So then next time it comes, you get your bill, it goes up, you know, $142 or whatever. Right? Or maybe there's only one month left before the…

Bradley Flowers: Well, I'll tell you what mucks it all up too, on personal car insurance and even commercial, is you have some carriers that when you add a vehicle, the premium is pro-rated from that day until the next bill is due and you owe that premium at the time of adding that vehicle. That's the right way to do it. But what a lot of carriers do and Alpha did this… is you didn't have to pay anything. Therefore, the next bill had the last month's pro-rated added to it. And where it gets even more interesting is if you're too close to the end of that. Right. So then you have to wait two months and they're like, why did my bill go from $120 to $380 and you don't really have an answer for them.

Scott Howell: Well, what all that equals is a phone call to Scott. That's why I'm here. And then I have to call the carrier and we have to have a 30-minute discussion, and then you have to call them. Hey, I've got a question about Orion180. This has owned me and I hope I don't know how you guys do things over here, but do you have something besides an annual full pay to pay a policy? Or is it just annual for pay?

Ken Gregg: No, we have four options.

Scott Howell: I hate to call anybody out, but if anybody from Openly is listening to this podcast right now, folks, y'all got to figure some shit out over there. This whole Openly only has -- am I right about that? Because we sell a lot of Openly in our agency and we don't they don't have a monthly billing option. How is that possible? It's annual full pay and that's the only way you can pay it. Unbelievable.

Ken Gregg: I don't know anything. I don't know much about those guys, but no, we have four options. We have a full-pay, we have a semi-pay, quarterly, and a monthly.

Scott Howell: Right.

Ken Gregg: It's actually a ten pay. We have a ten pay, and look, the reason being is one of the points you talked about and you were mentioning about, you don't want to have certain billing points of how much and what you really want to get into, and not to be -- I'm trying not to be geeky here on you, but you want to be in equity at all times. So, in the scenario where the person doesn't collect upfront the insurance company's going naked from a standpoint of coverage, so they're providing coverage without ever receiving any money for that coverage. Right. And insurance companies really should never want to go down that path. You should always be in equity, which means, even from the time of when the payment is due and you have to calculate from the payment due date or to even what would the grace period, right? That even by the time the grace period would end, you had received premium for that grace period to be covered, that way you've never without having received premium for the appropriate coverage of the earned premium. So, you never want to be in to a point… but these companies, they go out there, you know, and I'm sure that probably the conversation would open these…they don't want to get into installment options. They probably want you to go out and do premium financing and stuff like that to get it paid in monthly. So, they get their all their premium upfront. And that can be done in different scenarios, but for us, again, going back, one of the things, as I understood starting our company -- because we were approached early on in conversations about doing 100% upfront and I just said no. Customers, we need to give options, give opportunities, make it easy. It's about ease of doing business again.

Scott Howell: Ken, you know, what's weird about what we're talking about right now? And when I got into insurance in 2008, every insurance exam in America for every state talks about and this was like my first day of insurance. One of the things I had pounded in my head was like, 'Here's the way the insurance contract works'. The insurance carrier, you know, unilateral contract. You came up… your boys over there, you came up with y'all's contract right? Y'all are the one that came up with the contract. The customer doesn't have anything to do with writing the damn contract, thank God. But in exchange for you saying we're going to take on this much of this risk in coming up with a contract, the way that's enforceable is I give you money, right? You're doing the contract, I'm giving you money. And now we have a contract and everybody's on the hook. But the longer I get in the insurance game with agency build accounts and other things where, you know, we're not getting money for a policy for ten days or whatever, I don't know. It just seems like that's been thrown out the window at some point or another. I mean, you've got 30 days to pay a broker.

Ken Gregg: Yeah, that's another thing we made a conscious decision on is not to get into agency bill, right?

Scott Howell: Yeah, smart move, Ken.

Ken Gregg: We didn't want to put it on the agents. And by the way, you run into issues, where the consumer says, "I gave the check to the agent." Agent says "I didn't give it to you." Now you're going to -- who are you going to get it from, right? We got a three-party dispute. We directly bill the insureds. We take it, that way you don't have to do it again. Let you do what you do best. You provide risk and consultation. You sell the product, make it easy for you to bring it to us. You make a decision, works with us, and I love the fact that you keep on doing -- you're speaking my language. They're contracts. They've accepted the contracts based on consideration; exchange of consideration, they paid the contract. It's a contract. It's their obligation to read the contracts. It's your obligation. As an agent, you have a fiduciary responsibility to make sure they understand the contracts. When they accept it, they accept it. And the point is, when there's a claim, they can't use the excuse of well, I just didn't know. No, it's your obligation to know. We accept a transfer of risk. I'm accepting risk and here's what I'm willing to accept. And that's why all those things come into play. But it is the point. It's a contract. It's not a willy nilly, 'let's take a swing at it and you know, it makes me feel good.' I've had people ask me, 'Hey, you know what? Can you help me out with this? One's a good friend of mine, can you pay a claim? I'm like, 'Are you going to write me an extra check?' I mean, that's what you're asking because it's not a claim paying out an extra 50 bucks off the price. You know, I said, you know, which we don't do either, because the risk is what it is. Right? We don't say one risk is different if it rates what it is, that's the rate. But you don't give out free money just to help out because it's a friend of yours.

Scott Howell: Right. Exactly.

Ken Gregg: It's like, "Hey, Scott, you know what? That house fire down the street really is going to impact my loss ratio. Do you mind writing a check for 500 grand, you know?" Are you going to do that? You know, you're a nice guy, you like doing business with me.

Scott Howell: Well, you know, my dad, my father has only been a trial lawyer for 35 years, and he's been suing the insurance companies for 35 years. And when I got in insurance, he pulled me in his office one day and he said he said, "Son, I want you to sit down for a minute. I will tell you something about insurance." And I said, "Sure, Dad." I was older. I was 35 years old. He said, "I've been suing insurance companies for 35 years." And he said, "I want to tell you something. And don't ever forget what I'm about to tell you. An insurance carrier will never pay out more than they are contractually obligated to pay. So don't ever think that you're going to somehow, you know, for your buddy that has a policy with you, get 100,000 more dollars for them when they've only got $75,000 of coverage.

Bradley Flowers: That's how consumers think. They think it works that way.

Scott Howell: A hundred percent they do! But they are not going to do that. Ken knows that as well as anybody. Hey, Ken, for all these agents listening right now to this podcast and I got to wrap this thing up, how did they reach out to Orion180 if they're in some of the states that you guys are in right now? And I know you're adding more and, you know, doing a lot of different things, but how would they go to possibly if they're in one of the states that you guys serve or you're about to serve, how would they get a contract with Orion180 to start writing business through you guys?

Ken Gregg: Well, I appreciate that. They can go to https://www.Orion180.com and there's a link on there to contact us and how to become an agent with us. We'd love to. And look, we even love to have agents contact us where we're not there yet, to let us know they'd love for us to get there. That'll be a big driver for us to look at. One of the things, though, we look at is regulatory-friendly states. We're not going to go into states where we have to fight with people all the time. But no, we'd love to. We appreciate everything you guys do. We are, as you guys mentioned earlier, that I stated back in our agency meeting, we hopefully will have you guys there again this year with Accelerate 2023. We are big fans of the independent agent base. Agents are not going anywhere. They never will. Agents should probably realize that and not be scared of direct-to-consumer competition. If anything, we'll drive more business to you. The quality agents... it's just going to show that everything else – it's no different in insurance companies, you got to evolve, right? Show your value as agents and agents like yourselves probably stand out and you don't have a problem getting customers because you're great quality agents. You will probably have to bar the door shut, you probably get too many of them, but you never get too many of them. Right? But look, we love to partner with quality agents. That's another thing we look at - we look at the quality of the agent. We don't contract with everyone. It's about the quality of the agents we get on board with - we have alignment between how we do business, what we do in business, and how we support each other. So that's, you know, we'd love to have more and more quality agents partner with us and we look forward to growing with everyone and we're going to keep on growing.

Scott Howell: Brother, I appreciate that.

Ken Gregg: If we're not growing, we're dying! And we're not dying.

Scott Howell: I love it. You get me fired up over here. Guys, I'm going to go ahead and shut this thing down. Ken, we love you. We appreciate you being on the show. As I end every podcast: rewards come from action, not discussion. Get your ass out from behind that desk today and go out into the big bad world and create relationships not only in your community, which is vitally important, but go out and create relationships with carriers like what Ken's doing at Orion180! I've always said choices are a good thing. You need to have a stable of fantastic carriers in your back pocket to write more business, and I want you to go out today and start building those relationships with carriers, carrier reps, people in your community -- so that you can live the life that Ken and Bradley and I know beyond shadow of a doubt that you deserve to live. Go write good business for you, for your wife, for your husband, for your kids' college fund! Figure out what your "Why" is. Go write good business for your parents and your in-laws that are struggling out there today so you can help them and do things for them that maybe they, for whatever reason, they just couldn't do up until today. One of my big "whys" in my life is, I've got two in-laws that live 100 yards from me and they need help. And I'm not going to start crying on you, but I'm going to tell you this: there's not one day that I get up and I go in that office, and deal with all the same shit that all of you have to deal with every day, that I don't think about that. Write good business for the companies that you represent and write good business for the agencies that you represent. **Bradley Flowers**, I love you.

Bradley Flowers: Thanks, man. Thanks Ken.

Scott Howell: Thank you so much. And guys, you were listening to the Insurance Guys podcast. We love each and every one of you. Thank you so much for being a part of our family. And we'll see you back here real soon. Take care. Thanks for listening to the Insurance Guys podcast. If you need to know more about me or need to get in touch, Scott Howell, you can always reach me at the Insurance Guy online on WSJ.com or email me at Scott@Iprotectinsurance.com, and if you need to get in touch with Mr. Bradley Flowers go to https://www.portalinsurance.com, or email him at bradley@portalinsurance.com. Guys, we love you, thank you so much for listening to our show and being a part of our family and we look forward to seeing you again next week on the next episode of the Insurance Guys podcast. Take care.