

A Competitive Market

New capacity is keeping pricing in check, even as premium growth maintains an upward trajectory.

By Alex Wright



Flooding as a secondary peril continues to grow as a threat for admitted and excess risk takers.

The excess and surplus (E&S) insurance market continues to grow, yet at a slower rate than in previous years.

Total surplus lines premium reported to the U.S. stamping offices through midyear 2026 was up 2.8% at \$47.6 billion.

As admitted carriers keep pulling back from ever-increasingly complex and hard-to-insure risks, or exit the market altogether, so E&S providers have stepped up.

Among the key risks they are picking up are severe weather, cyber exposure and newer technologies such as artificial intelligence (AI).

Yet, while that business has flowed steadily into the E&S market, so have new entrants, particularly fronting companies, thus increasing competition in certain customized risk classes and softening year-over-year premium growth, according to AM Best.

At the same time, loss trends, driven by social inflation, litigation activity and catastrophe exposure, continue to increase.

As a result, the market is expected to flatten in terms of premium in the near-term.

"Although market premiums have been affected by increasing levels of competition for certain risk classes and lines of coverage, surplus lines insurers have continued a multi-year surge, absorbing complex risks that admitted carriers have increasingly avoided in property, commercial auto and high hazard casualty lines," said David Blades, an associate director at AM Best.

With the flood of new market entrants, capacity has increased, with property, in particular, benefiting. Yet, in some areas, such as casualty, there are early signals of greater discipline in its deployment as carriers continue to manage social inflation, nuclear verdict exposure and loss cost trends.

In terms of rate, generally the softening market, now in its third straight year, is depressing prices, particularly property, which has benefited from a couple of benign wind years. While rate has also lessened in casualty, however, it doesn't reflect the increasing loss trends in that segment.

"Property underwriters face three difficult choices: maintain exposures at lower rates and increase the volatility in their portfolio; de-risk their portfolio given the lower expected margin; or reposition portfolios toward more attritional business," said Andy Hendrix, head of E&S property, Westfield Specialty. "Underwriting results will differ based on how each carrier manages the soft market conditions."

Flood is another exposure that is becoming increasingly more unpredictable and widespread, said Gary Isaacson, founder of reThought Flood. Evidencing



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this, he said that 99% of U.S. counties have flooded since 1996.

"The biggest risks used to be storm surge and river flood," said Isaacson.

"Now it's rainfall, which is incredibly difficult to predict, and that's only going to increase over time."

By business line, there are segments where growth has dampened due to economic factors, particularly in construction projects. On the flipside, opportunities abound in growth industries such as retail and wholesale distribution, transportation, manufacturing and hospitality, while property remains one of the healthiest segments in terms of profitability and capacity.

"On the casualty front, there's a bifurcation in the small to middle market," said Erich Bublitz, executive vice president and head of excess and surplus at AmTrust.

"In lines such as general liability there are some rate challenges, but in the more specialized areas such as social services and environmental, which are more complex, the rate is more appropriate for the risk."

Helen Hawk, head of casualty programs, Amwins Special Risk Underwriters, added: "The lines that are performing best are the more benign commercial consumer products. It's the tougher stuff such

SUMMARY

- **Premium growth** in E&S has decelerated somewhat.
- **The WSIA Annual** Marketplace kicks off in San Diego on October 11.
- **New market entrants** are pouring in, increasing competition.

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as things that can cause fires and explosions, where the injuries are bigger and they get a lot more publicity where the claims costs are rising exponentially.”

Karen London, president, specialty casualty, QBE North America, said: “Every time a carrier changes its approach, gaps emerge in existing insurance programs that need to be filled. Success in today’s E&S market isn’t simply about providing capacity – it’s about understanding where those gaps exist and responding with expertise, consistency and speed.”

INCREASED CAPACITY

The biggest challenge in the E&S market, said Lynanne St. Denis, The Hartford’s head of Navigators, is competition in the form of new capacity, specifically when it’s backed by new entrants who are operating with little to no historical data to inform their underwriting decisions. Among the areas most affected by this, she said, are property and casualty, with the biggest impact in primary casualty, excess casualty and auto.

“Competition is always a good thing for our customers, and we welcome it,” said St. Denis. “However, buyers should look beyond price and capacity alone.

“They should evaluate whether their chosen insurer has the financial strength, enduring market commitment and proven longevity to honor its obligations throughout the full lifecycle of the risk. For

WSIA Marketplace

This year, the WSIA Annual Marketplace will be held at the Manchester Grand Hyatt and Marriott Marquis San Diego Marina from Sunday, October 11 to Wednesday, October 14.

The main wholesale, specialty and surplus lines industry event already has more than 7,600 registered attendees, who will join in networking and business meetings throughout the week in The Lounges, Hospitality Zones and The Club. The WSIA meeting spaces will be co-headquartered at the two hotels, with participants scheduling their own meetings.

“Market growth, market dynamics and underwriting discipline will certainly be key discussion points again this year,” said Brady Kelley, WSIA president and CEO, of the highlights.

“Attendees will also be interested in A.M. Best’s commentary on the industry’s financial strength and 2025 performance in relation to the standard market. AM Best will release its annual study of the surplus lines segment just prior to Annual Marketplace, with a webinar panel discussion about the report and state of the market.”

long-tail exposures, the true test of an insurance partner is not simply whether it can underwrite the policy today, but whether it will still be there to service the account and handle valid claims a decade from now.”

The crossover between traditional carriers and managing general agents (MGAs) is also causing market disruption, when MGAs expand into broader, more generalized business classes. The end result is depressed prices in non-specialty business.

Another area of concern for E&S providers remains casualty claims litigation. While some states have made progress in reforming their legal systems in order to increase transparency and avoid abuse of the

system, notably Florida, Georgia, Louisiana and North Carolina, the impact on casualty loss trends has been limited so far, with the market continuing to face significant pressure from nuclear verdicts, litigation funding and evolving plaintiff tactics.

For Mark Groenheide, president and CEO, LIRG, however, the biggest worry is cyber aggregation, given that it’s one of the least understood risks facing the industry. In an increasingly globally-interconnected world, he said that means clients are more exposed than ever before.

“The global economy has become increasingly dependent on a relatively small number of cloud providers,

software vendors, AI platforms and critical digital infrastructure providers,” said Groenheide. “A single systemic cyber event could impact thousands of insureds simultaneously across multiple industries and jurisdictions. I do not believe the industry has fully quantified that exposure, and I think pricing and capital should reflect that uncertainty.”

TECHNOLOGY UPTAKE

Despite all the challenges, opportunity abounds for E&S providers, driven by the evolution of technology such as AI and automation, and increased data sharing between carriers and brokers. That enables them to deliver greater value for their customers, helping them to become more self-sufficient, and drive repeat and new business, at the same time as improving their own operational and underwriting efficiency to reduce expense ratios.

“One of the most important shifts in our industry is that clients are increasingly choosing E&S providers for expertise and problem-solving rather than simply access to capacity,” said Adam Mazan, RPS president.

“We tend to look at the opportunities to capitalize on this in three main buckets: emerging technologies, AI-related exposures, cyber risk or other evolving exposures; how we are partnering with our retail clients on creative program structures in order to solve an insured’s needs or objective; and how we are partnering with capital to connect capacity to buyers in the most strategic and efficient way.”

The E&S market remains well placed to take on new business, with plentiful capacity across most lines, expanded underwriting resources, and technology enabling brokers and carriers to evaluate risk more efficiently. As they continue to employ technology solutions and AI, brokers and underwriters can summarize data points, make more informed and quicker decisions, better manage submissions and pricing, and streamline the overall process, enabling them to spend more time on developing effective and relevant solutions.

“AI and operational strategies are delivering leaps and bounds to the markets in the form of triage and prioritization,” said David Haas, president global specialty, CNA Insurance. “This is streamlining the process by requiring brokers to input every angle of a client profile at the start of the intake process.” &

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