

PCOC Insurance Program Benefits the Entire Industry  
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The PCOC insurance program as we know it today began in 1987 when PCOC decided to find out if we could have a hand in controlling our own destiny as it pertained to insurance. The results and impact on the entire industry have been no less than remarkable.

At the time of the creation of our program, our rates were at the whim of the fluctuations of the insurance market. Pest control insurance costs had gone up dramatically in the mid 1980s without any corresponding change in our losses. In 1987 PCOC worked with Paul Lindsay of Fred S. James (which was later purchased by Marsh) to research our actual losses and put together an industry controlled program. The goal of the program was to provide a long-term stable insurance market for the structural pest control industry. While we have had many imitators, and opportunists who have entered the market with inferior products at cut rate prices and cut rate service, our program has continued to offer what was our initial goal: long-term stable insurance product.

Industry ownership makes a key difference in our program. Shortly after PCOC created the PCOC Insurance Program it became clear that we needed more than just a committee to oversee this program. The PCOC formed a for-profit corporation, The Peacock Group Inc., to manage and oversee the insurance program. The Peacock Group meets regularly with claims adjusters, underwriters, and program managers from Marsh to oversee the program and to provide industry expertise in managing claims, assisting in underwriting, risk management, and coverage issues. This crucial involvement in our insurance program gives us a definitive edge and enables us to provide far superior service and product for the industry. The PCOC financials reflect the largest asset owned by the PCOC is the Peacock Group Inc. (The Peacock Group Inc. and PCOC Insurance Program are used interchangeably in this article.)

The success of the PCOC Insurance Program spurned many imitators, and was the driving force which brought insurance rates dramatically down for the pest control industry nationwide. Pest control companies from San Diego to New York City purchasing insurance from other carriers can thank the PCOC Insurance Program for the low rates offered by our competition. This trend continues today with carriers looking to the PCOC Insurance Program as the benchmark for coverage, service and pricing. One area of frustration is that while our goal is providing a stable insurance program, our competitors have no such goals. Many competitors with no long-term commitment to the industry come in and undercut our prices with inferior products and service, or will simply cut prices in an attempt to buy the business. Just as in the pest control industry, just because a competitor comes in and attempts to offer an inferior product at a lower price, you do not just automatically lower your prices as well. In some

cases the industry has taken advantage of low-ball carriers and have come out unscathed. (Though more than one carrier has lost their shirt offering cut-rate premiums to our industry.) In other cases pest control companies have been burned by poor service, and worse yet inadequate coverage when they suffered claims. A competitor looking over the PCOC Insurance Program policy issued to one of our members remarked, "You have a Cadillac policy – I can save you a lot of money". You bet he could save that company some money; he was selling a Yugo. We are proud that our competition refers to our program as the Cadillac of pest control insurance. If they are selling Yugos, I want the Cadillac.

One of the many pioneering innovations of the PCOC Insurance Program was the introduction of errors and omissions insurance to our industry. PCOC Executive Vice President Harvey Logan was speaking with a friend in the insurance industry about our insurance program and the losses and needs our industry had. Harvey's friend examined our losses and remarked that what it appeared our members and industry needed most was errors and omissions coverage. Harvey brought the concept back to the PCOC insurance program, which worked with Paul Lindsay and Marsh to develop an errors and omissions insurance coverage for the PCOC insurance program. Today the entire industry has followed our lead and offers errors and omissions insurance to their pest control clients. The impact of our creating errors and omissions insurance has even affected the laws in other states. Recently while reading the pest control codes for another state, I was surprised to learn that their codes now require pest control companies to have errors and omissions insurance to ensure the consumer is protected.

In the late 1990s the Peacock Group formed an offshore captive insurance company for the purpose of offering workers compensation insurance to our members. We partnered with an A+ rated company for both the captive itself as well as for the issuing of the insurance policies themselves. We were able to offer rates which were dramatically lower than any other carrier offering insurance to the pest control industry. Our members saved hundreds of thousands of dollars during the life of this insurance captive, while we were maintaining an excellent loss ratio for the program. If it had not been for 9/11/01 we would still be offering workers compensation at a dramatic discount and we would be earning a fair profit. Unfortunately 9/11/01 changed everything. We all know on 9/11/01 terrorists flew two airliners into the twin towers, another airliner into the Pentagon, and thanks to some everyday heroes a fourth airliner crashed in a Pennsylvania field instead of a primary target. These events impacted all of us, but they specifically impacted our insurance captive. While we had done everything possible to insulate ourselves from the rest of the insurance world, no one could have anticipated what happened on 9/11/01. One of the parent companies of our insurance partners in our offshore captive was the insurance carrier for a number of the airplanes which went down on 9/11/01. Due to the catastrophic losses the carrier suffered, the courts gave them special dispensation to liquidate the assets of their sub-corporations to enable them to

pay for the 9/11 losses. As part of this agreement our workers compensation insurance captive was shut down effective the end of the then current policy period. In the end the Peacock Group lost their “profits” to the 9/11 settlement, but our investment capital for the program was eventually returned. While the result of having 9/11 shut down our captive was disappointing, PCOC members still benefited from two years of dramatically lower workers compensation rates.

Peacock Group doing business as the PCOC Insurance Program provides support and services for all members of PCOC. The PCOC Insurance Program subsidized the position of the Director of Membership for four years, and for the past fourteen years has employed a Risk Manager who serves the whole membership of PCOC. The Peacock group provides safety, risk management and technical assistance to the entire membership of PCOC. While my primary focus and duties as Peacock Risk Manager is to our insurance program and our insureds, a significant percentage of my work product and time is spent serving the PCOC membership as a whole. Many of the resources made available to the membership are in fact primarily supported through time and finances by PCOC Insurance Program. One small example is the monthly Safety Meetings, which are published in the PCOC NewsBriefs – a benefit to the entire membership provided by the PCOC Insurance Program.

The PCOC Insurance Program has been a benefit for the entire membership of PCOC for eighteen years, and is poised to continue to continue to be a significant benefit for the entire membership for the foreseeable future.