

SIR 2025
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Conference**

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Fairmont Hotel in Chicago

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E&S Insurance: New Challenges and Solutions

Lauryn Kothavale, Conning

Conning Insurance Research: Total Coverage, Deep Knowledge



Total Industry Coverage

- › Property-Casualty
- › Life
- › Annuities
- › Health



Experienced Team

- › 17 professionals
- › Average experience of 21 years
- › Diverse skills and experiences across insurance industry



Unique Offerings

- › Produces over 100 reports annually
- › Various subscription offerings
- › Customized consulting solutions



Introduction

- The E&S (excess and surplus lines) insurance market has experienced significant growth and plays a crucial role in the insurance industry
- Growth has typically been cyclical (relief value for the industry)
- E&S market has recently attracted attention
- Moving forward, E&S is going to play a more consistent role in marketplace



Agenda

- Market Overview
- Players
- Performance Analysis
- Distribution
- Outlook

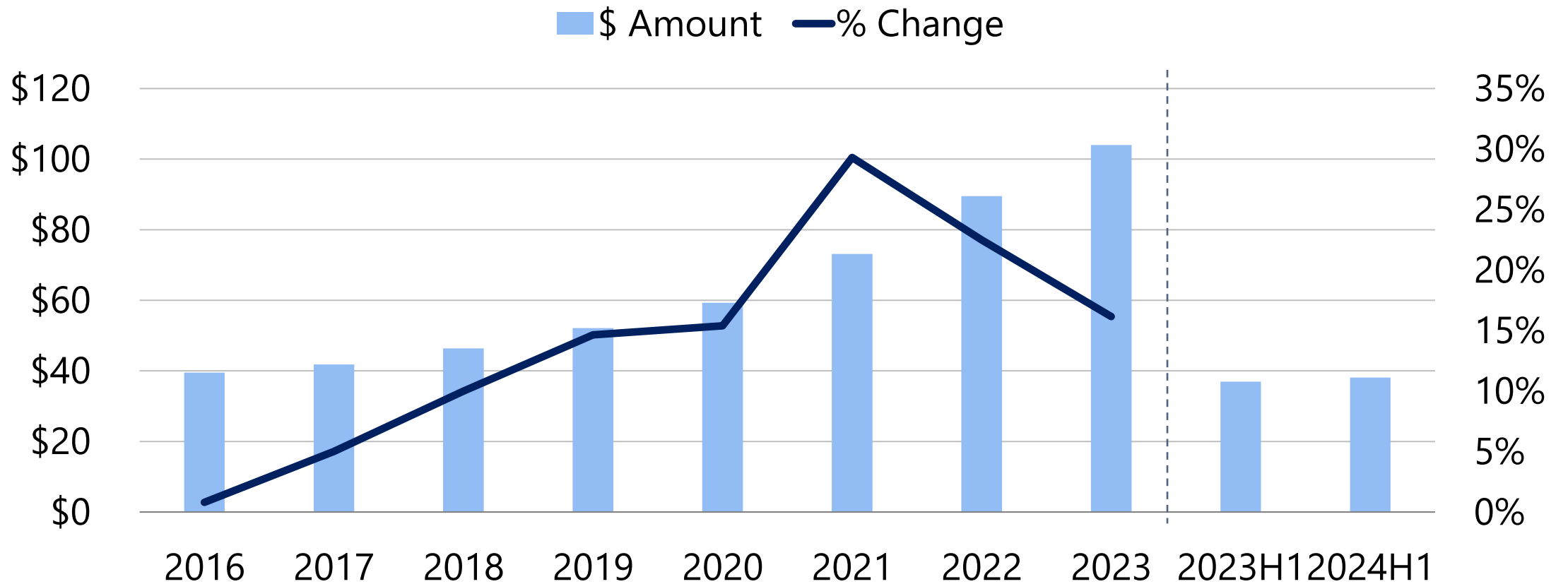


E&S Market Overview



E&S Premium More Than Doubled Since 2019

Growth in E&S Direct Premium Written *\$ in billions*

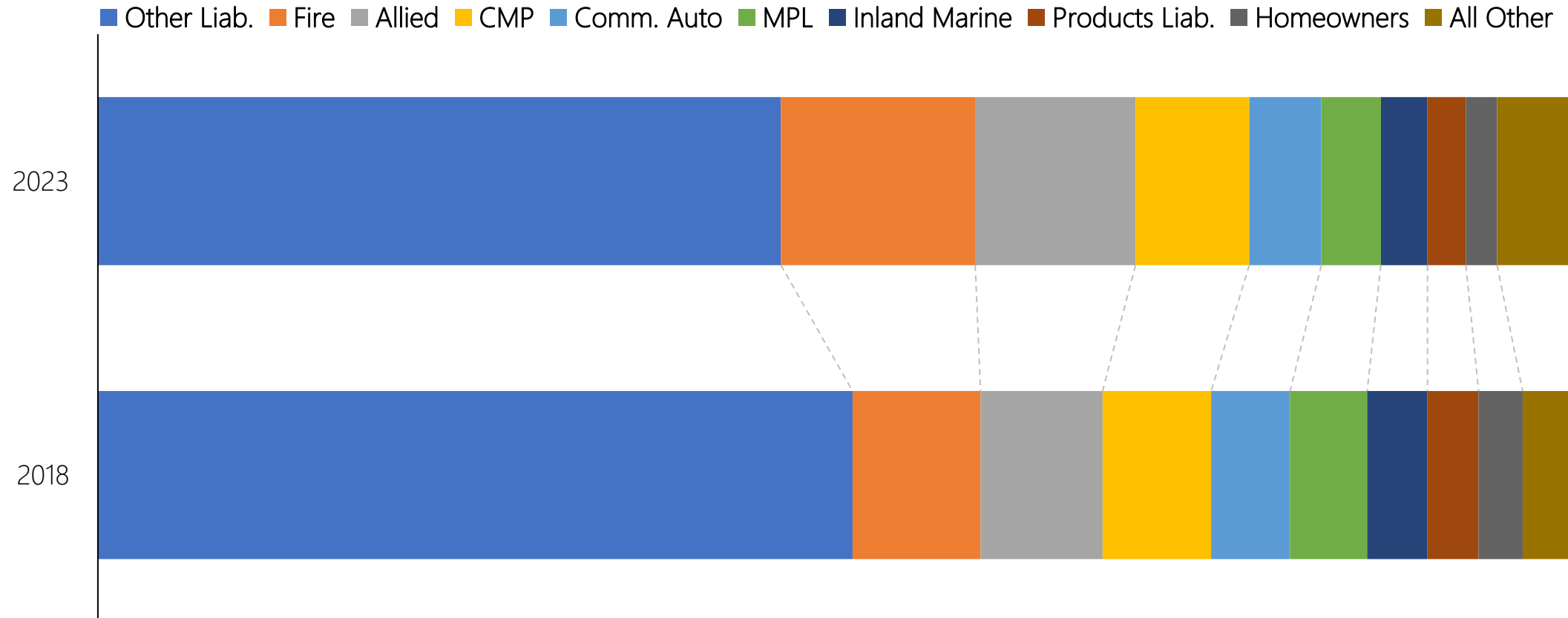


*Full year figures include Lloyd's, half year does not include Lloyd's
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Shifting Balance: Property Lines Gain Ground

E&S Business Mix



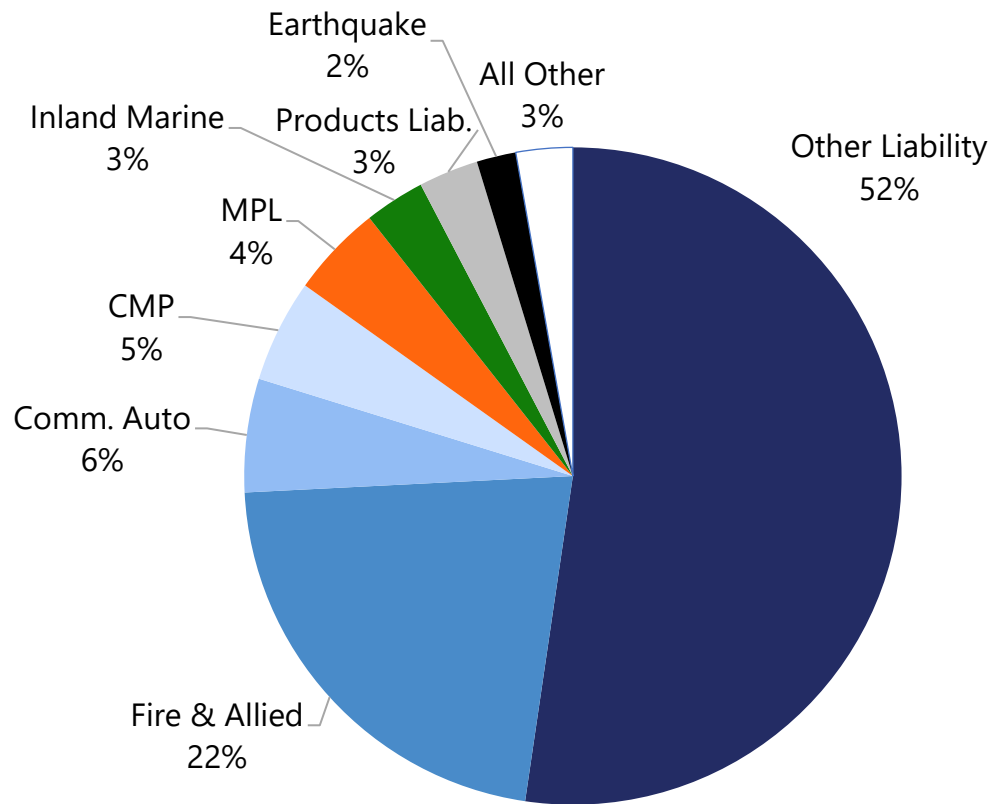
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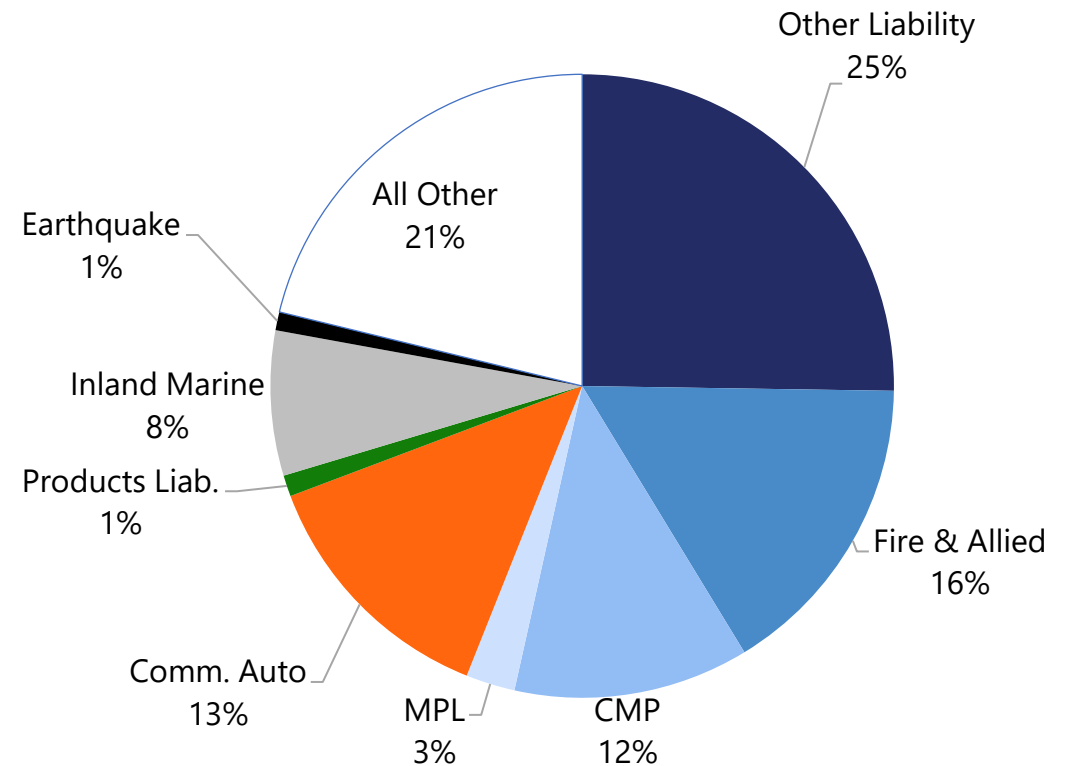
GL and Comm Property Dominate Commercial E&S

Commercial Lines Breakdown Compared to E&S Lines

Distribution of Direct Premium by Commercial Line, E&S 2023



Distribution of Direct Premium by Commercial Line, Total Industry 2023



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Key Players



Surplus Lines Market Becoming Less Concentrated

Largest U.S. Surplus Lines Groups, 2023

\$ in millions

Group	2023 Group E&S DPW	E&S Market Share, 2023	E&S Market Share, 2018	CAGR 5-Year Growth
Berkshire Hathaway*	\$8,420	10.0%	8.7%	28%
AIG	5,005	5.9%	10.0%	9%
Fairfax Financial	3,957	4.7%	5.0%	22%
Markel	3,799	4.5%	7.0%	11%
W. R. Berkley	3,562	4.2%	5.2%	18%
Chubb	3,182	3.8%	4.1%	21%
Starr International	2,723	3.2%	1.8%	44%
Nationwide	2,645	3.1%	5.0%	11%
Liberty Mutual	2,277	2.7%	3.7%	15%
AXA	1,958	2.3%	3.8%	10%
Top 10 Each Year	\$37,530	44.5%	54.8%	17%
Top 25 Each Year	\$59,854	70.3%	81.4%	18%
E&S Industry Total	\$84,424			24%

*Berkshire 2018 includes Alleghany

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Increasing Interest in Market Drawing Specialists

Surplus Lines Specialists (>90% DPW in E&S)

\$ in millions

Insurer	2023 Direct Premiums	E&S as a % of Total	Premium Growth 2018-2023 CAGR	Primary Line of Business
Kinsale Insurance Co.	\$1,569	100%	55%	Other Liability
Redpoint County Mutual	913	100%	49%	Personal Auto
Ategrity Specialty	352	100%	N/M	Other Liability
Upland Specialty	292	100%	N/M	Other Liability
Frontline	287	100%	80%	CMP
Southlake	259	100%	N/M	Commercial Auto
Canopius	205	100%	40%	Commercial Auto
Vault	144	100%	107%	Homeowners
Richmond National	128	100%	N/M	Other Liability
Adriatic Insurance Co.	18	100%	(11%)	Commercial Auto
Physicians Proactive	18	100%	5%	MPL
NAMIC Insurance Co.	16	100%	10%	Other Liability
PrimeOne	10	100%	9%	CMP
IFG	410	98%	21%	Other Liability
Global Indemnity	319	91%	7%	Other Liability
Concert	140	91%	N/M	Commercial Auto
Atain	99	91%	6%	Other Liability
Total	\$4,383	99%	21.7%	

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34 Companies in Total Write >50% DWP in E&S

Surplus Lines Specialists (<90% and >50% DPW in E&S)

\$ in millions

Insurer	2023 Direct Premiums	E&S as a % of Total	Premium Growth 2018-2023 CAGR	Primary Line of Business
Transverse	\$791	87%	N/M	Allied Lines
Trisura	1,236	83%	134%	Other Liability
SCOR	600	81%	22%	Fire
Obsidian	323	81%	N/M	Other Liability
Knight	265	81%	47%	Commercial Auto
ACP	558	79%	N/M	Other Liability
James River	1,180	78%	8%	Other Liability
GeoVera	344	75%	10%	CMP
Conifer	68	68%	9%	CMP
Ambac	167	67%	N/M	Commercial Auto
Aspen	827	66%	11%	Other Liability
AXIS	1,946	62%	30%	Other Liability
StarStone	1,402	62%	78%	Fire
Prime	186	61%	14%	Commercial Auto
Ascot	601	59%	N/M	Other Liability
Sutton	304	52%	N/M	Other Liability
Accredited	523	51%	N/M	Other Liability
Total	\$12,392	67%	23.9%	

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E&S Is a Magnet for New Entrants

List of Recent E&S Startups

\$ in millions

Company	Year	Type	2023 Premiums
Westfield Specialty	2021	Subsidiary	\$481
Palomar E&S	2020	Subsidiary	479
Ategrity	2018	Startup	352
Sirius Specialty	2020	Subsidiary	309
Upland Specialty	2021	Startup	292
GuideOne National	2017	Subsidiary	280
Vault E&S	2017	Startup	144
CM Vantage Specialty	2020	Subsidiary	132
Richmond National	2021	Startup	128
Mobilitas	2020	Subsidiary	84
Rockingham Specialty	2019	Subsidiary	54
Specialty Builders	2020	Subsidiary	33
Hamilton Select	2022	Subsidiary	78
Gray Surplus Lines	2020	Subsidiary	NA
Vantage Risk Specialty	2021	Subsidiary	NA
Lancashire	2024	Subsidiary	NA
Dellwood	2024	Startup	NA
Securian Specialty	2024	Subsidiary	NA
Amherst Specialty	2024	Startup	NA
FCCI Specialty	2024	Subsidiary	NA

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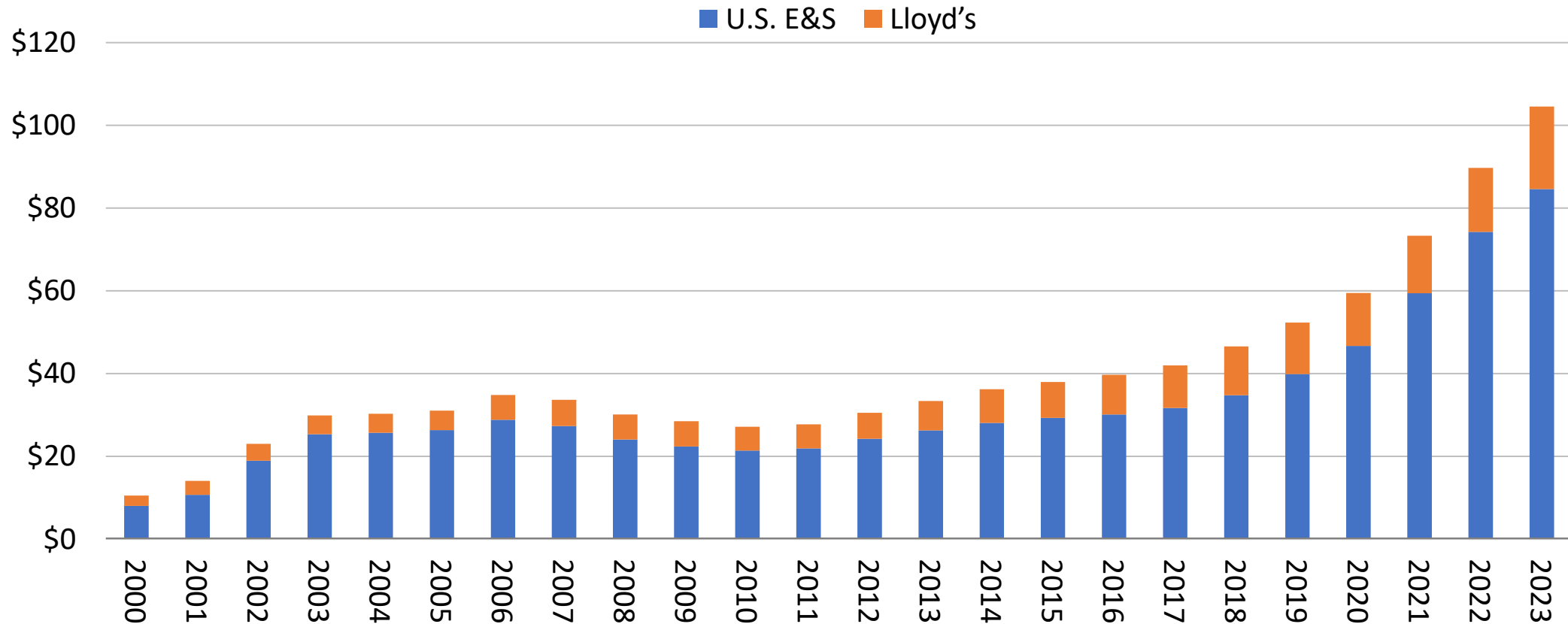
Performance Analysis



Hardening Market Has Influenced Premium Growth

Historical Premium Levels

\$ in billions

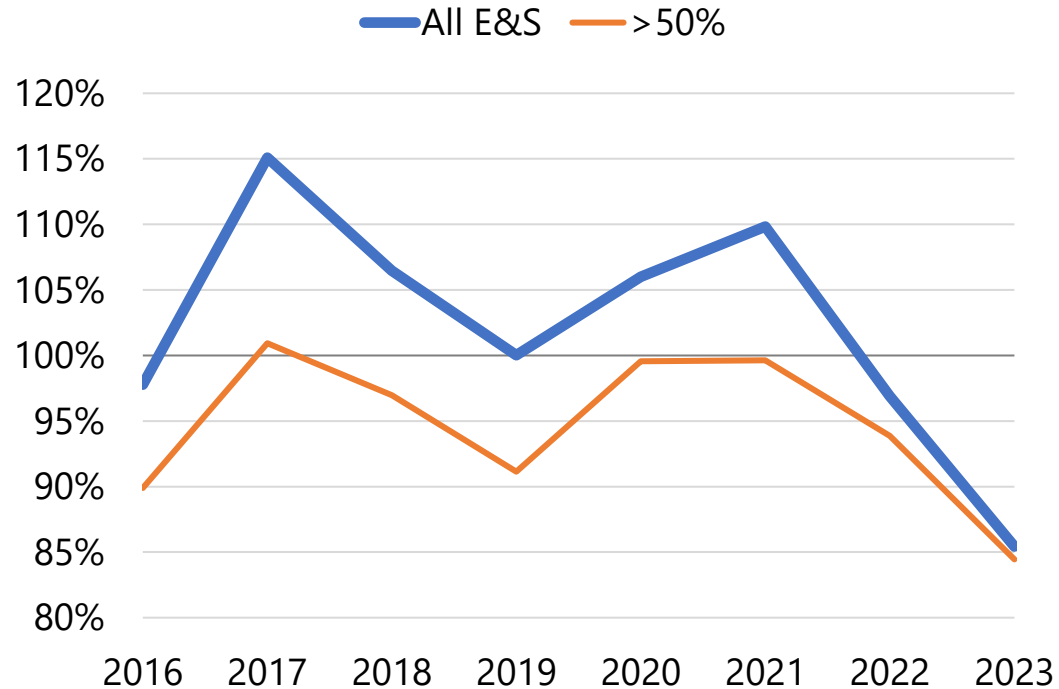


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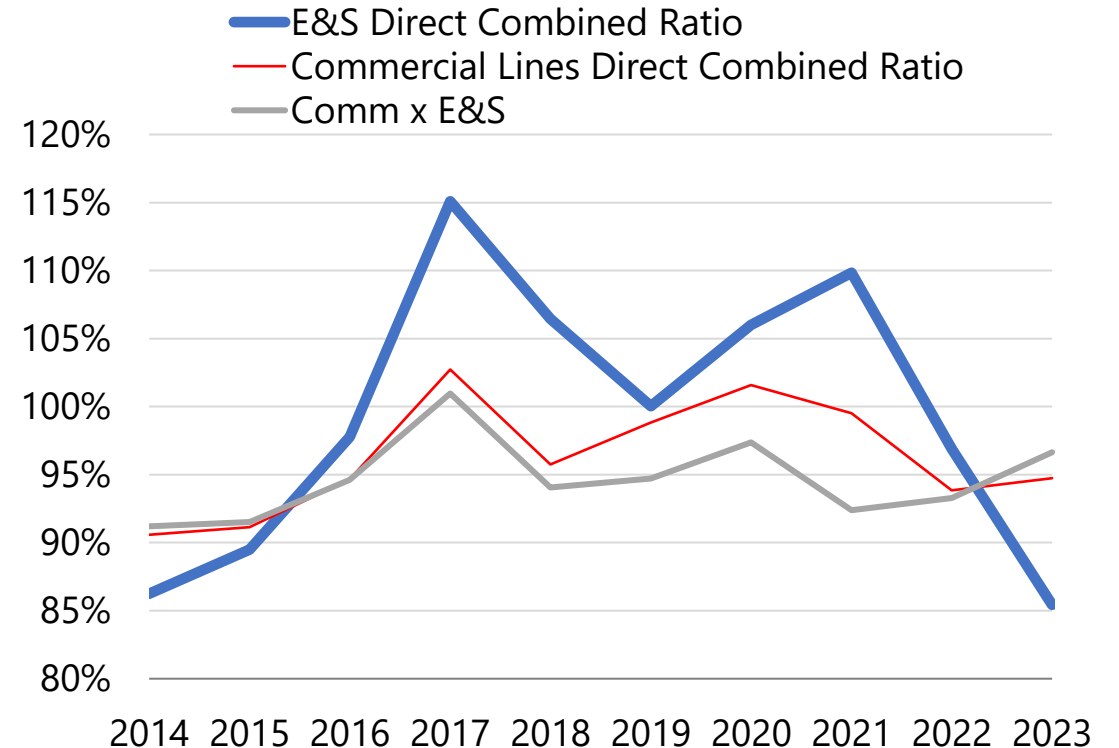


Underwriting the Unconventional: E&S Focus

Combined Ratio, Groups with >50% E&S versus Entire E&S Composite



Direct Combined Ratio, Commercial Lines

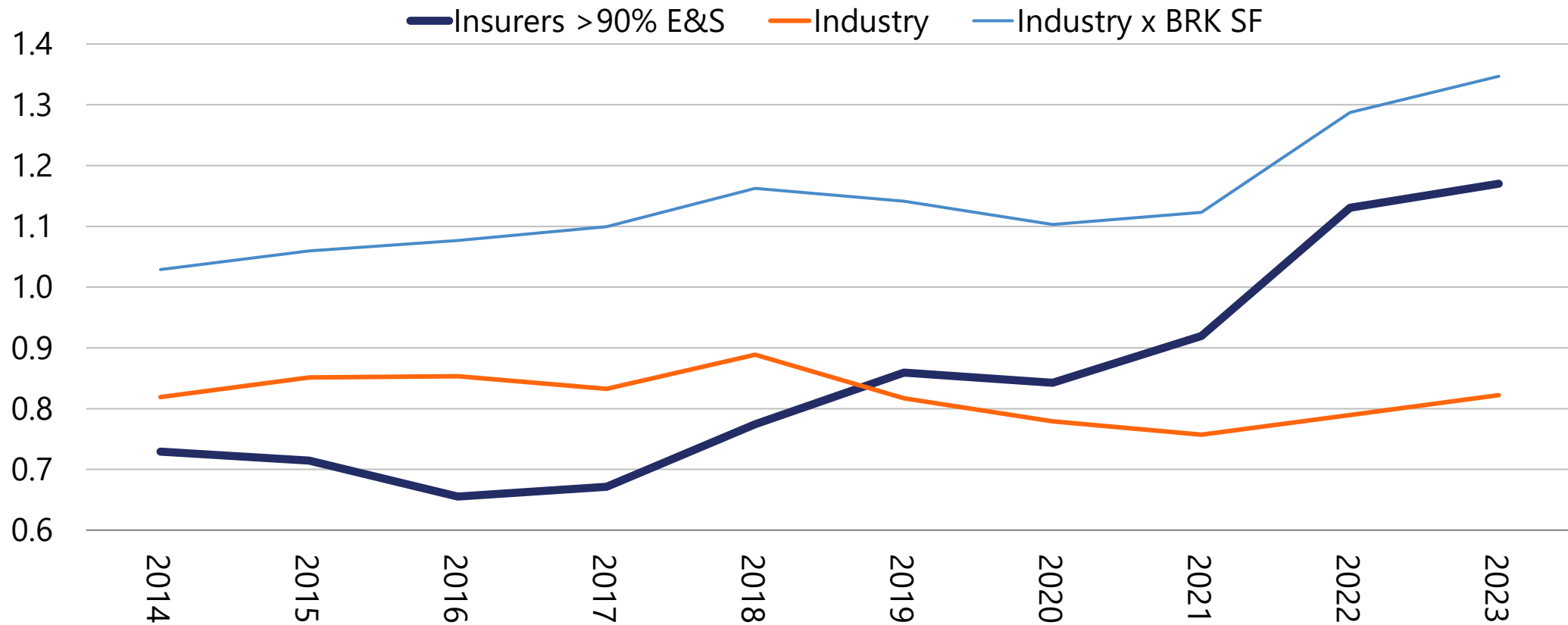


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E&S Leverage Below Industry Average (x BRK/SF)

Direct Premium to Surplus Ratio



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Distribution



Premium Powerhouses: How Top E&S Brokers Stack Up

Largest Property-Casualty Wholesalers 2023 \$ in millions

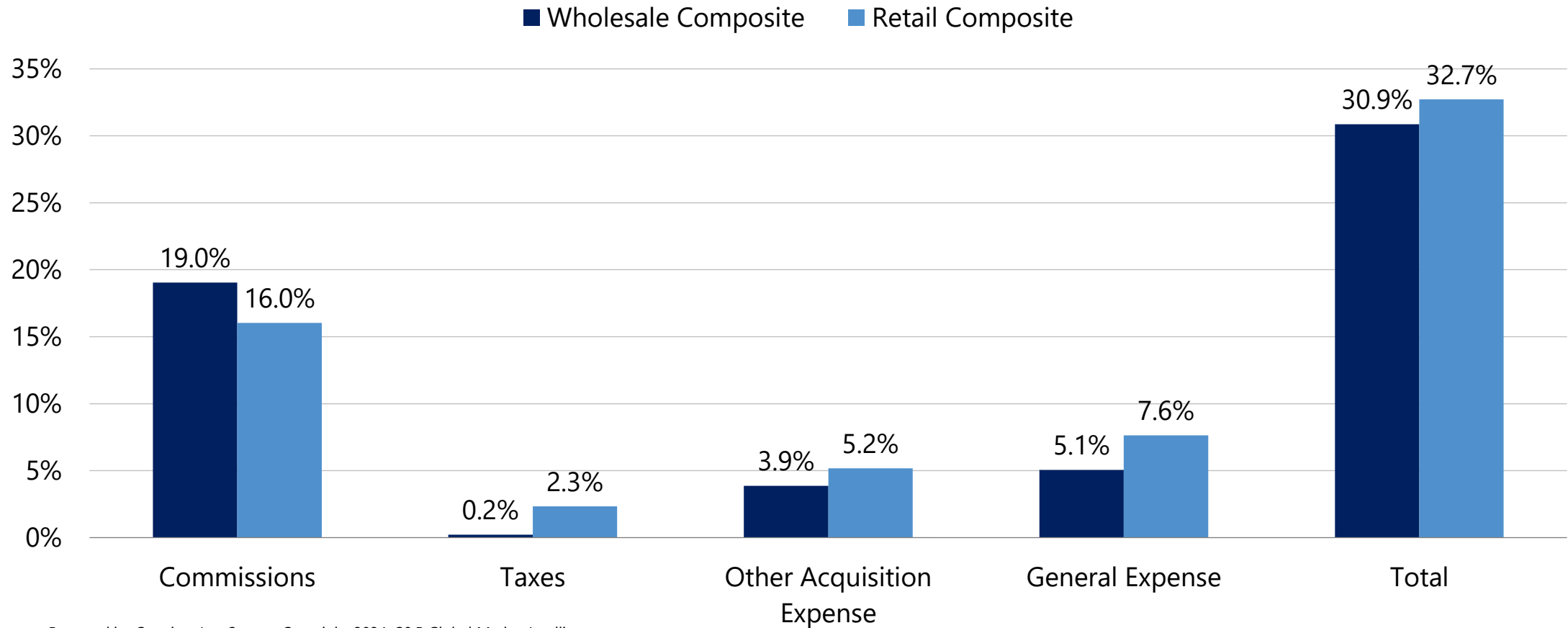
Rank	Company	2023 Premium Volume	2022 Premium Volume	Percentage Change	Market Share of the Top 10
1	Amwins Group Inc.	\$33,226	\$27,680	20%	35%
2	Ryan Specialty LLC	23,600	19,900	19%	25%
3	CRC Group	18,638	16,679	12%	20%
4	Bridge Specialty Group	6,212	4,400	41%	7%
5	Jencap Group LLC	3,400	3,060	11%	4%
6	Specialty Program Group	3,352	N/A	N/A	4%
7	Burns & Wilcox Ltd.	2,760	N/A	N/A	3%
8	Brown & Riding Insurance Services	2,271	\$1,967	15%	2%
9	ARC Excess & Surplus	1,041	\$1,069	(3%)	1%
10	XPT Specialty	979	N/A	N/A	1%

*Companies deriving 50% or more of their premium from wholesale brokerage
Prepared by Conning, Inc. Source: *Business Insurance*



Wholesale Competitive with Retail

Median Annual Non-Loss Cost Ratios, Five-Year Average, Selected Lines



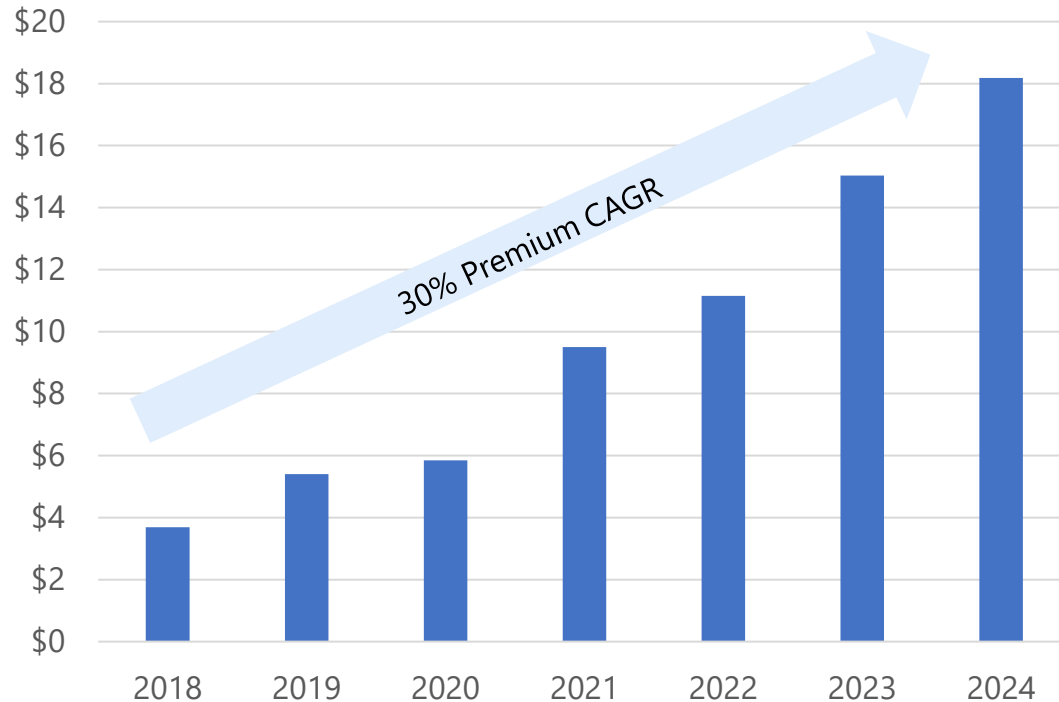
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Fronts & MGAs: Key Drivers of E&S Market Growth

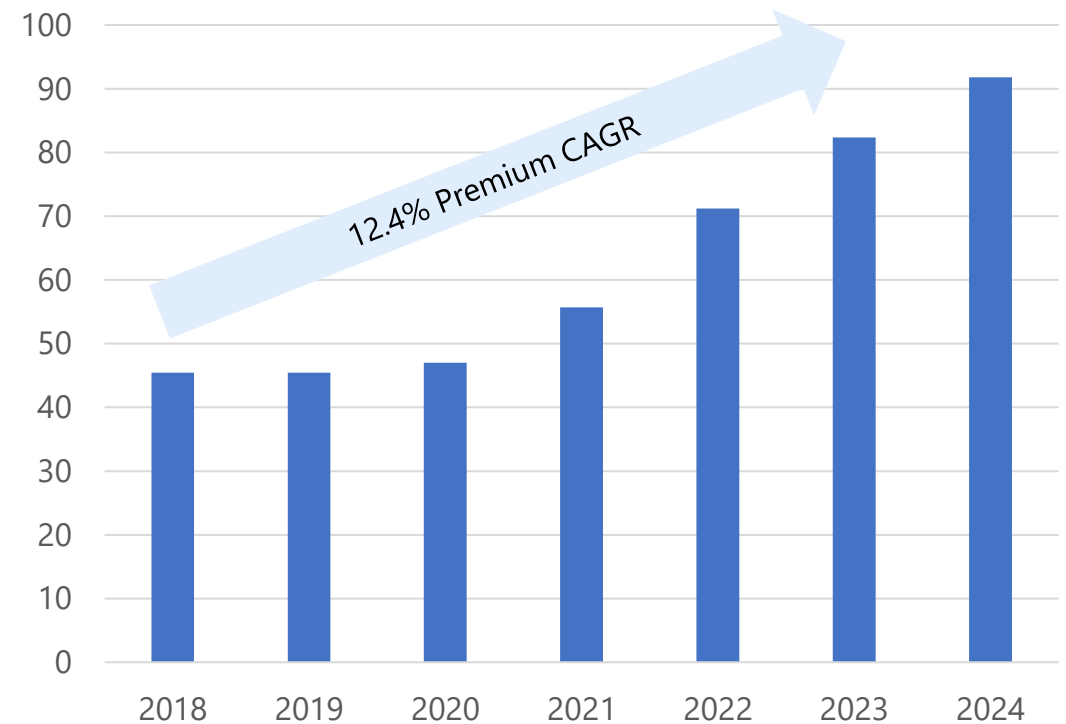
Fronting Market Growth

\$ in billions



MGA Premium

\$ in billions

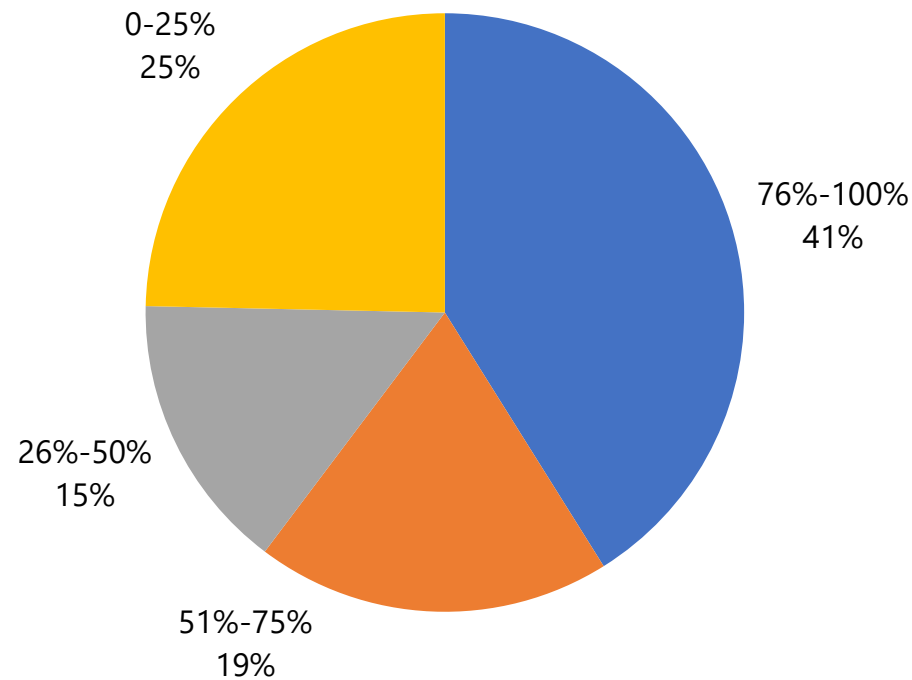


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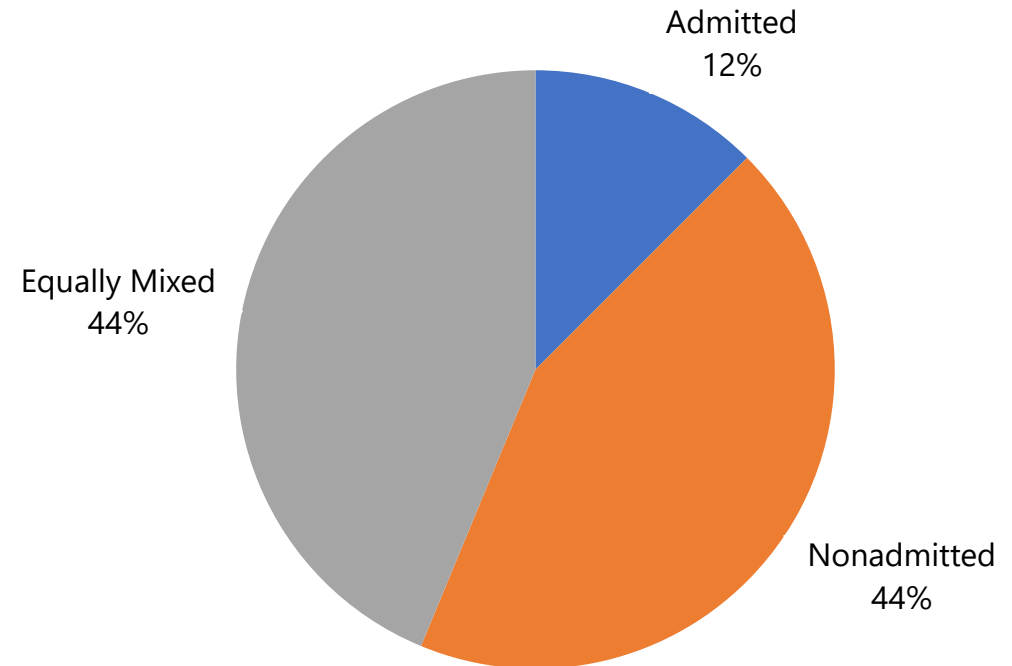


How MGAs Are Shaping the E&S Landscape

MGA Perceptions on Statement: "Can you estimate the percentage of your nonadmitted business?"



Insurer Perceptions on Statement: "Are most of your programs admitted, nonadmitted, or equal mix?"



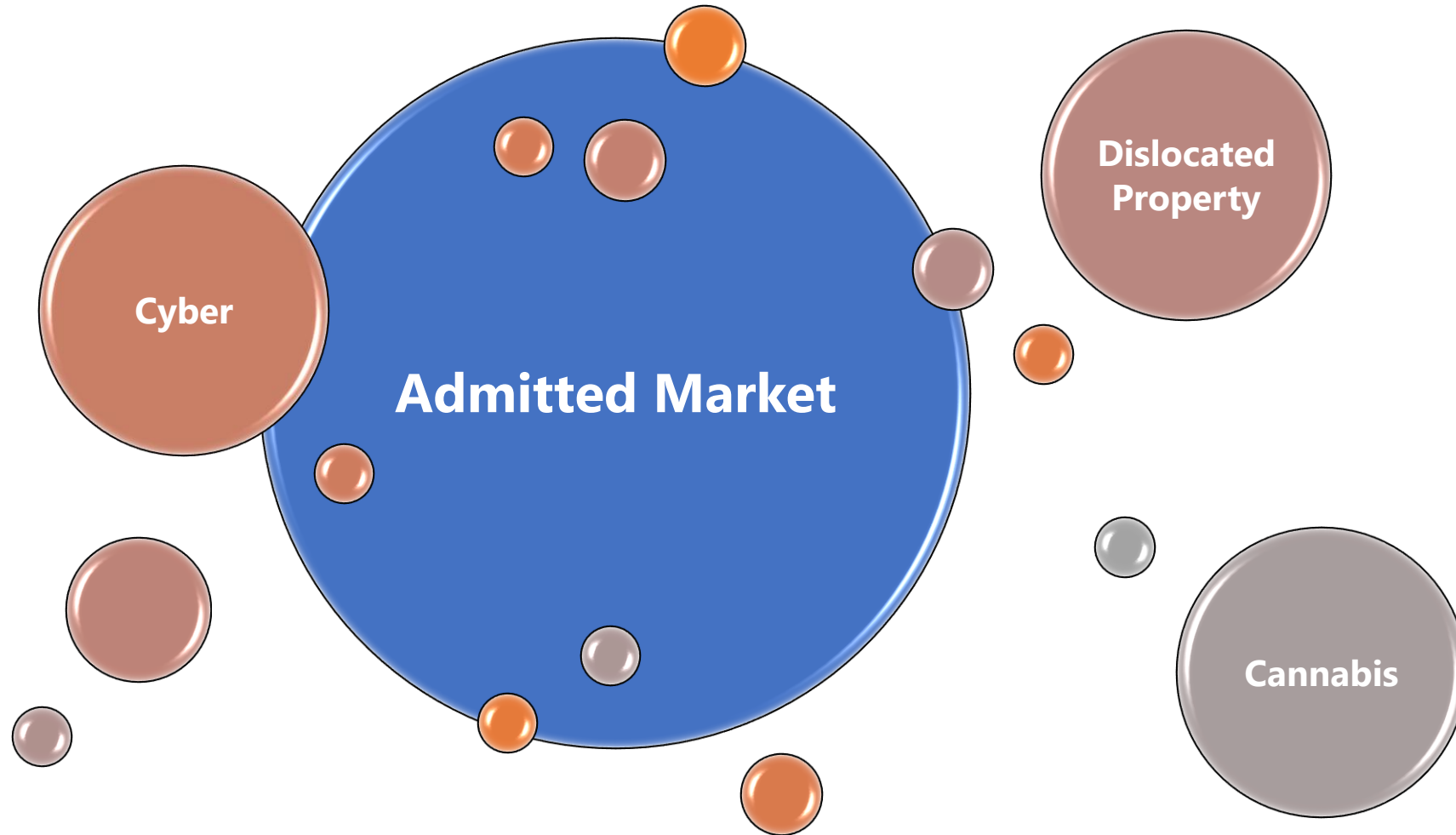
Prepared by Conning, Inc. Source: Conning, Inc.'s 2024 proprietary MGA and Program Market Survey



New Growth Avenues

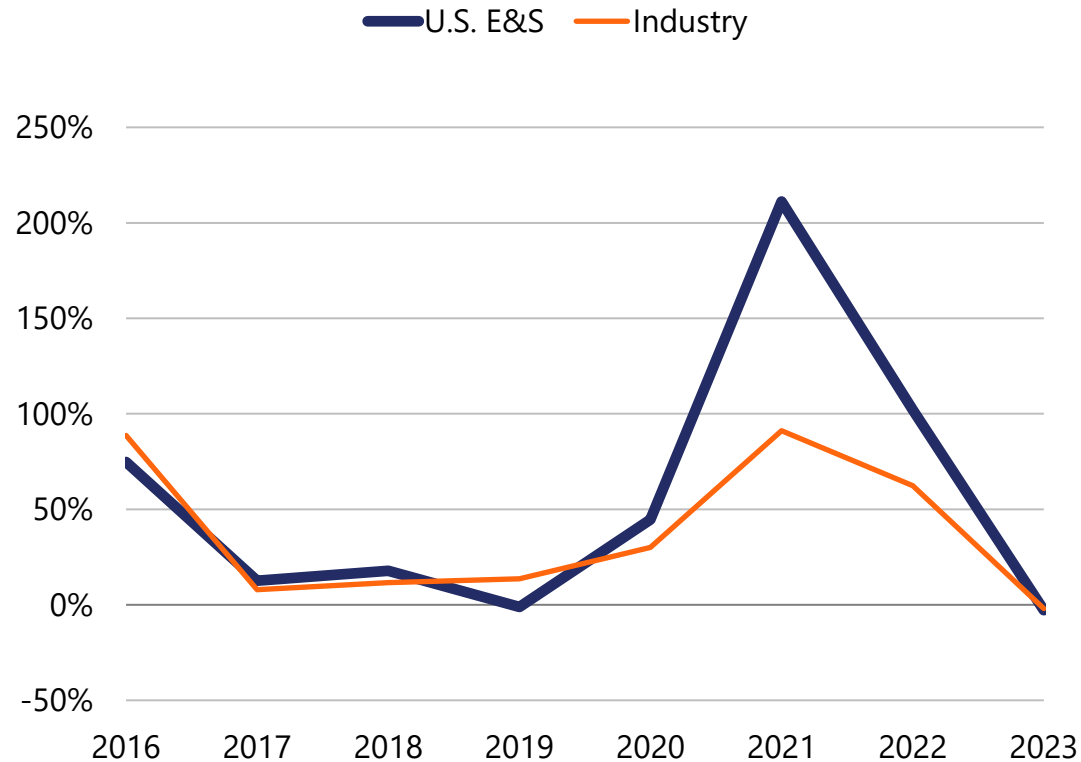


Admitted Market More Selective >> E&S Capitalizes



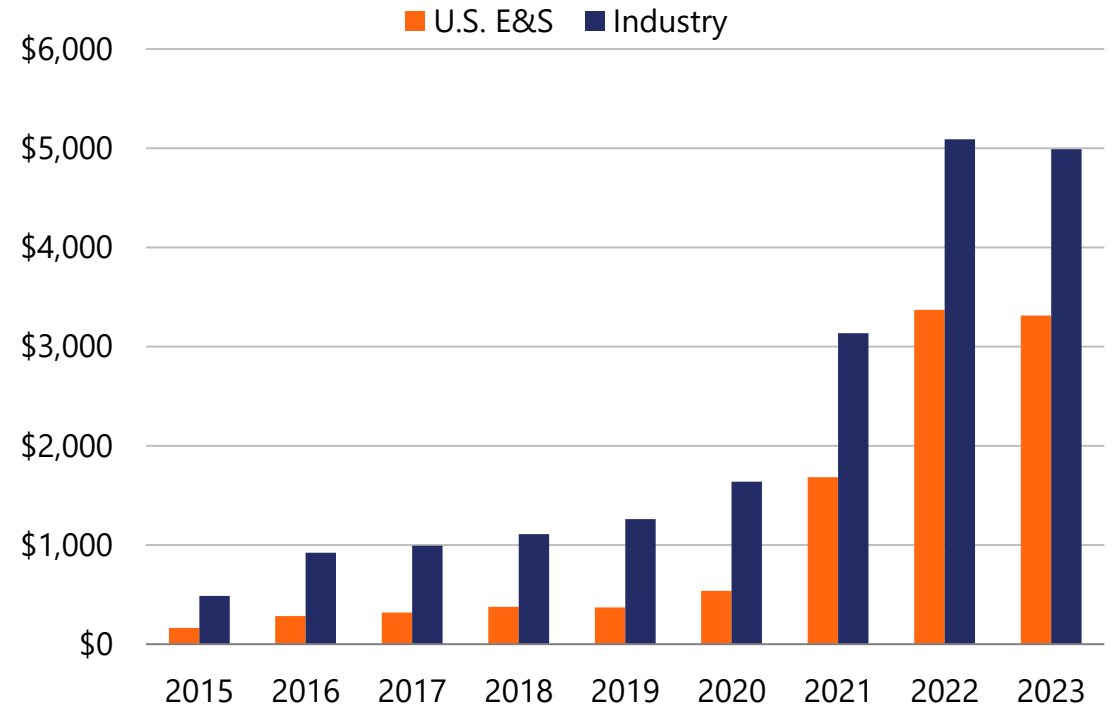
E&S Cyber Market Seeing Noteworthy Expansion

Standalone Cyber Premium Growth



Standalone Cyber Premium

\$ in millions

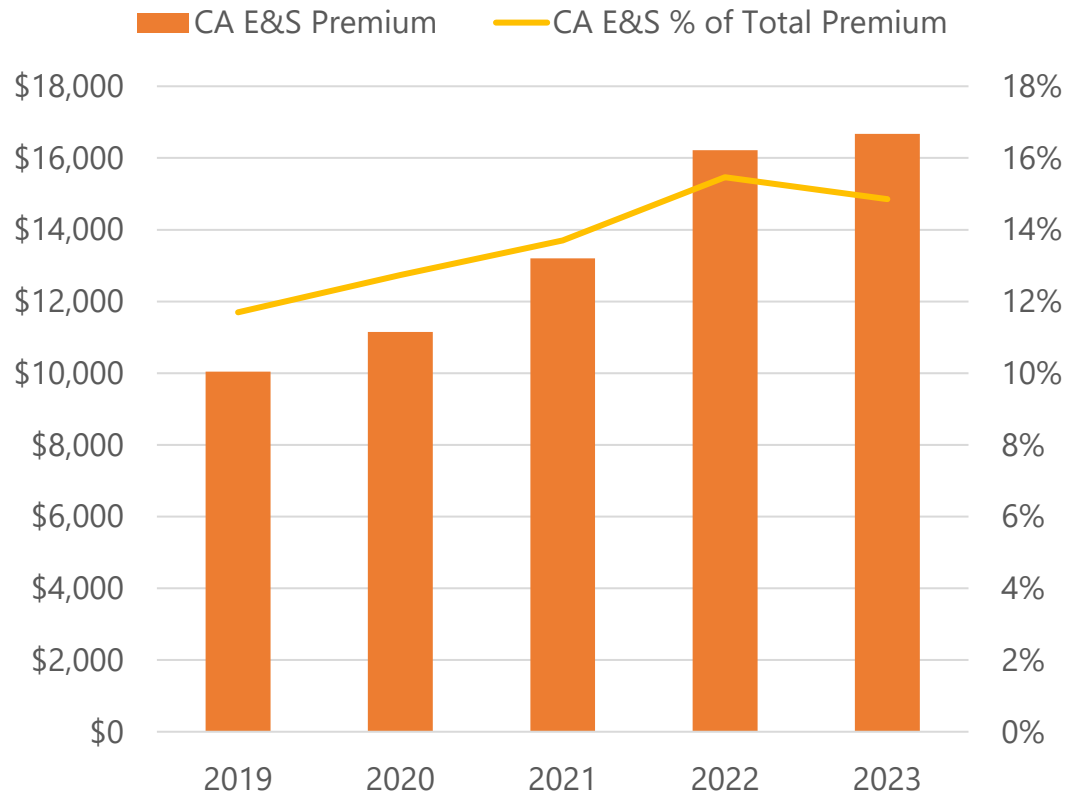


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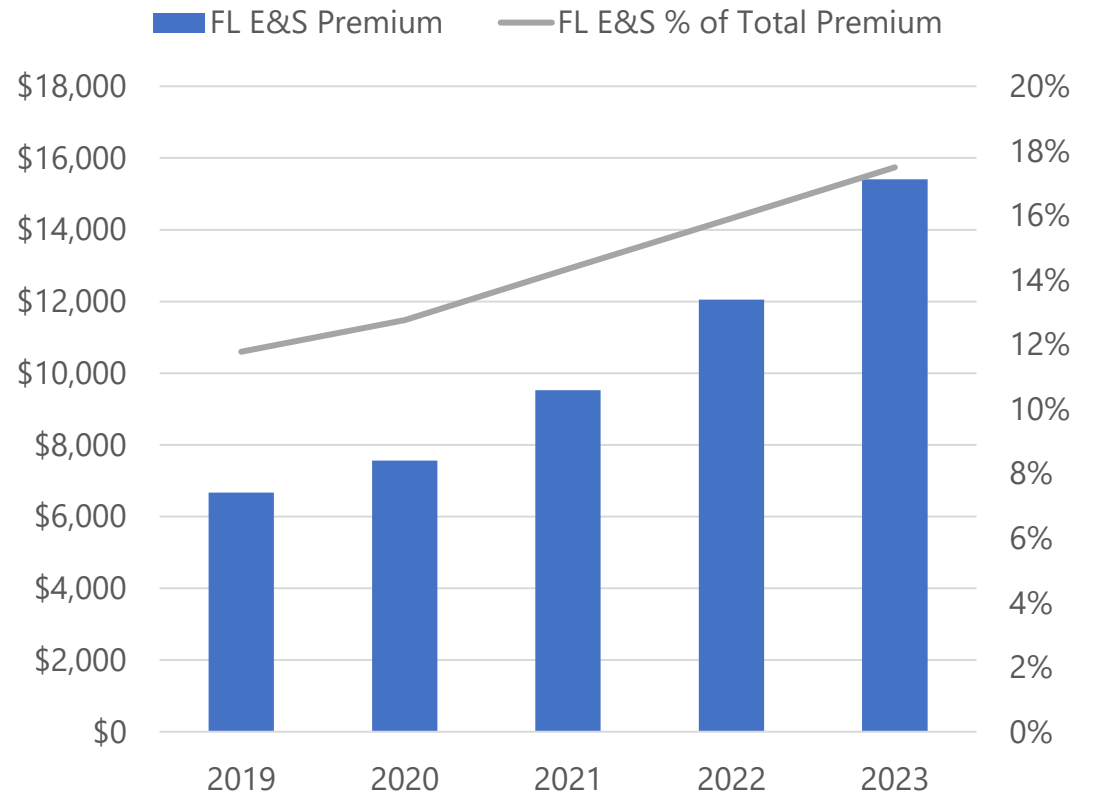


CA & FL Market Stress Accelerates Shift to E&S

California E&S as % of Total Premium
\$ in millions



Florida E&S as % of Total Premium
\$ in millions



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Cannabis: Opportunities and Ongoing Barriers

- Legal in 24 states + D.C., but still federally illegal (Schedule I).
- Admitted market absent; nonadmitted carriers cautious with capacity.
- Coverage expanding beyond P&C to cyber and D&O.
- May 2024: Proposal to reclassify to Schedule III may ease barriers.
- Nonadmitted market expected to remain primary source of coverage.



Emerging Trends and Future Challenges

Market Cycles



***Sustaining Prosperity in E&S?
Not Likely***



***Casualty Reserves:
An Inevitable Reckoning***



Evolving Regulatory Landscape



***Catastrophe Exposure
in E&S Property***



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