Month XX, 2025

Market Need for Specialized Expertise Propels US Surplus Lines Market

Just one year after surpassing the $100 million threshold in direct premium, the surplus lines market reached almost $130 billion

Principal Takeaways

- After surpassing the $100 billion threshold in direct premiums written for the first time in 2023, the surplus lines market grew by 12.3% in 2024 to just under $130 billion.
- Troubled property/casualty coverage lines and challenging risk classes provide key growth opportunities for surplus lines companies to impart creative coverage solutions.
- Demand for creative coverage options for newer technologies amid evolving and expanding risks in the highly interconnected global business environment has heightened the role of surplus lines intermediaries and insurance companies.
- AM Best's special composite of surplus lines companies grew its net underwriting profit by almost 10% and improved both its combined and operating ratios in 2024.

Section I – State of the Market

The US surplus lines landscape in 2024 and through the first half of 2025 continues to reflect a competitive market characterized by insurers seeking to grow market share in lines of coverage while focusing on risk classes to fit their risk appetite. In addition to competition and drive for market share, robust capital inflows and an expansion of capacity have shaped strategies spurred by insurers partnering with wholesale brokers, managing general agents (MGAs), and program managers. However, challenges abound for the surplus lines and specialty commercial markets, including financial market-associated volatility coupled with macroeconomic issues, such as tariffs, which could potentially impact supply chains, as well as the continuing effects of social inflation on claim costs imparting an inflationary effect on certain coverage lines.

The surplus lines market experienced further growth in 2024, one year after surpassing the $100 billion threshold in annual direct premiums written (DPW), as it peaked just under $130 billion in 2024. While the degree of growth was lower on a year-over-year (YOY) basis in 2024 than in 2023 (12.3% in 2024 compared to 17.4% in 2023), it marked the seventh consecutive year of double-digit growth for the market (**Exhibit 1**). The slightly lower growth was in line with market expectations, including those of AM Best. In 2024 and the first half of 2025, troubled lines of coverage and challenging risk classes continue to offer surplus lines insurers opportunities to fulfill market needs where standard market insurers are reticent to compete based on their own risk appetite.

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Exhibit 1

US Surplus Lines – Direct Premiums Written by Segment, 2000-2024

($ millions)

	P/C Industry		Surplus Lines		Domestic Professionals				Lloyd's			Regulated Aliens				Domestic Specialty			
	DPW	YoY % Chg.	DPW	YoY % Chg.	DPW	YoY % Chg.	SL Mkt Share	# of Cos.	DPW	YoY % Chg.	SL Mkt Share	DPW	YoY % Chg.	SL Mkt Share	# of Cos.	DPW	YoY % Chg.	SL Mkt Share	# of Cos.
2000	327,286	6.0	11,656	9.8	7,884	8.5	67.6	98	2,499	30.7	21.4	941	-17.5	8.1	46	332	11.4	2.8	106
2001	367,798	12.4	15,813	35.7	10,773	36.6	68.1	104	3,368	34.8	21.3	1,362	44.7	8.6	44	310	-6.6	2.0	91
2002	422,703	14.9	25,565	61.7	19,572	81.7	76.6	108	4,082	21.2	16.0	1,600	17.5	6.3	46	311	0.3	1.2	76
2003	463,033	9.5	32,799	28.3	25,662	31.1	78.2	115	4,492	10.0	13.7	2,400	50.0	7.3	45	245	-21.2	0.7	63
2004	481,588	4.0	33,012	0.6	25,744	0.3	78.0	115	4,596	2.3	13.9	2,400	0.0	7.3	53	272	11.0	0.8	59
2005	491,429	2.0	33,301	0.8	25,968	0.9	78.0	111	4,675	1.7	14.0	2,400	0.0	7.2	50	238	-12.5	0.7	57
2006	503,894	2.5	38,698	16.3	29,410	13.3	76.0	117	5,989	28.1	15.5	3,100	29.2	8.0	55	199	-16.4	0.5	54
2007	506,180	0.5	36,637	-3.5	27,675	-5.9	74.1	120	6,360	6.2	17.0	3,100	0.0	8.3	55	202	1.5	0.5	56
2008	492,881	-2.6	34,365	-6.2	24,612	-11.1	71.6	130	6,062	-4.7	17.6	3,403	9.8	9.9	53	288	42.6	0.8	70
2009	481,410	-2.3	32,952	-4.1	22,830	-7.2	69.3	139	6,090	0.5	18.5	3,735	9.8	11.3	55	297	3.1	0.9	69
2010	481,120	-0.1	31,716	-3.8	21,882	-4.2	69.0	143	5,789	-4.9	18.3	3,758	0.6	11.8	56	287	-3.4	0.9	66
2011	501,555	4.2	31,140	-1.8	22,582	3.2	72.5	146	5,790	0.0	18.6	2,537	-32.5	8.1	53	231	-19.5	0.7	60
2012	523,360	4.3	34,808	11.8	25,490	12.9	73.2	142	6,270	8.3	18.0	2,747	8.3	7.9	61	301	30.3	0.9	53
2013	545,760	4.3	37,719	8.4	26,818	5.2	71.1	140	7,099	13.2	18.8	3,362	22.4	8.9	59	440	46.2	1.2	49
2014	570,187	4.5	40,243	6.7	28,274	5.4	70.3	135	8,157	14.9	20.3	3,311	-1.5	8.2	60	501	13.9	1.2	58
2015	591,186	3.7	41,259	2.5	29,333	3.7	71.1	139	8,645	6.0	21.0	2,974	-10.2	7.2	58	307	-38.7	0.7	53
2016	612,906	3.7	42,425	2.8	29,112	-0.8	68.6	139	9,607	11.1	22.6	3,057	2.8	7.2	61	649	111.4	1.5	59
2017	642,127	4.8	44,879	5.8	30,594	5.1	68.2	138	10,325	7.5	23.0	3,289	7.6	7.3	59	671	3.4	1.5	58
2018	678,029	5.6	49,890	11.2	34,054	11.3	68.7	148	11,755	13.8	23.2	3,543	7.7	7.0	62	537	-20.0	1.1	61
2019	712,194	5.0	56,279	11.2	39,060	14.7	70.4	154	12,477	6.1	22.5	4,337	22.4	6.3	62	405	-24.6	0.7	60
2020	728,866	2.3	66,102	17.5	46,948	20.2	71.0	161	12,821	2.8	19.4	5,847	34.8	8.8	74	486	20.0	0.7	65
2021	798,393	9.5	82,653	25.0	61,200	30.4	74.0	169	13,872	8.2	16.8	6,864	17.4	8.3	75	717	47.5	0.9	69
2022	875,755	9.7	98,488	19.2	73,369	19.9	74.5	185	15,483	11.6	15.7	8,735	27.3	8.9	79	901	25.6	0.9	65
2023	968,030	10.5	115,646	17.4	83,830	14.3	72.5	192	19,947	28.8	17.3	10,667	22.1	9.3	80	1,202	33.4	1.0	60
2024	1,059,735	9.5	129,820	12.3	96,012	14.5	74.0	202	20,821	4.4	16.0	11,717	9.9	9.0	82	1,269	5.6	1.0	61

Source: AM Best data and research

The surplus lines market includes domestic US insurers, Lloyd's syndicates, and non-Lloyd's alien insurers. Several segments have been key in contributing to the growth in premiums generated by surplus lines—or nonadmitted—insurers in the three-year period, including lines that have been acutely impacted by post-COVID turbulence from macroeconomic pressures. For example, although homeowners' insurance remains a relatively small part of the overall surplus lines market, increased writings in that segment have contributed to the premium growth for many surplus lines insurers in the last few years. The increased volatility of weather-related catastrophes causing homeowners insurance claims to increase across many states and regions, coupled with the higher cost of raw materials to repair or rebuild homes and supply chain slowdowns has driven more homeowners' business to the surplus lines market.

While surplus lines insurers have not been immune to general insurance industry headwinds, nonadmitted carriers have outpaced the overall property/casualty (P/C) insurance market in terms of growth in DPW, and collectively, as surplus lines market participants they have posted more favorable underwriting results than the broader P/C industry. Insurers in this segment have been able to effectively offset these factors via core competencies of judicious risk selection and the inherent freedom to charge what they perceive are appropriate premiums to match the risk presented by mid-to-higher hazard risks. They have been able to meet market needs by coupling their risk selection and pricing strategies with the ability to craft coverage language to exclude or limit certain loss exposures as the insurers deem necessary, without the need for prior regulatory approval of their coverage forms. However, the heightened level of competitiveness for surplus lines business from new market entrants, many backed by private equity capital, could lead to profit margins tightening, potentially necessitating a change in growth strategy for some market participants.

Surplus Lines Market Participants

In this section of the report, AM Best identifies the following four main segments of the surplus lines market that provide a comprehensive and accurate picture of the overall segment's financial performance:

- **Domestic professional companies** (the largest segment) are US-domiciled insurers that write 50% or more of their total premium on a nonadmitted or surplus lines basis.
- **Domestic specialty companies** are US-domiciled insurers that operate on a nonadmitted basis to some extent, but whose direct nonadmitted premium writings amount to less than 50% of their total direct premiums written.
- **Regulated alien insurers** and **Lloyd's syndicates** are non-US-domiciled insurers that must file financial statements and auditors' reports the names of their US attorneys or other representatives, as well as information on their US trust accounts, with the International Insurers Department (IID) of the National Association of Insurance Commissioners (NAIC). Regulated aliens must also meet IID criteria relating to capital and surplus, as well as underwriting and claims practices, and have a reputation for financial integrity. The NAIC publishes a Quarterly Listing of Alien Insurers that meets its criteria. In this report, we separate the premium written by the non-Lloyd's alien insurers and the Lloyd's syndicates.

Note: Lloyd's is not an individual insurer but a market of many risk bearers. According to the IID, 92 Lloyd's syndicates were transacting surplus lines business in 2024. Premium totals for the Lloyd's Market reflect the activities of the 92 syndicates and should not be compared to the premium of any one surplus lines group or company referenced in this report.

Demand Remains Constant, Providing Growth Opportunities

Competition from both newer market entrants and from established global multinational companies has limited overall market premium growth despite the opportunities companies are experiencing from their distributors. Additionally, the competition has affected general and new business pricing for casualty risks such as general liability (excluding excess and umbrella coverage), cyber liability, director's and officers' liability, and employment practices liability, contributing to the lower YoY premium growth. Commercial property rate/premium renewal pricing increases, which had been some of the largest in 2023 and early 2024, have since moderated, despite an active weather-related catastrophe year in 2024 and the tumultuous start to 2025 with the California wildfires in addition to sizable losses from tornadoes in March and May across the Midwest and South.

The domestic professional surplus lines writers are the companies generating more than 50% of their total DPW on a nonadmitted basis and have been the main engine maintaining surplus lines premium growth in terms of magnitude. These market participants have matched the 2018 to 2024 trend for the overall surplus lines market with double-digit YoY growth each year. The non-Lloyd's alien insurers have also contributed consistently to the surplus lines market growth with double-digit YoY growth from 2019 to 2023. These market participants have increased in number notably over the last seven years. From 2018 through 2024, the number of companies meeting the AM Best definition of domestic professional surplus lines insurers increased from 148 to 202, while the number of non-Lloyd's alien insurers increased from 62 to 82. The substantial increase in the number of domestic professionals includes new private equity-backed surplus lines companies, fronting companies focused on specialty commercial and surplus lines business, as well as new companies within established surplus lines organizations to focus on specialized business or specific states/territories.

Following two years of double-digit growth, the 92 Lloyds syndicates writing US surplus lines business generated 4.4% YoY growth in 2024. The growth in 2022 (11.6%) and 2023 (28.8%) was the result of several factors, including positive pricing momentum on complex property and specialty casualty risks representing the moderate-to-high hazard risks that are a specialty of Lloyd's syndicates. The Lloyd's market has spent significant resources on remedial work in the past few years to enhance the quality of its overall portfolio for all lines. Their oversight remains robust, ensuring underwriting and pricing decisions remain in line with their standards. Lloyd's brand recognition remains excellent in both the specialty P/C and the reinsurance markets. Its business mix is diversified, although with a geographical bias toward North America.

AM Best's Annual Surplus Lines Market Report

In hopes of bringing clarity to debates about insurance company solvency, in 1991, we published *Best's Insolvency Study: Property/Casualty Insurers 1969-1990*. In 1994, the Derek Hughes/NAPSLO Educational Foundation, now the Wholesale & Specialty Insurance Association (WSIA) Education Foundation, commissioned a similar study on the solvency record of the domestic surplus lines industry. Although the segment was poorly understood at the time, data demonstrated its financial stability and solvency were on par with the overall P/C industry.

Since then, AM Best has published an annual report on the surplus lines market (commissioned by the foundation), documenting the following:

- The market's role in developing products to cover new or emerging risks, distressed risks, high-capacity risks, and other unique risks that cannot be insured in the standard P/C market.
- The importance of surplus lines insurers' freedom of rate and form, which has allowed for creative insurance solutions to meet very complex or unique coverage needs.
- The critical and still growing role of wholesalers in developing products and forging relationships with insureds that facilitate the placement of business in this market.

Throughout its history, the surplus lines market has faced significant obstacles and intense competition, including periods of aggressive pricing during which standard market carriers seeking organic growth offered broader coverage, as well as the growing appeal of the alternative risk transfer market as another means of covering surplus lines' risks. Throughout, surplus lines industry representatives have maintained an active presence in the states and in Washington, DC, tracking and addressing critical regulatory issues affecting the industry and helping advance key pieces of legislation.

Despite numerous economic, regulatory, legislative, and market challenges, surplus lines insurers' share of the P/C market share has more than tripled since the start of the century, from 3.6% total P/C DPW in 2000 to 12.3% at the end of 2024. During the same period, the surplus lines insurers' share of the P/C industry's commercial lines' DPW rose from 7.1% to 25.7%, demonstrating the segment's growing importance to the P/C insurance industry. As of mid-year 2025, 98% of surplus lines insurers had AM Best long-term Issuer Credit Ratings (ICRs) of "a-" or higher, compared with 85% for the total P/C industry.

The surplus lines market functions as a strong safety valve for the insurance industry, as economic turmoil, emerging issues, and developing exposures continue to drive the demand for new, creative, and comprehensive insurance solutions. AM Best believes that, given the surplus lines market's ability to effectively assess new exposures and its flexibility to tailor terms and limits to meet coverage demands, the market's role and value to the P/C insurance marketplace will continue to grow.

Domestic Companies Key Market Expansion

Both domestic professional and domestic specialty surplus lines insurers (the latter comprised of companies writing less than 50% of their total DPW on a nonadmitted basis) doubled their total DPW from 2020 to 2024. As shown in **Exhibit 2**, domestic professionals have represented the majority of the total surplus lines market, and the DPW trend for the overall surplus lines market has mirrored the trend for this main industry of the market. The Lloyd's market increased by 62% from 2020 through 2024, not matching the growth of US companies but remaining a formidable component of the segment's growth during that period. Regulated non-Lloyd's alien insurers represent a smaller component of the market, but their premium doubled during the period, producing growth that was fairly commensurate with that of US companies.

In eight of the last 10 years, the DPW of the domestic professional surplus lines companies combined with Lloyd's DPW has been more than 90% of the total segment premium (**Exhibit 3**). The regulated alien insurer market share has exceeded 9% in the last two calendar years, the highest percentage for these market participants in the aggregate since breaching the double-digit threshold in 2009 and 2010. As has historically been the case, domestic specialty insurers have represented 1% or less of the market, which was again the case in 2024.

Exhibit 2

US Surplus Lines – DPW by Segment

($ billions)

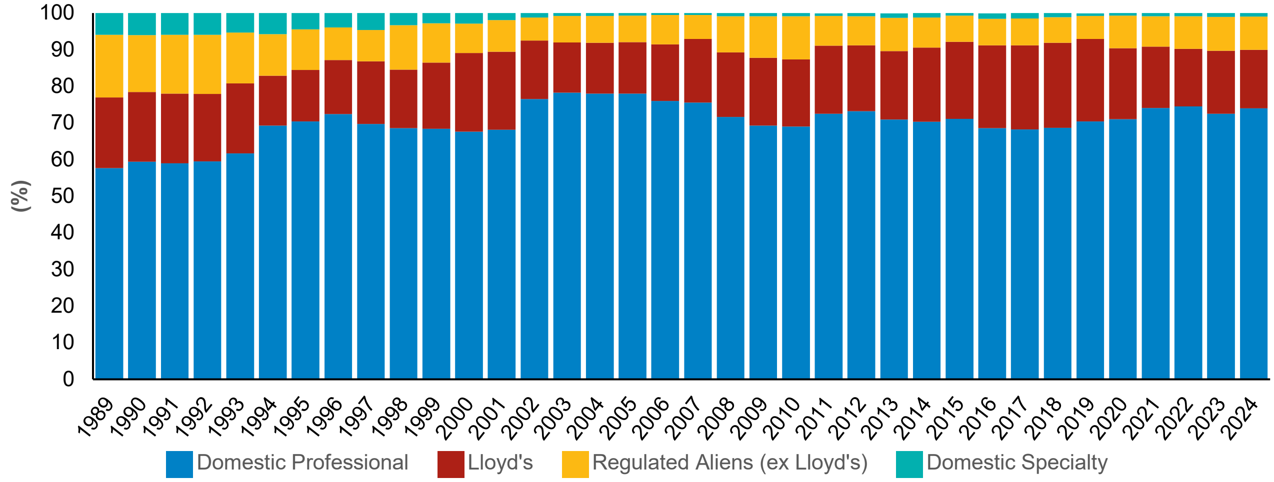
	Domestic Professional	Lloyd's	Regulated Aliens (Ex Lloyd's)	Domestic Specialty	Total Surplus Lines
1990	3.882	1.241	1.013	0.396	6.532
1991	4.081	1.322	1.111	0.410	6.924
1992	4.491	1.388	1.220	0.450	7.549
1993	5.270	1.631	1.183	0.456	8.540
1994	6.089	1.196	0.992	0.509	8.786
1995	6.511	1.300	1.022	0.412	9.245
1996	6.668	1.354	0.818	0.365	9.205
1997	6.569	1.609	0.802	0.439	9.419
1998	6.763	1.574	1.196	0.328	9.861
1999	7.265	1.912	1.140	0.298	10.615
2000	7.884	2.499	0.941	0.332	11.656
2001	10.773	3.368	1.362	0.310	15.813
2002	19.572	4.082	1.600	0.311	25.565
2003	25.662	4.492	2.400	0.245	32.799
2004	25.744	4.596	2.400	0.272	33.012
2005	25.988	4.675	2.400	0.238	33.301
2006	29.410	5.989	3.100	0.199	38.698
2007	27.675	6.360	2.400	0.202	36.637
2008	24.611	6.062	3.403	0.288	34.365
2009	22.830	6.090	3.735	0.297	32.952
2010	21.882	5.789	3.758	0.287	31.716
2011	22.582	5.790	2.537	0.231	31.140
2012	25.490	6.270	2.813	0.301	34.808
2013	26.818	7.099	3.458	0.440	37.815
2014	28.274	8.157	3.302	0.501	40.234
2015	29.333	8.645	2.974	0.307	41.259
2016	29.112	9.607	3.057	0.649	42.425
2017	30.594	10.325	3.289	0.671	44.879
2018	34.829	11.755	3.543	0.537	49.890
2019	39.060	12.477	4.337	0.405	56.279
2020	46.948	12.821	5.847	0.486	66.102
2021	61.200	13.872	6.864	0.717	82.653
2022	73.369	15.483	8.735	0.901	98.488
2023	83.830	19.947	10.667	1.202	115.646
2024	96.012	20.821	11.717	1.269	129.820

Source: AM Best data and research

The development of innovative technologies, growth in e-commerce, and the expanding global economy have made robust risk management strategies a necessity. Demand for specialized insurance products to cover the exposures related to the expanding technology-driven exposures and evolving business operations has therefore expanded. Coverages for these more complex exposures are not readily available through standard market insurers, elevating the need for the bespoke coverage solutions that are endemic to the surplus lines market. The rise in catastrophic events, such as natural disasters and cyber attacks, further fuels demand for surplus lines insurance, which often provides higher coverage limits and broader, more unique coverage language.

Exhibit 4 displays the admitted vs. surplus lines split of total P/C industry premium based on AM Best data. Distressed markets and lines of coverage have fostered the rise in premium moving to the surplus lines market. The percentage of premium represented by surplus lines business topped 10% of the overall P/C market for the first time in 2021 and continued to grow through 2024. The percentage remained virtually static from 2023 to 2024, reflective of the level of competition in the surplus lines market, which has somewhat offset the need for creative coverage solutions, and the increasing volatility impacting homeowners on the personal lines side of the market. These factors have led to a higher number of solutions for these risks being found in the surplus lines market. Nevertheless, the surplus lines market DPW remains decidedly weighed toward commercial lines rather than personal lines.

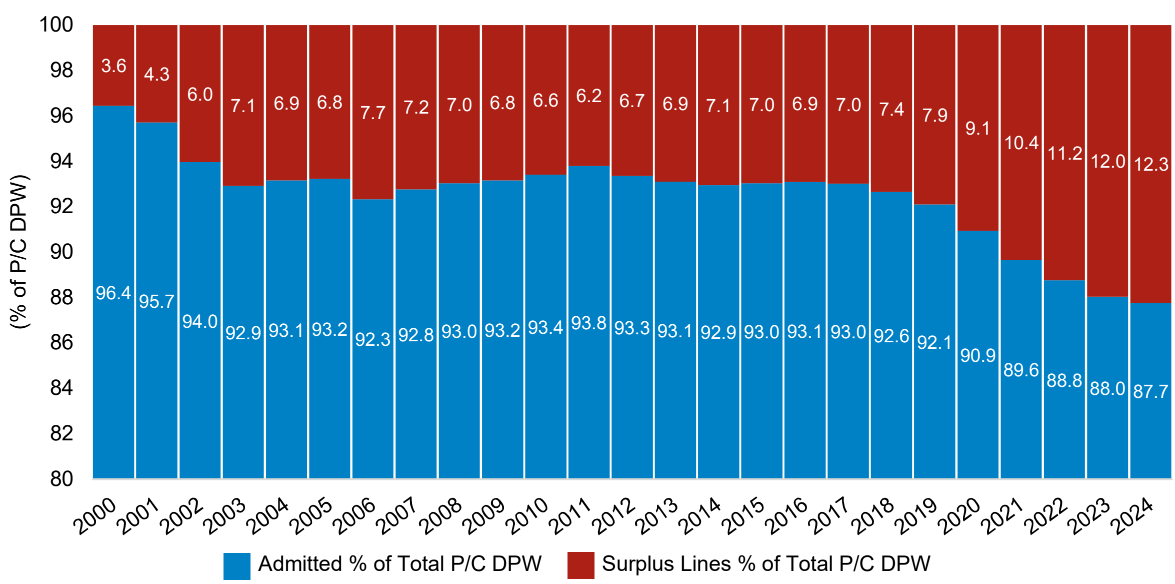
Exhibit 3
US Surplus Lines - By Market Segment



Source: AM Best data and research

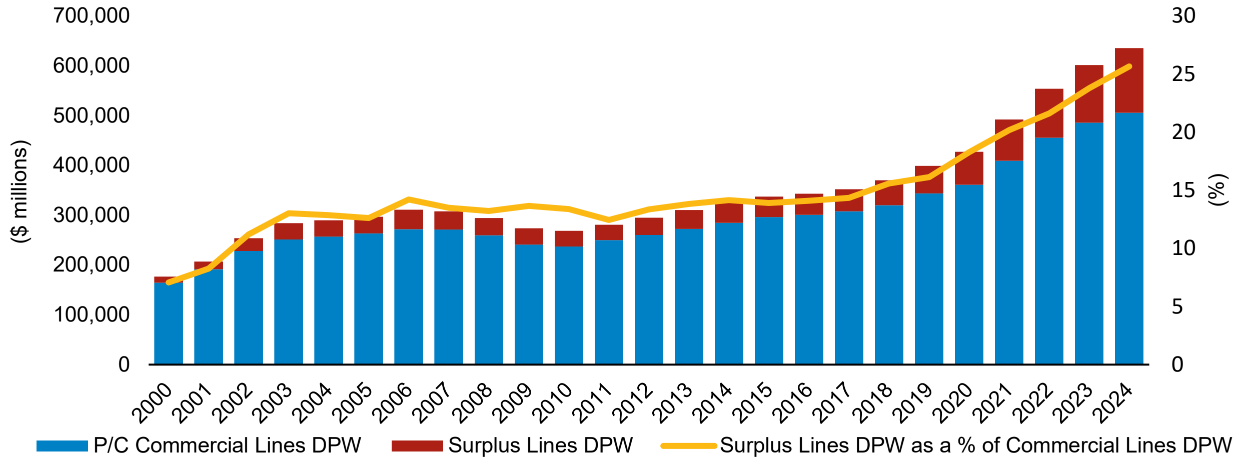
Pricing has risen for certain tougher commercial lines of coverage in the last three years, for example, commercial auto, including trucking and catastrophe-exposed property. With admitted companies choosing to focus on core business it led to moderate-hazard-level accounts on which they were competing are flowing to or remain in the surplus lines market. Surplus lines insurers have used their greater familiarity with tougher commercial risks and the inherent flexibility with coverage language and pricing to take on more of these exposures. With that being the case, the surplus lines market premium as a percentage of the P/C industry's commercial lines DPW rose above 20% for the first time in 2021 and has kept increasing, surpassing the 25% plateau for the first time in 2024 (25.7%) (**Exhibit 5**).

Exhibit 4
US Surplus Lines - Admitted vs. Surplus Lines, Proportion of DPW



Source: AM Best data and research

Exhibit 5
US Surplus Lines DPW as a % of P/C Industry DPW



Source: AM Best data and research

More Movement Among Top 25 Surplus Lines Insurers

AM Best has generated this annual report on the surplus lines market since 1994, and for much of those three decades, the top 25 surplus lines groups, combined with the syndicates comprising the Lloyd's market, have accounted for more than 70%-80% of the surplus lines market DPW. During periods when the market cycle yielded conditions causing standard market companies to narrow their focus on core businesses to improve on less than favorable underwriting results, borderline surplus lines business is generally left to the surplus lines carriers that have the required financial strength and the ability to craft specialized coverage to meet customer needs.

Over time, when those market conditions yield strong underwriting results reported by surplus lines carriers, it has ultimately attracted new carriers to the market or enticed carriers that have not focused on surplus lines business to deploy more resources and build out their capabilities to offer coverage to those policyholders requiring unique, tailored insurance programs. The 2018 to 2024 period of double-digit growth in the surplus lines market has yielded conditions that attracted new capital to the market and incentivized established surplus lines companies to pursue additional avenues to grow their books of business.

In 2024, the top 25 surplus lines groups by DPW, including the Lloyd's market, generated just over 65.8% of total surplus lines market DPW, as **Exhibit 6** shows, down three percentage points from 2023, when the top 25 and Lloyd's accounted for 68.5% of surplus lines DPW. Excluding the Lloyd's market, the 24 groups accounted for 49.7% of surplus lines premium, down from 51.3% in 2023 and 53.5% in 2022. This declining concentration at the top of the market reveals the impact new market entrants and companies with expanded surplus lines-focused strategies have had on the spread of surplus lines premium as these insurers gain traction in the market. Many of the companies have increased their market share; most noticeably, they include insurers employing the fronting company model. Newer market entrants have made significant progress, resulting in a more diversified surplus lines market.

Lloyd's syndicates operate as individual businesses, but the size of the collective market allows them to compete with major international groups under the Lloyd's brand. The syndicates' portfolio is highly

Exhibit 6

US Surplus Lines - Lloyd's and Top 25 Groups

(Ranked by 2024 Nonadmitted Direct Premiums Written)

Rank	AMB #	Group/Company Name	Surplus Lines DPW ($ thousands)	YoY DPW % Change	Surplus Lines Market Share (%)
	85202	**Lloyd's**	**20,821,489**	**4.4**	**16.0**
1	00811	Berkshire Hathaway Ins Grp.	8,428,162	0.7	6.5
2	18540	American International Grp.	5,599,818	13.0	4.3
3	03116	Fairfax Financial (USA) Grp.	4,393,751	8.6	3.4
4	18252	W. R. Berkley Insurance Grp.	4,048,118	14.1	3.1
5	18468	Markel Insurance Group	3,833,342	4.1	3.0
6	18468	Chubb INA Group	3,816,100	20.0	2.9
7	18756	Starr International Group	2,969,040	9.4	2.3
8	05987	Nationwide P&C Group	2,964,885	3.4	2.3
9	00060	Liberty Mutual Insurance Cos.	2,382,724	5.2	1.8
10	18777	AXIS US Operations	2,199,009	13.0	1.7
11	18782	MS & AD US Insurance Grp.	2,060,354	135.8	1.6
12	18878	Sompo Holdings US Group	2,047,189	5.4	1.6
13	18557	XL America Companies	1,986,894	1.2	1.5
14	14027	Kinsale Insurance Company	1,870,341	19.2	1.4
15	18484	Arch Insurance Group	1,643,845	12.0	1.3
16	18674	Travelers Group	1,643,112	18.6	1.3
17	18313	CNA Insurance Companies	1,605,899	8.3	1.2
18	18733	Tokio Marine US PC Grp.	1,603,880	4.3	1.2
19	18975	Core Specialty Insurance Grp.	1,462,409	4.3	1.1
20	18753	Munich-American Holding Corp. Cos.	1,434,764	-7.1	1.1
21	00048	Hartford Insurance Group	1,412,504	7.1	1.1
22	18549	Zurich Ins. US PC Grp.	1,352,351	-15.7	1.0
23	04835	Great American P&C Ins. Grp.	1,342,248	8.5	1.0
24	05696	Everest Re U.S. Group	1,318,562	-6.7	1.0
25	18533	AmTrust Group	1,134,663	14.9	0.9
		Subtotal of Top 25 Surplus Lines Groups	**64,553,964**		**49.7**
		Subtotal of the Top 25 Groups and Lloyd's			**65.8**
		Total US Surplus Lines Market			**100.0**

Source: AM Best data and research

diversified but does have some geographical bias towards North America, as well as product bias towards commercial specialty lines. Their appetite for US surplus lines and the specialty commercial business remains strong, despite some geographic diversification into areas such as Asia, South America, and reinsurance markets in general. The network of global licenses is a key competitive strength.

Berkshire Hathaway remains the leading US surplus lines organization, despite its surplus lines premium growth being less than 1% YoY. Last year, the company grew more than 20%, reflective of its acquisition of Alleghany Corporation. Berkshire Hathaway's surplus lines writings are still dominated by its main surplus lines (re)insurer, National Fire & Marine Insurance Company. The YoY DPW growth for the #2 US surplus lines group, AIG, exceeded double digits again (13%), after growing by only 9.2% and 8.6% in 2023 and 2022, respectively, despite market and pricing conditions that, in the aggregate, were favorable for growth. The more controlled growth was reflective of AIG streamlining its writings in certain segments. However, AIG's lead surplus lines insurer, Lexington Insurance Company, and surplus lines/specialty commercial business remain a fit for the group's overall profile, and AM Best expects that AIG will continue growing its portfolio in the lines and risk classes that fall within its risk appetite.

The top 10 surplus lines writers in 2024 contained nine of the same 10 insurers from the 2023 list, with the only new entrant being AXIS US Operations, which grew its surplus lines DPW by 13% in 2024. By far, the biggest move within the top 25 in 2024 was achieved by the #11 insurer in 2024, MS & AD Insurance Group. This group's subsidiary, Mitsui Sumitomo Insurance Company, Ltd. (MSI), acquired Transverse Insurance Group LLC (MS Transverse) as part of MSI's strategy to grow its US non-life business. MS & AD Insurance Group more than doubled its surplus lines DPW to reach the #11 position in 2024 after being the #29 surplus lines writer in 2023. MS Transverse launched in 2018 as a P/C program insurer, delegating certain functions and authorities to a wide array of MGAs and program managers, acting as a fronting company by transferring risks underwritten by the MGAs to reinsurers. In March 2025, MSI announced it was entering an agreement to purchase 15% of the outstanding shares of common stock of W.R. Berkeley Corporation (WRB), with the 15% equity stake valued at $3.8 billion. The agreement will provide MSI with access to WRB's specialty insurance capabilities, in addition to diversifying its portfolio, along with MSI also prospectively benefiting from WRB's strong earnings and growth.

Fairfax Financial (USA) Group maintained its #3 position in 2024, while W. R. Berkley Insurance Group (#4) and Markel Corporation (#5) switched their positions from 2023. Outside of the top 10 and MS Transverse, there were four other insurers within the top 25 that grew by more than 10% YoY and were either in line with or ahead of the overall 12.3% growth for the entire surplus lines market in 2024—Kinsale Insurance Company (19.2%), Arch Insurance Group (12.0%), Travelers Group (18.6%), and AmTrust Group (14.9%).

On August 27, 2025, Sompo Holdings Inc. announced that an agreement had been reached for it to acquire Aspen Insurance Holdings, Ltd., pending regulatory approval. Sompo Holdings US Group was the #12 surplus lines writer in 2024 by DPW, while Aspen US Insurance Group was the #34 carrier. Had the deal been consummated prior to the end of 2024, it would have resulted in Sompo Holdings US Group being the #9 surplus lines writer.

Organizations have enhanced their standing within the top surplus lines groups through markedly different strategies. While the other top 24 surplus lines writers are groups with two or more subsidiaries writing surplus lines business, the #14 surplus lines insurer, Kinsale Insurance Company, is a single entity. The company partners with independent wholesale and specialty retail brokers primarily to underwrite small-to-medium-sized surplus lines risks that present medium- or high-hazard loss exposures. Conversely, Core Specialty Insurance Holdings, which completed the recapitalization of StarStone US and rebranded as Core Specialty in 2020, has moved from #30 in 2022 to #19 in 2024 via acquisitions. The group completed a merger with the former Lancer Insurance Group, in addition to an October 2022 acquisition of Hallmark Financial Services, Inc.'s E&S operations.

Exhibit 7

US Surplus Lines Market - Top 25 Companies

(Ranked by 2024 Nonadmitted Direct Premiums Written)

Rank	AMB #	Company Name	Surplus Lines DPW ($ thousands)	Surplus Lines Market Share (%)
1	2428	National Fire & Marine Ins Co	4,144,378	3.2
2	2350	Lexington Insurance Company	3,384,979	2.6
3	13977	Starr Surplus Lines Ins Co	2,969,040	2.3
4	3292	Scottsdale Insurance Company	2,682,106	2.1
5	3759	Evanston Insurance Company	2,633,853	2.0
6	4433	Westchester Surplus Lines Ins	2,226,741	1.7
7	12515	AXIS Surplus Insurance Company	2,199,009	1.7
8	13033	Endurance American Spec Ins Co	2,047,189	1.6
9	11340	Indian Harbor Insurance Co	1,986,293	1.5
10	12619	Landmark American Ins Co	1,879,694	1.4
11	14027	Kinsale Insurance Company	1,870,341	1.4
12	20633	MS Transverse Specialty Ins Co	1,865,176	1.4
13	11123	Crum & Forster Specialty Ins	1,694,817	1.3
14	3535	AIG Specialty Insurance Co	1,685,953	1.3
15	12523	Arch Specialty Insurance Co	1,643,845	1.3
16	3538	Columbia Casualty Company	1,605,899	1.2
17	11432	StarStone Specialty Ins Co	1,462,409	1.1
18	13866	Ironshore Specialty Ins Co	1,385,685	1.1
19	3557	Steadfast Insurance Company	1,351,084	1.0
20	12096	Everest Indemnity Insurance Co	1,318,562	1.0
21	3026	Admiral Insurance Company	1,242,075	1.0
22	1990	Nautilus Insurance Company	1,205,230	0.9
23	241	Travelers Excess & Surp Lines	1,199,040	0.9
24	3286	Houston Casualty Company	1,103,347	0.8
25	3806	General Star Indemnity Co	1,079,795	0.8
		Top 25 Subtotal	**44,463,428**	**34.3**
		Total US Surplus Lines	**115,645,504**	**100.0**

Source: AM Best data and research

Insurers taking advantage of multi-pronged distribution platforms, along with business portfolios with considerable geographic and/or product line diversification, give themselves a greater chance of improving or defending their positions in the very competitive current market landscape. In addition, new distribution partnerships, including instances in which insurers delegate authority to managing general agents or other delegated underwriting authority enterprises (DUAEs), have helped fuel the growth of newer surplus lines entities.

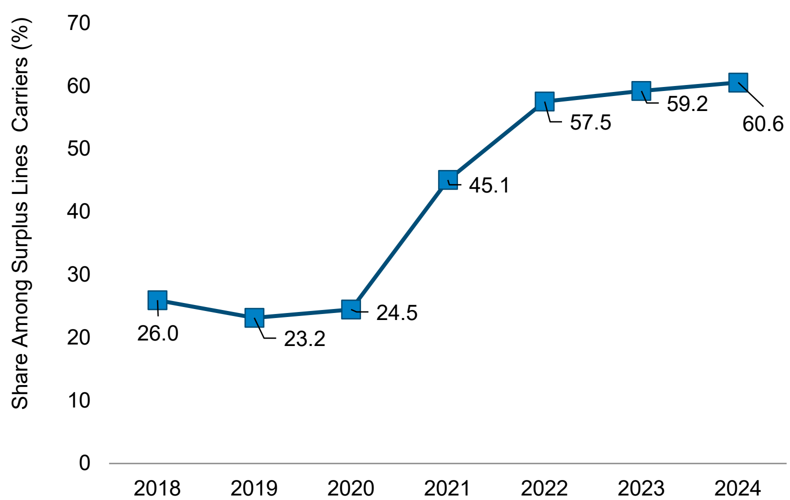
Leading Companies Dominate the Segment

As it did in 2023, Berkshire Hathaway's National Fire & Marine generated the most surplus lines premium in 2024 and remains the leading individual company by nonadmitted DPW, maintaining its advantage over the #2 company, AIG's Lexington Insurance Company (**Exhibit 7**). Lexington was the largest single US surplus lines company by DPW from 1994 through 2019 and was the only company other than National Fire & Marine to generate more than $3.0 billion in surplus lines DPW in 2024, with #3 Starr Surplus Lines insurance company at $2.97 billion falling just short. Along with the #4 and #5 companies, Scottsdale Insurance Company (Nationwide Group) and Evanston Insurance Company (Markel), (Nationwide Group), the top 5 companies accounted for 12.2% of the total surplus lines market DPW, down from 13.3% in 2023, again evidencing the expanding level of competition in the market. The $47.9 billion of DPW for the top 25 companies accounted for 36.9% of surplus lines premium, down slightly from 38.4% in 2022, additional proof of the surplus lines market becoming more diversified.

Surplus Lines Carriers Provide New Capacity for Cyber Coverage

Much of the P/C industry's new capacity for cyber coverage has come from surplus lines writers. Those carriers have held, and marginally increased, their market share even as the total premium slightly contracted (**Exhibit 8**). This increase in market share is not from any new growth. Total DPW among surplus writers was essentially unchanged, down by less than 0.1%, leaving most of the decrease to the admitted carriers.

Exhibit 8
Surplus Lines as Share of all Cyber DPW

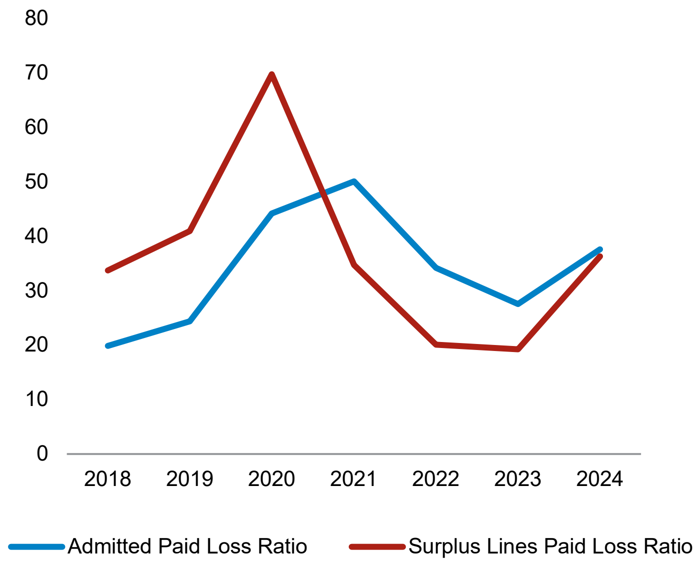


Source: BESTLINK

Surplus lines paper remains the prime vehicle for complicated cyber risks, and this is indicated through the split among primary, excess, and endorsement coverage. Endorsement coverage, which is typically coverage added to an insured's existing policy, is almost exclusively on admitted paper, 97%. Larger, more complex cyber risks tend to secure coverage via the surplus lines market for policy language specifically tailored to the insured's needs. For primary cyber policies, surplus lines insurers account for the majority of written premium. This split is more pronounced for larger risks purchasing excess limits, where over three-quarters of the premium is provided by surplus lines insurers.

While surplus lines writers benefited from the hard cyber market pricing of 2020-2022, that benefit seems to have worn off. When new writers enter the market during a hard market cycle, those writers enjoy the advantage of stronger pricing without having to pay the losses affecting legacy carriers. Over the past year, pricing has leveled off, even decreased, for cyber coverage. Surplus lines carriers, which generally insure larger, more complex entities, have felt the most pricing pressure. Consequently, the difference in the paid loss ratio for admitted carriers and surplus lines carriers has narrowed (**Exhibit 9**). When surplus lines writers increased their market share, they did so with a better paid loss ratio than admitted carriers. That gap has since slowly decreased and is now negligible. Therefore, it is questionable at this point whether the returns achieved by surplus lines carriers will remain favorable enough to foster continued growth in their market share of total cyber premium.

Exhibit 9
Admitted vs Surplus Cyber Paid Loss and DCC Ratio



Source: BESTLINK

Emerging and Evolving Market Opportunities for Surplus Lines Carriers

Artificial Intelligence Exposures

As companies continue exploring diverse ways to integrate traditional and generative artificial intelligence (AI) into their operations, it has become imperative that insurers and insurance intermediaries understand the depth and nature of the risks and exposures associated with AI applications. Liability specifically associated with AI applications could expose companies to a cross-section of third-party liability exposures including but not limited to, cyber security, copyright, trademark, patent infringement, discrimination, and defamation.

Large language models like ChatGPT require scores of data to be digested, which can include sensitive, private, and proprietary information that is very difficult to correct or remove from these models. The potential for alleged misuse or misappropriation is significant. Generative AI is only as good as the information it has been trained with. Therefore, low-quality data from questionable or even fictitious sources could result in inaccurate or unreliable output.

AI risk exposures can be mitigated by explicit coverage grants or exclusions, or by remaining silent; however, the latter option creates ambiguity. The most direct way to address the potential for AI coverage, silent or otherwise, is via clarified policy language. Commercial insurance claims for losses related to the emerging technology have yet to reach the critical mass necessary to spur insurers to adjust policy language or issue widespread exclusions.

As businesses across all spectrums continue to seek ways to integrate AI into their daily operations and use new scientific discoveries and tools in their operations that present new risk exposures, the role of surplus lines insurers to provide coverage for this exposure will likely expand. These insurers will be crucially important to insureds in complex manufacturing, engineering, construction, and other businesses requiring nimble coverage solutions to protect their businesses. There will be a growing demand for AI-related liability insurance covering algorithmic failures, bias, and autonomous system failures.

Parametric Covers

Parametric insurance is data-triggered insurance providing a simple, transparent option for policyholders. Amid the volatility produced by severe weather and other catastrophe events occurring with greater frequency in the US and globally, parametric covers are gaining popularity among consumers. It is triggered by an event occurrence—the insured doesn't need to suffer a loss or any damages to be paid. When a policyholder buys a parametric policy, they and the insurer agree on the triggering event and amount of coverage.

Parametric coverage is being offered increasingly by surplus lines insurers, which aligns with the core value of the excess and surplus lines market, to provide bespoke, tailored insurance coverage for complex, higher-hazard risk exposures. Since surplus lines insurers are not subject to the same regulations as admitted insurers with respect to policy coverage forms and language, they have the

Service Offices Reveal Sustained Market Momentum

According to the midyear 2025 report by the 15 US Surplus Lines Service and Stamping Offices, on a year-over-year basis, surplus lines premiums increased by 13.2% compared to the first half of 2024, to reach $46.2 billion, representing just under 3.7 million items filed through the first six months of 2025. The increase in premium was almost matched by the 12.4% increase in filings from a little over 3.3 million in 2024. For the surplus lines business captured by the service offices, the 13.2% increase was more than the 12.1% growth reported for the full year of 2024.

From a line of business perspective, the report shows commercial liability (non-professional lines) and commercial property coverage, including commercial package policies and standalone commercial coverages like earthquake, flood, terrorism, and difference-in-conditions, continue to dominate in terms of their representation of total surplus lines premiums. The two accounted for 36.6% and 34.0% of first-half 2025 surplus lines direct premiums, respectively. In terms of the individual lines recently fueling the aggregated service office premium growth, the 19.8% growth in non-professional general liability business outpaced the more modest 5.7% growth in property business from a premium perspective. The challenging commercial auto market for standard market carriers continues to yield opportunities for surplus lines insurers as those standard market carriers restrict some of the capacity provided for those risks. This propelled the 29.1% year-over-year growth in premium for auto liability coverage and the 21.3% growth for auto physical damage coverage.

Volatility in the commercial property market owing to climate-related risk has fueled surplus lines market growth not only for commercial property risks but for residential homeowners' accounts as well. Although this business represents 5.3% of total surplus lines premium in the first half of 2025, the year-over-year growth of 24.8% was significant. In general, property lines have been growing faster than other lines within the surplus lines market.

States with the largest portion of surplus lines premium—California (16.1%), Texas (16.8%), and New York (18.6%)—experienced double-digit growth during the first half of 2025 in terms of premiums written. However, only in California (29.3%) and New York (20.9%) was the double-digit premium growth fostered by a similar, double-digit increase in the number of filed items. The premium growth in Texas apparently involved larger accounts, as the growth in items of 6% was far below the state's almost 17% increase in premium. The states experiencing the highest magnitude of first-half 2025 premium growth were Oregon (62.8%), Pennsylvania (43.8%), and Utah (36.9%). Like Texas, Utah's premium growth was incongruous with its -0.9% decline in the number of items filed, which seemingly indicates individual account premiums for renewal and/or new business accounts in the aggregate were substantial.

capacity and ability to offer needed, more customized solutions. As data quality improves, AM Best believes more parametric models will be created and applications will be broader since better analytics and better modeling should provide concise analysis and improved products.

The destructive series of January wildfires affecting Los Angeles and San Diego County in California has prompted some industry participants to have a discussion that parametric coverage for wildfires is almost essential in the current market, especially in wine country to protect vineyards. Parametric coverage for flood exposures is gaining more attention owing to a greater frequency of severe rain events across different regions and has led to significant flooding, such as the devastatingly excessive July rainfall in central and south-central Texas.

Cannabis Coverage

Even though the cannabis industry is thriving, with rapid growth driven by expanding legalization across states, under US federal law, cannabis remains classified as a Schedule I substance. This fact remains a significant hurdle for cannabis businesses and traditional banking services. With this impediment in place, for cannabis businesses, the insurance coverage solutions that are available have been via surplus lines insurers. The coverage forms of traditional, standard market (admitted) insurance carriers most often lack the flexibility to meet the unique needs of cannabis-related businesses. Excess and surplus lines insurance has provided a pathway to address hard-to-place risks with customized solutions because the policies created are designed to adapt to the distinctive exposures of the cannabis industry.

Cannabis businesses present numerous, unique exposures that surplus lines insurers are best equipped to provide coverage for given the divergence between federal and state laws and how that has shaped the existing insurance landscape. Some of these unique exposures include, but are not limited to:

- Product liability coverage for risks associated with defective or harmful cannabis products, such as a tincture (a concentrated liquid extract produced from cannabis and used as herbal medicine) that can cause a severe allergic reaction.
- Property coverage for physical assets from loss or damage by fire in cultivation facilities or dispensaries. Such damage could include the cost of needed equipment repair and stock replacement cost.
- Environmental risks faced by cannabis growing operations, such as crop damage due to ventilation system failure.
- Theft or vandalism exposures for dispensaries storing large amounts of cash on-site.
- Commercial auto or inland marine (transportation) exposures faced by delivery or other transport services from vehicle accidents resulting in damage to a shipment.

While the California cannabis market was initially served by surplus lines carriers, the state has since approved a number of admitted carriers to offer coverage to the state's licensed cannabis industry. In states outside of California, however, surplus lines carriers have overwhelmingly been the provider of available insurance solutions As the commercial cannabis industry evolves, as more states opt to legalize it in one form or another, the associated commercial insurance options in the admitted market will likely grow as well.

If cannabis is reclassified as a Schedule III drug, the resolution would alleviate issues such as transactions by state-sanctioned marijuana businesses being considered unlawful or financial institutions potentially breaking the law by providing services to state-sanctioned marijuana businesses. While the resolution of these issues would likely make admitted carriers more amenable to providing coverage for cannabis-related businesses, the complexities involved with growing, cultivating, storing, and distributing the products would still, at least early on, require the creativity of wholesale distributors and their surplus lines insurance partners.

Health, Biotechnology, and Life Sciences

Specialized risks are endemic to the biotechnology and life sciences industries. Biotech companies responsible for the safety and efficacy of pharmaceuticals, medical devices, and other therapies need the flexibility of insurers that can craft tailored policies for complex risks, environmental and product liability risks. As innovative technologies allow greater and more rapid product development for health, biotech, and life science companies, the needs of entities in these industries will only expand, and the creative expertise of surplus lines insurers will likely be in greater demand. Surplus lines companies are often willing to provide higher coverage limits than admitted carriers. For insureds presenting the type of exposures faced by biotech companies, the expansion of coverage limits across an insurance program encompassing primary and excess coverage basis, this flexibility could be vital.

The needs of these companies are not limited to third-party liability exposures either. Biotech companies rely heavily on intellectual property (IP), including patents and trade secrets. Infringement claims, data theft, or breaches of confidentiality can expose companies to legal and financial risks. Some of the leading surplus lines groups have dedicated life sciences divisions with expertise in the biotech industry.

Autonomous Transportation

The unique risks faced by manufacturers of autonomous transportation technology include cybersecurity threats, software malfunctions, and product liability. These exposures necessitate specialized insurance solutions for which surplus lines companies are best suited. As the use of autonomous vehicles gains more traction in commercial trucking and logistics businesses, insurers that can offer general liability, commercial auto, workers' compensation, and cyber liability coverage will be integral in enabling them to cover their emerging insurance needs.

Section II: Financial Performance and Ratings Distribution

AM Best's Domestic Professional Surplus Lines Composite

This section examines the financial performance of AM Best's Domestic Professional Surplus Lines (DPSL) special composite, which is composed of some of the leading companies in the surplus lines segment. The composite provides an accurate picture of the overall segment's net financial performance. This section also discusses AM Best's ratings on the DPSL composite companies in comparison to the overall P/C industry.

The analysis in this section is specific to **Exhibits 10, 11**, and **14** through **22**. It is based on the statutory financial data of the 69 US-based DPSL companies, although not all the companies identified in **Appendix B** are included in the composite. Composite members are surplus lines companies that wrote more than 50% of their business on a nonadmitted basis in 2024. When creating the composite, AM Best excluded surplus lines companies that (1) are members of intercompany pools writing predominantly admitted business as opposed to surplus lines business; (2) reinsure the vast majority, if not all, of their business with an affiliate; or (3) write a relatively small amount of premium. The composite does include companies that may be part of an intercompany pool but still write surplus lines business on a predominantly direct basis and retain a meaningful portion of it. The comparative issuer credit rating (ICR) data presented in **Exhibit 23** is presented on a rating unit basis, as defined in the text.

P/C insurers have dealt with a myriad of challenges in the past few years, including 2023 and 2024, and we will focus on the performance of the special AM Best surplus lines composite and the overall P/C industry. Economic headwinds have exacerbated negative claims trends for certain lines of coverage, which remain an issue, most noticeably in the commercial auto and homeowners' lines. Commercial auto and general liability underwriters also continue to contend with social inflation and, to a lesser extent, third-party litigation funding, which has lengthened the average time cases have remained open. This has resulted in increased settlement costs and an elevation in the magnitude of ultimate judgments in the case of "nuclear verdicts."

The frequency of convective storms across the country, along with an active 2024 Atlantic hurricane season, had a meaningful impact on P/C insurers' results, who also grappled with losses from other secondary perils such as tornadoes and wildfires. Losses from such events have been above long-term averages as their frequency and intensity continue to worsen. Despite these challenges, the US P/C industry experienced a significant turnaround in 2024 in terms of underwriting profitability, generating an almost $21.8 billion underwriting profit compared to a more than $22.0 billion underwriting loss in 2023. The private passenger auto line of business was the primary catalyst for the industry's improvement across underwriting results, operating results, and return measures.

Exhibit 10
US DPSL Composite - Written Premiums
($ millions)

	Direct Premiums Written	Assumed Premiums Written	Gross Premiums Written	Ceded Premiums Written	Net Premiums Written
2020	27.8	12.1	39.839	22.9	16.1
2021	35.0	14.1	49.063	27.8	19.3
2022	39.8	19.6	59.375	35.6	22.6
2023	44.9	19.3	64.213	39.9	23.5
2024	47.3	19.8	67.104	39.9	26.7

Source: AM Best data and research

AM Best's DPSL composite performed very well in 2023 and benefited from improvement across most of the key underwriting and operating performance measures. As shown in **Exhibit 10**, in calendar year 2024, the companies in the DPSL special composite generated $47.3 billion in DPW, representing a modest 5.2% YoY growth that trailed the 14.5% growth for all US domestic professional surplus lines writers in 2024, as shown in Exhibit 1. The DPSL composite is comprised of many long-term surplus lines writers with mature books of business who are not the driving force for the continued growth in the segment compared to some of the newer market entrants, particularly fronting companies accessing the market via MGAs and program managers, and Lloyds syndicates. In addition, much of the surplus lines market growth has been generated by companies that write most of their business on a nonadmitted basis; however, they cede a majority of that premium to affiliated reinsurers (or unaffiliated reinsurers in the case of fronting companies). For that reason, the profile of these companies precludes them from being included in the DPSL composite. Therefore, the net underwriting and operating performance of these companies does not provide specific insight into their success or lack thereof underwriting surplus lines business.

Based on insights gained from our data, in 2022, DPSL composite companies began assuming a little more business not only from affiliated companies as part of reinsurance pooling agreements but also from non-affiliates as well. The growth in ceded premium and the more considerable YoY increase in direct premium have driven up gross written premiums (GPW) for the composite. With respect to the assumed premium from affiliates, during periods when market conditions result in more business flowing through wholesale brokers, organizations will use nonadmitted subsidiaries to take advantage of the flow, some of which is ceded to affiliated entities that are DPSL composite members.

The DPSL composite grew its net underwriting income and net investment income, leading to an almost 22% increase in pretax operating income despite persistent inflationary pressure on claims costs and certain lines becoming more competitive. The composite's policyholders' surplus rose by 16% in 2024 after growing by 19% in 2023. The 2024 increase, however, represented an anomaly, with more than $5 billion in realized capital gains overwhelmingly attributable to Berkshire Hathaway's National Fire & Marine Company. Although direct premium growth for the composite in 2024 was modest, the composite had enjoyed double-digit YoY DPW growth in the previous four years. Key factors boosting the segment's premium growth over this period included positive pricing momentum for certain commercial lines of coverage, including catastrophe-exposed property, general liability, excess/umbrella coverage, and commercial auto (trucking).

Submission Flow Key to Premium Growth

The DPSL composite's compound annual growth rate of 16% over the past five years has largely reflected not only higher pricing for the noted lines of coverage and troubled risk classes but also the level of opportunity, reflected in consistent submission flow. Carriers in the surplus lines segment have been able to take advantage of the growing business facilitated by their wholesale brokers, MGAs, and other distribution partners. Most AM Best-rated surplus lines carriers, particularly those that have experienced consistent YoY premium growth, noted submission flow as the driver. Admitted carriers refined their risk appetites and risk tolerance to improve underwriting profitability, particularly for the lines or risk classes that have yielded unfavorable results for them. Some of these accounts, which include the inherently more complex risks, then moved back to the nonadmitted market.

After increasing notably in 2022, the composite's level of assumed premium remained relatively steady in 2023 and 2024. During periods of increased business flowing through wholesale brokers, many organizations will use nonadmitted subsidiaries to take advantage of the plentiful flow of business, some of which is ceded to affiliated entities that are DPSL composite members. This can help entities aiming to extend their surplus lines reach. Despite the growth in both direct and gross premium volume the past few years, the composite's net retention of GPW has declined slightly, partly because of a more conservative approach taken in retaining the newer business being written. As carriers become more bullish on the business' profit potential, net retentions should rise again.

Troubled Coverage Lines Provide Growth Opportunities

For the DPSL composite, general liability business (coded as Other Liability – Occurrence or Other Liability – Claims-Made in NAIC statutory reporting, which includes primary and excess liability business) continued to generate the largest share of the composite's DPW, at more than 48% in 2024 (**Exhibit 11**). The claims-made line of business consists largely of liability coverage for businesses when employees make mistakes (errors or omissions) discharging professional services. Directors and officers (D&O) liability falls under this liability coverage umbrella as well. Large D&O liability pricing increases in 2020 and 2021 attracted new market entrants and led current market participants to devote more resources to that market, which includes surplus lines writers. While soft pricing curtailed the upward trend on D&O pricing for a year or two leading into 2024, catastrophe-exposed property risks offered higher rates and sizable premium increases on renewals, but with the property reinsurance market calming down the past year or two, property premiums (fire and allied lines) are not increasing to the same degree.

Exhibit 11

US DPSL Composite – Top 5 Product Lines by DPW, 2022 vs. 2023

Ranked by 2024 Surplus Lines DPW

Rank	Product Line	2023 Surplus Lines DPW ($ thousands)	2023 DPSL Peer Composite Market Share (%)	2024 Surplus Lines DPW ($ thousands)	2024 DPSL Peer Composite Market Share (%)	2023/2024 DPW Change (%)
1	Other Liability	19,866,942	44.4	21,778,975	48.6	9.6
2	Fire	7,190,450	16.1	7,969,019	17.8	10.8
3	Allied Lines	6,647,995	14.8	5,364,253	12.0	-19.3
4	Commercial Multi-peril	2,311,854	5.2	2,456,498	5.5	6.3
5	Inland Marine	1,616,061	3.6	1,621,917	3.6	0.4
	Top 5 – Subtotal	**37,633,302**	**84.0**	39,190,662	87.5	**4.1**
	Total DPSL Composite	**44,793,024**	**100.0**	47,269,882	100.0	**5.5**

Source: AM Best data and research

Exhibit 12A
US Surplus Lines Premium Growth, By Line of Coverage
Ranked by 2024 Direct Premiums Written
($ thousands)

Line of Business	Direct Premiums Written 2022	2023	2024	% of Total 2024 DPW	DPW % Growth 2022-2024
Liability[1]	23,430,889	27,099,604	30,149,846	36.9	28.7
Property[2]	18,342,426	24,162,743	26,828,917	32.9	46.3
Professional Liability[3]	7,890,981	7,341,107	7,562,783	9.3	-4.2
Multi-Peril[4]	3,789,393	4,613,656	5,239,110	6.4	38.3
Residential, Homeowners, and Other Personal Property[5]	2,832,587	3,048,346	3,993,376	4.9	41.0
Auto Liability[6]	2,013,937	2,124,168	3,422,282	4.2	69.9
Other[7]	1,691,411	1,651,388	1,714,784	2.1	1.4
Auto Physical Damage[8]	1,156,729	1,508,437	1,227,917	1.5	6.2
Inland Marine[9]	923,271	976,598	1,160,573	1.4	25.7
Disability/Accident & Health[10]	301,827	309,017	339,987	0.4	12.6
Total	**63,391,461**	**72,835,063**	**81,639,576**	**100.0**	**28.8**

[1] Includes aviation, general and products liability.
[2] Includes aircraft physical damage, commercial property and related business interruption, commercial package and a variety of standalone commercial coverages (e.g., DIC, earthquake, flood, terrorism, vacant building).
[3] Includes E&O, D&O, EPL, sexual misconduct, representation and warranties, patent, trademark, and copyright infringement, architects and engineers, medical malpractice, etc.
[4] Generally includes packaging of commercial GL, inland marine, crime, boiler and machinery, auto and farm.
[6] Includes auto dealer liability, commercial auto liability, excess auto liability, garage owners liability, storage, etc.
[7] Includes credit, crime, hole-in-one, kidnap, ransom, ocean marine, pet insurance, etc.
[8] Includes auto dealer inventory, commercial auto collision, comprehensive, fire and theft, etc.
[9] Includes liability for cargo during transit, physical loss or damage to data processing equipment, furrier's stock and various floater policies (personal efffects, personal property, jewelry, furs, fine arts, etc.).
[10] Includes coverage for loss by sickness or bodily injury, and for accidental death, diability and medical expenses while traveling.
Source: U.S. Surplus Lines Service and Stamping Offices Annual Reports

Line of business premium data serves as an indicator of the types of business feeding the surplus lines market during any given period. From 2022 through 2024, Surplus Lines Service Office data revealed total surplus lines premium grew by 28.8% (**Exhibit 12A**). General liability business includes general liability, products liability, umbrella, and excess liability coverage. Over the years, AM Best data has demonstrated the coverages under the general liability banner have combined to consistently represent the largest portion of the surplus lines market from a DPW perspective. The combination of general liability (36.9%) and commercial property (32.9%) coverage represented almost 70% of surplus lines market premium written through the service and stamping offices over the last three years. Commercial property included business interruption coverage associated with commercial property policies, in addition to standalone coverage including but not limited to Difference in Conditions, earthquakes, floods, and terrorism. No other coverage accounted for as much as 10% of the surplus lines market. The trend showing increasing premium growth underscores the surplus lines market's ability to adapt to shifting demands, utilizing its freedom of rate and form to provide coverage where the admitted market cannot or will not.

The lines of coverage and classes of business surplus lines insurers have been writing represent some of the business that has generated unfavorable underwriting results for the overall P/C industry during the past decade. For most of these lines, industry underwriting results have been trending poorly and have exhibited notable volatility in recent years, as shown in **Exhibit 12B**. The five-year average net combined ratios for the homeowners, commercial auto, and property catastrophe lines of insurance—which encompass commercial property and both homeowners and farmowners multi-peril lines of coverage, among others—all exceeded the 100.0 breakeven mark. The commercial multi-peril line, which largely

Exhibit 12B

P/C Industry, Net Combined Ratios for Troubled Lines of Business

	Homeowners/ Farmowners	Fire & Allied Lines	Commercial Automobile	Other & Products Liability	Commercial Multi-Peril	Property Catastrophe[1]
2014	92.7	86.4	103.3	101.7	99.3	94.6
2015	91.8	85.5	108.8	103.2	94.8	93.5
2016	93.1	89.6	110.5	110.9	101.8	96.1
2017	107.1	123.9	111.1	101	107.9	105.2
2018	103.6	107.7	108	101.3	106.5	99.8
2019	98.6	97.6	109.3	105.5	105.1	96.6
2020	107.4	102.7	101.8	104.8	109.8	99.6
2021	103.4	98.9	98.8	97.2	106.2	102.2
2022	104.7	95.6	105.4	96.1	105.7	105
2023	110.9	92.8	109.2	99.4	107.1	103.1
2024	99.7	83.1	107.2	109.3	99.7	91.4
5-Year Average	**105.2**	**94.6**	**104.5**	**101.4**	**105.7**	**100.3**
10-Year Average	**101.2**	**96.7**	**106.7**	**102.8**	**104.0**	**98.8**

[1] Property catastrophe lines of business include fire, allied lines, multi-peril crop, private crop, federal flood, private flood, farmowners multi-peril, homeowners multi-peril, commercial multi-peril (non-liability), inland marine, earthquake, private passenger auto physical damage, and commercial auto physical damage.

Source: BESTLINK

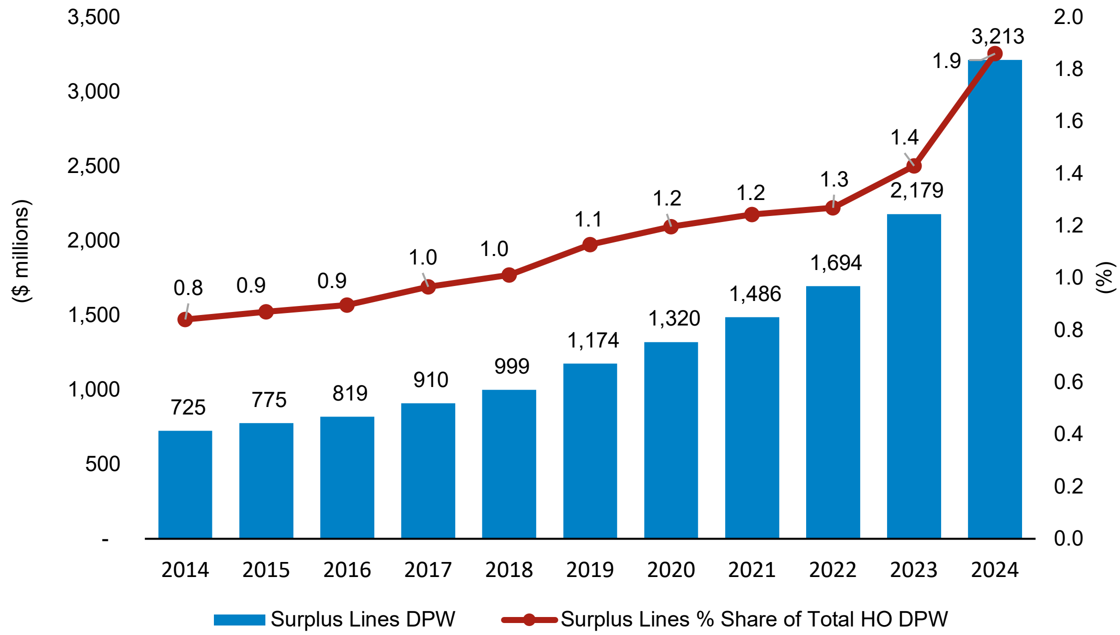
reflects coverage written for small- and medium-sized commercial enterprises, posted the highest combined ratio (105.7) during that period and generated a combined ratio almost as high (104.0) over the last 10 years. The strong results posted by the DPSL composite over the last five years, including a five-year average combined ratio of 92.6, demonstrate the ability of surplus lines insurers to write tougher risks while generating profitable results by sticking to a predetermined risk appetite, maintaining disciplined underwriting and pricing, and knowing when the deal does not meet standards and walking away from it.

Few lines of coverage have exhibited the volatility that homeowners' insurers have needed to withstand. This includes surplus lines insurers who traditionally did not wade too far into the homeowners' insurance market, apart from for higher-valued homes, especially in areas susceptible to weather-related disasters. Over the last 10 years, the percentage of total homeowners' premium being written by surplus lines insurers increased from 0.8% of all P/C carriers writing homeowners insurance in 2014 to 1.9% in 2024 (**Exhibit 13**). Nonadmitted premiums written in the surplus lines market broke the $2 billion mark for the first time in 2023 and only needed another year to breach the $3 billion premium threshold. While 1.9% remains a small percentage, the actual growth in homeowner's premium has been more significant. In last year's report, AM Best stated the homeowners line would continue to grow for surplus lines insurers because of the seemingly increased frequency of different severe weather events affecting a wider swath of territories across the country. Additionally, inflationary factors have pushed up the cost of home repairs, which could be exacerbated by the administration's tariff policies, which AM Best will continue to monitor.

Extended Period of Underwriting and Operating Excellence

Over the last five years, the DPSL composite's net underwriting and operating results have been robust, with notable improvement over the 2021 to 2024 period, despite rising loss costs and increasingly frequent weather-related events. Fueled by generally consistent net premiums written (NPW) growth, the composite's net premiums earned (NPE) have outpaced the growth in incurred losses and loss adjustment expenses (LAE), leading to lower loss and LAE and combined ratios. From 2020 to 2024, the composite's net loss and LAE ratio declined steadily, from 71.2 to 63.3 (**Exhibit 14**). In contrast, before a significant YoY decline of more than 5 percentage points in 2024, the P/C industry's net loss and LAE ratio notably deteriorated by 6 percentage points from 2020 to 2023.

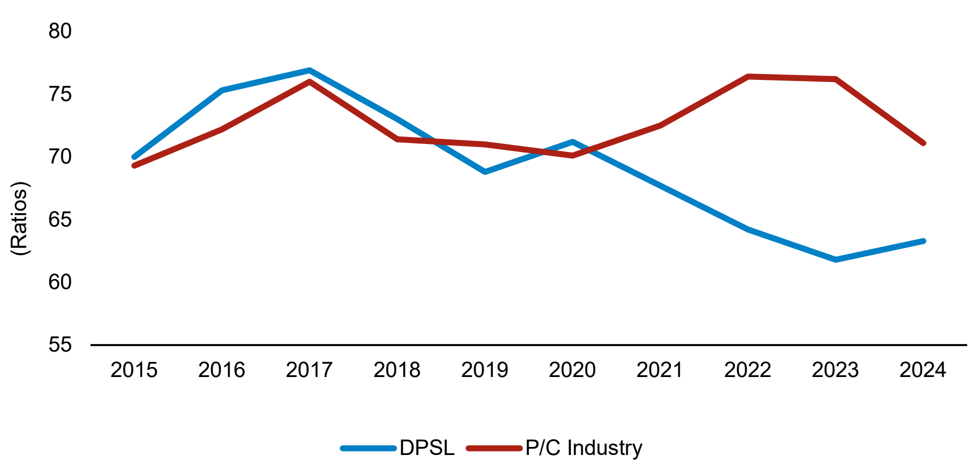
Exhibit 13
US Surplus Lines - Homeowners Direct Premiums Written Share of Total P/C Industry Homeowners DPW



Source: BESTLINK

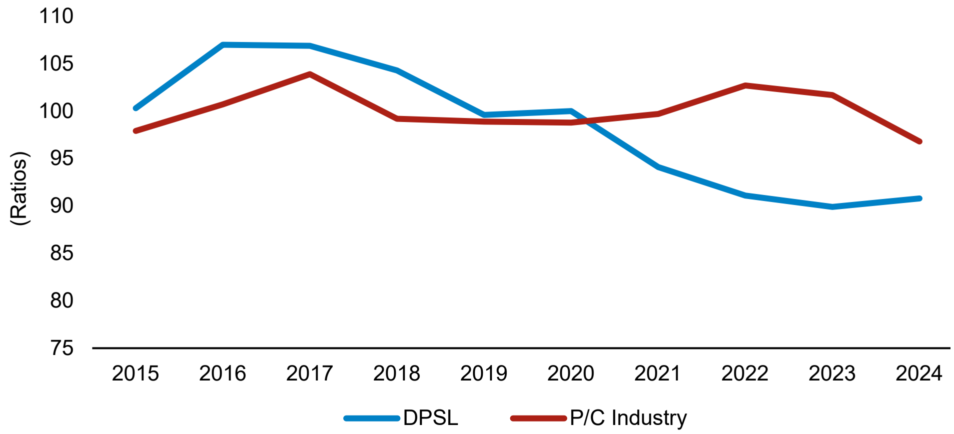
The DPSL composite's net underwriting profit was \$2.3 billion in 2024, up from \$2.1 billion a year earlier, representing another yearly improvement and more than three times the underwriting income of \$616 million only three years prior in 2021. Calendar year 2024 turned out to be a demarcation for the entire P/C industry. A substantial reversal of the private passenger auto line, which went from an underwriting loss of \$16.9 billion in 2023 to an underwriting profit of \$13.9 billion in 2024, led the results for the P/C industry. Nevertheless, the DPSL composite's net loss and LAE ratio were still almost eight points lower (better) than the broader P/C industry.

Exhibit 14
US DPSL Composite vs P/C Industry - Net Loss & LAE Ratio



Source: AM Best data and research

Exhibit 15
US DPSL Composite vs. P/C Industry - Net Combined Ratio



Source: AM Best data and research

Driven by an improved net loss ratio, the DPSL composite's net combined ratio has been improving; however, in 2024, it did increase slightly, by less than a full percentage point. Nevertheless, it was still below the breakeven mark of 100.0 (**Exhibit 15**). However, the P/C industry's combined ratio, although greatly improved at 96.8, was down from 101.7 in 2023 and was several points higher than the combined ratio posted by the DPSL composite. The spread of 6.0 points was attributable to the net loss and LAE ratio for the composite, as the composite's net other underwriting expense ratio (the other key component of the combined ratio) was more than two points higher than the P/C industry. The composite's expense ratio has historically been consistently higher than the broader P/C industry. However, the higher underwriting expense ratio for the DPSL composite is impacted by the complexity of the higher-risk hazard business covered by surplus lines companies and the degree of customization needed in the development of the coverage solutions.

The composite's accident year combined ratio of 90.0 (representing a one-point improvement from 2023) was also significantly better than the P/C industry's 98.0 (3.0 points lower than in 2023). The DPSL composite's favorable result is attributable to the effectiveness of its underwriting, pricing, and claim management strategies for underwriting moderate- to higher-hazard risks and their inherently difficult risk characteristics. Post-pandemic inflation, volatile weather conditions, macroeconomic challenges like supply chain bottlenecks, and unique risk-related headwinds have made insuring these more complex risks particularly challenging the past few years.

Pretax Income Reaping Benefit from Improved Underwriting and Investment Performance

The DPSL composite generated more than $200 million in additional underwriting income, representing a 9.4% increase, and ended 2024 at over $2.3 billion (**Exhibit 16**). As noted earlier, owing to the pronounced improvement in the results for the private passenger auto line of business, the largest single P/C line of business representing 34% of total P/C 2024 DPW, the P/C industry $22.0 billion net underwriting loss in 2023 turned into a $21.8 billion underwriting gain in 2024.

For the DPSL composite, with growth in net investment income combining with the improved underwriting income, pretax operating earnings increased by more than 22%, YoY. In contrast, buoyed by the banner year for underwriting, the overall P/C industry's pretax income more than doubled to $112.1 billion in 2024, as net investment income grew by 20%, supplementing the outstanding year of underwriting profits. The P/C industry's $89.0 billion investment income in 2024 reflected new money being reinvested at higher yields, which also facilitated the DPSL composite's investment income growth. In 2022 and 2023, the P/C industry's investment income stabilized due to US Federal Reserve policy actions, interest rate trends, and equity market performance.

Exhibit 16

US DPSL Composite – 12-Month Financial Indicators, 2023-2024

($ billions)

	DPSL Composite			P/C Industry		
	2023	2024	YoY % Chg	2023	2024	YoY % Chg
Net Premiums Written	24.3	27.2	12.0	864.2	938.6	8.6
Net Premiums Earned	23.5	26.7	13.9	827.4	908.9	9.9
Pure Losses Incurred	12.0	14.0	16.6	548.8	560.3	2.1
Loss Adjustment Expense	2.5	2.9	16.6	82.0	85.9	4.8
Losses & LAE	14.5	16.9	16.8	630.8	646.2	2.4
Underwriting Expenses	6.8	7.5	9.9	215.6	236.4	9.7
Policyholder Dividends	0.0	0.0	0.6	3.8	4.4	14.4
Underwriting Income/Loss	2.1	2.3	9.4	-22.0	21.8	NM
Net Investment Income	2.9	3.8	29.5	74.1	89.0	20.1
Other Income/Loss	0.0	0.1	143.0	1.0	1.3	29.6
Pretax Operating Income	5.1	6.2	22.4	52.3	112.1	114.6
Realized Capital Gains/Losses	-0.1	5.1	NM	50.5	79.7	57.8
Federal Income Taxes	1.1	1.3	19.1	11.0	20.1	82.6
Net Income	**3.9**	**9.9**	**157.6**	**91.8**	**171.8**	**87.2**

NM = Not meaningful.

Source: AM Best data and research

Calendar year 2023 enjoyed a huge turnaround in the broader industry in terms of net realized capital gains, which drove net income to more than double. Similarly in 2024, realized gains of more than $79 billion were the key driver of the strong net income for the P/C industry, increasing by 87%. For the DPSL composite, its net income was skewed, more than doubling owing to $5.0 billion in realized gains for a Berkshire Hathaway subsidiary. The resulting $9.9 billion in net income was more than double its annual result in any year during the past decade.

Volatility in Realized and Unrealized Investment Results Impacts Operating Results

Exhibit 17 illustrates for 2023 and 2024, substantial yearly differences in either realized or unrealized gains or losses can have a material additive or limiting effect on the investment returns of the DPSL composite and the P/C industry. Considerable unrealized capital losses aided the broader industry markedly in 2023, with results reversing in 2024 to almost $11 billion in unrealized losses stemming from declines in preferred and common stock holdings in the aggregate. Similarly, the composite's total financial return in 2023 benefited from unrealized capital gains of more than $3.0 billion but was hindered by $2.6 billion in unrealized losses in 2024. The composite produced modest 5.8% growth in its total investment return, while the P/C industry produced a 17.7% decline.

Net premium leverage (the ratio of net premiums written to policyholder's surplus) remained below 1.0 for both the P/C industry and the DPSL composite, indicating low leverage and a solid capital position. AM Best expects that despite potential capital market volatility, investment returns will be strong in 2025, as insurers continue to benefit from higher yields.

Exhibit 17

US DPSL Composite vs. P/C Industry - Investment Performance

($ millions)

	DPSL			P/C Industry		
	2023	2024	YoY % Change	2023	2024	YoY % Change
Net Investment Income Earned	2,925	3,789	29.5	74,090	88,965	20.1
Realized Capital Gains/(Losses)	-100	5,094	NM	50,523	79,727	57.8
Net Investment Gain/(Loss)	2,825	8,883	214.4	124,613	168,692	35.4
Unrealized Capital Gains/(Losses)	3,076	-2,636	-185.7	67,165	-10,901	-116.2
Total Investment Return	**5,901**	**6,246**	**5.8**	**191,778**	**157,791**	**-17.7**

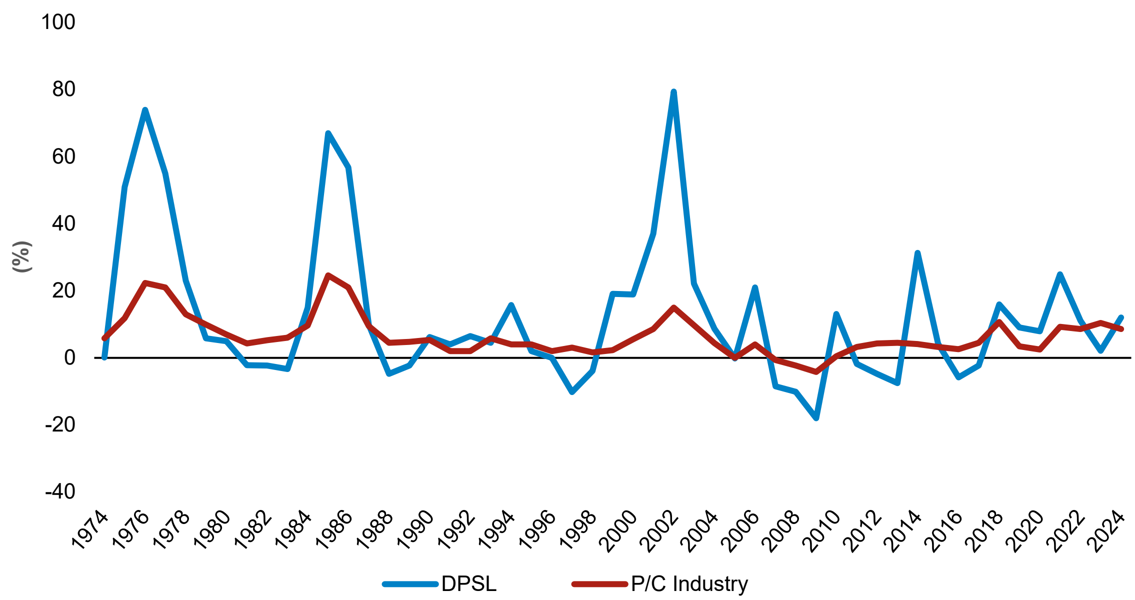
Source: AM Best data and research

The composition of invested assets for the DPSL composite and the P/C industry is stable, although stock market volatility has led to variances in annual common stock leverage, more for the composite than for the overall industry. Year-end 2024, the common stock leverage for the DPSL composite (27.5% of policyholder's surplus) was considerably lower than the overall P/C industry (42.5%), reflecting a conservative position. However, the composite's leverage is overwhelmingly skewed by the net of stocks bought and sold by one composite member company (National Fire & Marine).

Improved Returns Help Foster Surplus Growth, Strengthening Balance Sheets

Net premiums written for the DPSL composite have risen consistently, in varying degrees from 2018 to 2024, driven by steadily increasing DPW during that period (**Exhibit 18**). Net premiums for the P/C industry have also risen consistently during that time, but on average, growth has been moderately lower than the composite. Surplus lines insurers have been able to take advantage of market dislocation affecting specific lines of coverage, including the pandemic-induced uncertainty that affected the overall P/C industry. The premium growth was augmented by average pricing increasing for many of the composite's core lines of coverage and risk classes, as inflationary pressures had a decided, negative impact on loss severity and compelled a push for greater premium adequacy.

Exhibit 18
US DPSL Composite vs. P/C Industry - Net Premium Written Growth

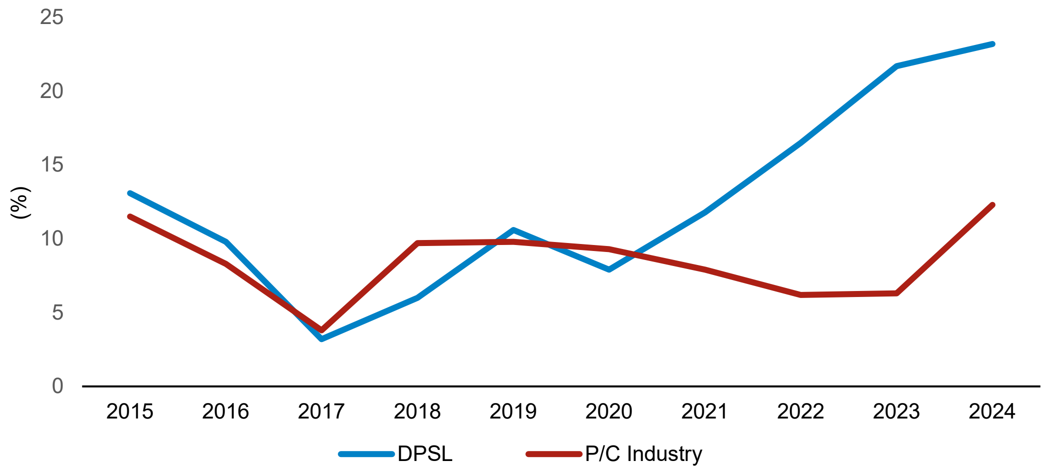


Source: AM Best data and research

The DPSL composite's five-year compound annual growth rate (CAGR) for net premiums written (after the effects of reinsurance ceded to reinsurers is considered) is 11.6%, compared with a CAGR of 7.9 for the P/C industry. However, direct premium volume, which is not impacted by reinsurance or pooling agreements, provides a more accurate measure of premium growth YoY. By that measure, the DPSL composite's DPW has grown by double digits in four of the last five years, and its five-year CAGR is 14.5%, compared to 8.3% for the P/C industry.

In four of the last five years, the DPSL composite has generated double-digit pretax operating returns on revenue (ROR), with the pandemic-affected 2020 year as the sole outlier (**Exhibit 19**). Operating earnings lagged in 2020 because neither net underwriting income nor net investment income was as favorable as in 2019, owing partly to the pandemic. However, even during that year, the composite generated a pretax ROR of 7.9% and has produced higher returns in each year since, largely driven

Exhibit 19
US DPSL Composite - Pretax Returns on Revenue (Net Premums Earned) vs P/C Industry



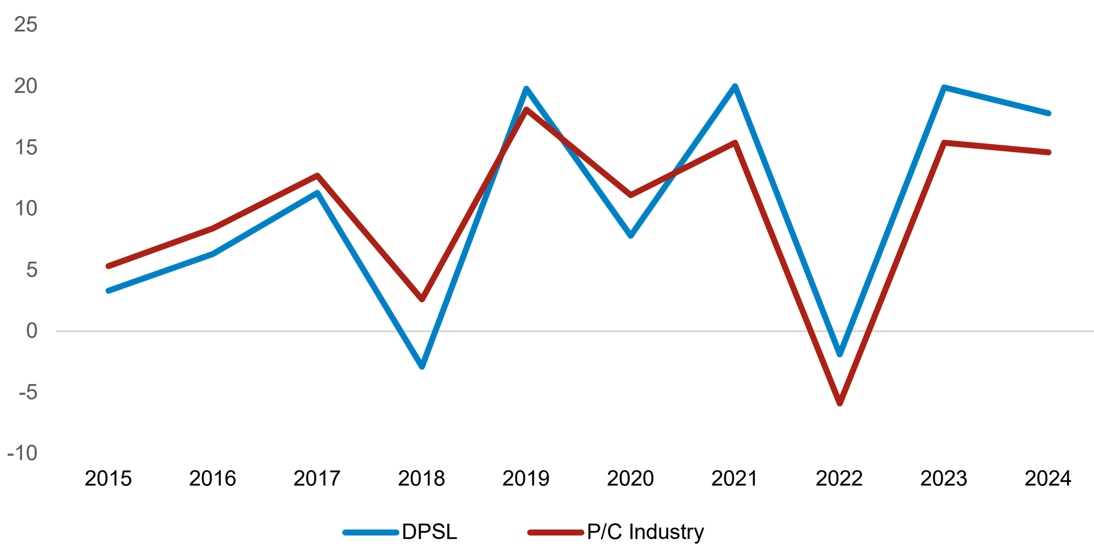
Source: AM Best data and research

by improved underwriting profitability. The composite's pretax returns were generally in line with the P/C industry returns from 2015 to 2020 before outpacing the industry in each of the last four years.

As **Exhibit 20** shows, the DPSL composite's returns on equity (ROE) have generally been either modestly higher or lower than the P/C industry's annual ROEs, reflecting differences in unrealized gains and, to some extent, stockholder dividends. For the most part, though, the returns for both have trended closely each year, with the composite enjoying a slight edge in the last two calendar years.

Calendar year 2024 was favorable for both the composite and the broader P/C industry in terms of operating results, as shown by considerable YoY growth in net income in 2024 (**Exhibit 21**). The companies making up the DPSL composite have generated sufficient returns to facilitate aggregated dividends of almost $9 billion that were upstreamed to their respective parent companies over the last five years. In AM Best's view, DPSL companies have managed these dividend payments responsibly, considering the 61% growth in the composite's policyholder's surplus over the same period.

Exhibit 20
US DPSL Composite - Total Return on Surplus vs. P/C Industry



Source: AM Best data and research

Exhibit 21

US DPSL Composite vs. P/C Industry - Investment Performance, 2023-2024

($ billions)

	DPSL			P/C Industry		
	2023	2024	YoY % Change	2023	2024	YoY % Change
Policyholders' Surplus at Prior Year End	31.9	38.0	19.3	1,002.0	1,064.8	6.3
Net Income	3.9	9.9	157.6	91.8	171.8	87.2
Unrealized Capital Gains/Losses	3.1	-2.6	-185.7	67.2	-10.9	-116.2
Contributed Capital	0.4	0.7	72.5	9.4	3.2	-65.9
Stockholder Dividends	-1.2	-2.0	62.3	-109.9	-88.0	-20.0
Other Changes	0.0	0.1	540.0	0.4	-0.3	-163.8
Ending Policyholders' Surplus	38.0	44.2	16.2	1,064.8	1,138.2	6.9
Change in PHS from Prior Year End ($)	6.1	6.2	0.3	62.8	73.4	17.0
After Tax Return on Surplus (ROE) (%)	19.9	17.8	-10.6	15.4	14.6	-5.2

Note: NM = Not Meaningful. Values may not add up to 100% due to rounding.

Source: AM Best data and research

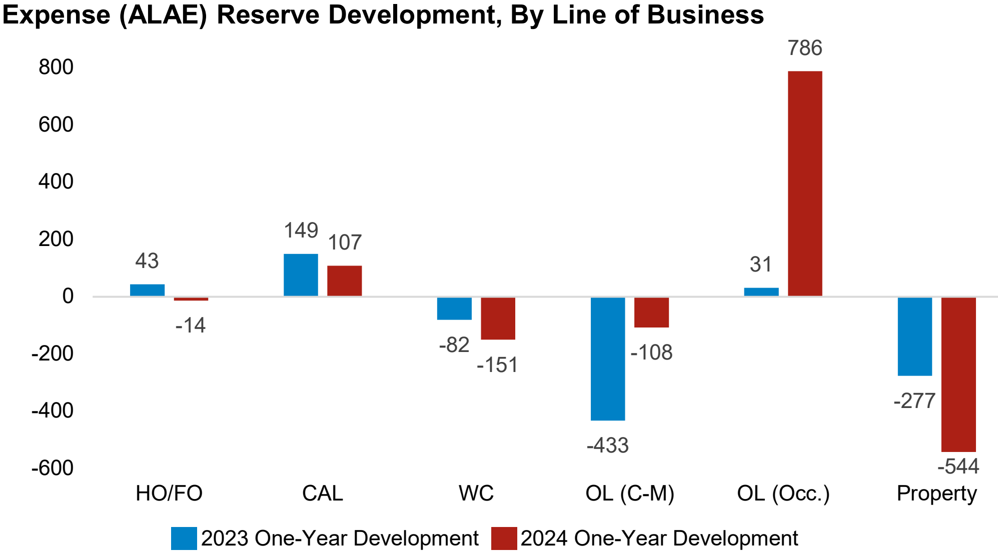
Historically, the DPSL's net underwriting leverage ratios have been either in line with or slightly lower than the P/C industry. In recent years, net premium growth, along with a corresponding increase in net liabilities, has caused an uptick in the composite's leverage. Its ceded premium leverage has generally been moderately higher than the P/C industry, which is reasonable since surplus lines insurers cover unique, usually higher-hazard risks than admitted carriers and may choose to protect their balance sheets through reinsurance.

General Liability Experience Shifts Overall Line of Business Reserve Development

In 2024, the impact of prior accident year loss and allocated loss adjustment expense (ALAE) reserve development was essentially neutral for the DPSL composite's calendar year loss ratio, with $17.7 million in adverse development adding just one-tenth of a point to the composite's 2024 net loss ratio. However, individual lines of coverage had decidedly different results for the year (**Exhibit 22**). The lines experiencing the most favorable, or adverse, effects of prior year reserve development were the property line ($544 million in favorable development) and the other liability (occurrence) line ($786 million in adverse or unfavorable development). For the other liability line, the result was substantially worse than the modest $31 million in adverse development in 2023, and it was the primary reason the composite's overall reserve development was neutral compared to its portfolio producing $851 million in favorable development in 2023. The composite also continued to benefit from favorable development on prior-year reserves for its workers' compensation business, although that is a relatively inconsequential line of coverage for the composite from an annual written premium perspective. Favorable reserve development on property business is particularly noteworthy considering the impact of hurricanes

Exhibit 22

DPSL Composite - One-Year Loss and Allocated Loss Adjustment Expense (ALAE) Reserve Development, By Line of Business



Source: AM Best data and research

making landfall and the impact of so-called secondary perils, led by severe convective storms, tornadoes, hailstorms, and wildfires that have generated significant losses. The favorable reserve development for the composite's property business indicates that initial reserving efforts for property claims have been sufficiently conservative.

Surplus Lines ICR Distribution Remains Superior to Broader P/C Industry

AM Best uses a comprehensive top-down and bottom-up approach to collectively evaluate the entity or entities to which it assigns Best's Credit Ratings. These entities are referred to as rating units.

As **Exhibit 22A** shows, AM Best surplus lines rating units have a higher proportion of issuer credit ratings (ICRs) in the top two, "Exceptional" and "Superior," categories than the overall P/C industry, while the industry had more ratings in the "Excellent" and "Good" categories. As of July 22, 2025, 100.0% of the 99 AM Best domestic professional surplus lines rating units were in these top four categories, compared to 96.3% for the P/C industry (as of June 30, 2025).

Exhibit 22A

US DPSL vs. US PC Industry - AM Best Ratings by Rating Unit

Category	Rating Level	DPSL Rating Units	DPSL %	PC Industry Rating Units	PC Industry %
Exceptional	aaa	1	1.0	3	0.5
	Subtotal	1	1.0	3	0.5
Superior	aa+	10	10.1	16	2.5
	aa	9	9.1	12	1.8
	aa-	14	14.1	44	6.7
	Subtotal	33	33.3	72	11.0
Excellent	a+	17	17.2	94	14.4
	a	18	18.2	166	25.5
	a-	28	28.3	222	34.0
	Subtotal	63	63.6	482	73.9
Good	bbb+	1	1.0	35	5.4
	bbb	1	1.0	22	3.4
	bbb-	0	0.0	14	2.1
	Subtotal	2	2.0	71	10.9
Fair	bb+, bb, bb-	0	0.0	20	3.1
Marginal	b+, b, b-	0	0.0	3	0.5
Weak/Very Weak	ccc+, ccc ,ccc-, cc	0	0.0	1	0.2
Poor	c	0	0.0	0	0.0
	Subtotal	0	0.0	24	3.7
Total Issuer Credit Ratings		**99**	100.0	**652**	100.0

Note: Numbers may not add up due to rounding. Domestic professional surplus lines ratings are as of July 22, 2025. US P/C industry ratings data is as of June 30, 2025.
Source: AM Best data and research

The percentage of surplus lines rating units in the top-tier rating categories of Excellent to Exceptional remains very high—97 out of 99 rating units, or 97.9%. The number has remained consistent despite the recent increase in the number of DPSL rating units, as new start-ups have helped offset the impact of consolidation.

As of June 30, 2025, the percentage of 652 total P/C rating units with ratings in the Excellent to Exceptional categories was 84.3%, remaining essentially the same as the 85.4% at mid-year 2025. For the DPSL composite, the 97.9% percentage of rating units in those categories is notably higher. Additionally, only one surplus lines rating unit has an ICR lower than "bbb," versus 38 such P/C industry rating units with ICR ratings of "bbb-" or lower.

Section III – Regulation and Legislation Update

National Association of Registered Agents & Brokers

On January 12, 2015, the National Association of Registered Agents & Brokers (NARAB) was passed as part of the reauthorization of the Terrorism Risk Insurance Act of that same year; however, it has never become operational. The insurance industry has long sought uniformity for multistate licensing. WSIA and other insurance trade associations had worked for years to make NARAB law, advocating for the national standard it implements while also maintaining the broker's individual home state's authority in the process of resident licensing. A primary benefit addresses inconsistencies and difficulties in obtaining and maintaining nonresident producer licenses.

For NARAB to become operational, the president submits 13 board nominations to the Senate for approval, consisting of eight insurance commissioners and five industry members. However, despite nominations from previous administrations, the Senate Banking Committee has not appointed any board members. Ten years after passing, it has yet to become operational.

Over the years, in general, there have been steps backward in uniformity for producer licensing, including surplus lines. Not all states accept resident surplus lines licenses from other states for a nonresident license without additional requirements. NARAB would be able to address this issue, as the clearinghouse would simplify and streamline how nonresident insurance agents and brokers operate, while states maintain their authority over them—which would be critical in facilitating more uniform and efficient licensing (including surplus lines brokers) at the national level. It would also eliminate burdensome multi-state requirements without eroding regulatory authority or consumer protection. Developing the system and national rules and implementing the underlying law requires a board of directors, so appointing a board is critical.

Florida Legislative Reforms for Homeowners

Florida has enacted historic legislative reforms aimed at restoring stability to its insurance market. A key component was the restriction of assignment of benefits (AOBs) and the broader limitation of one-way attorney fees. These changes have significantly improved the state's legal environment, addressing long-standing challenges for both insurers and policyholders. Previously, a surge in lawsuits—whether related to AOBs or first-party claims—had driven up claim costs and defense expenses, placing considerable pressure on insurer profitability.

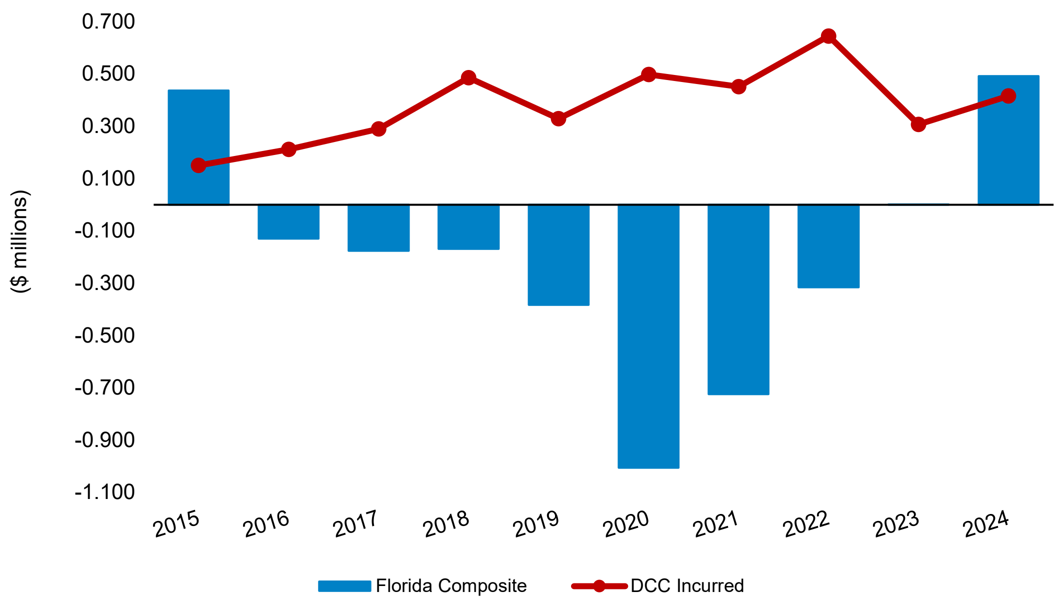
In 2022, the ratio of Florida's defense and cost containment expenses (DCC) incurred to direct premiums earned was 18%, specifically for homeowners, allied lines, and fire lines of business, with Louisiana being the next highest state at 3.6%. This reflected the prevalence of litigation costs in settling Florida's property claims. In conjunction with recent legislative reforms, the Florida DCC ratio declined substantially in 2023 and remained relatively stable through 2024. Despite the ratio remaining stable, DCC costs incurred increased in 2024, driven by lawsuits prior to 2022. AM Best's Florida specialist personal property composite consists of 45 insurers that write at least 30% of their personal property book of business in the state; carriers have experienced improved profitability. AM Best believes the current DCC environment suggests that legislative reforms have lowered the number of lawsuits. **Exhibit 23** highlights the extent to which elevated DCC levels have impacted pre-tax income volatility among the current Florida specialist composite since 2015. In the aggregate, the composite generated almost $500 million in pretax operating income in 2024, which is, in part, indicative of the more favorable conditions related to DCC expenses.

Exhibit 23

***Florida Personal Property - Pre-Tax Operating Income/ Loss**

2015-2024

($ millions)



*Florida personal property composite reflects results for 45 insurers that write at least 30% of personal property premium in the state, with majority above 50%. This includes companies that have been deemed financially impaired. Citizens and companies tied to national carriers have been excluded

Source: BESTLINK

The 2024 Florida legislative session did not produce as many significant reforms as previous years, but the reforms that occurred appeared to support a stronger insurance market. One key development included the launch of the My Safe Florida Condo program, offering Florida condo associations free mitigation inspections and grants to implement hurricane-resistant upgrades. The program mirrored the My Safe Florida Home program and could be viewed favorably by primary insurers, as enhanced property durability may lower hurricane-related risks and potentially lead to premium reductions for condo and homeowners. Despite this progress, restoring market confidence and achieving long-term financial improvements will clearly take time. Another bill that was passed in 2024 allows surplus lines carriers to offer coverage on seasonal homes, provided they have an AM Best rating of A- or higher and the homes lack homestead exemptions.

The 2025 legislative session started with priority legislation, particularly for the WSIA and Florida Surplus Lines Association (FSLA), filed as HB 643 and SB 1184. The legislation sought to transfer regulatory requirements imposed on surplus lines insurers within Chapter 627, F.S., to Part VIII, Chapter 626, F.S., entitled Unauthorized Insurers and Surplus Lines Insurers. The legislation would not have imposed any new requirements on the surplus lines market but would have specified that provisions of Chapter 627 are explicitly not applicable to surplus lines business. Ultimately, this legislation did not pass but remains a future priority for the surplus lines market advocates. The failed legislation would also have eliminated a redundant affidavit requirement and clarified that certain protections currently available to the admitted market are also accessible to the surplus lines market.

Significant efforts were also initiated to roll back litigation reforms of 2022 and 2023. Among these were attempts to regulate compensation agreements for admitted affiliated MGAs, application of the value policy law to surplus lines policies (HB 1555), unfavorable standards for bad faith (HB 881), and regulation of the use of artificial intelligence in claims handling (HB 1433). Ultimately, these bills were defeated, and the crucial protections part of the 2022 and 2023 reforms will remain law.

All policy matters that had not already passed or were not specified within HCR 1631 were defeated when the legislature adjourned the regular session on Saturday, May 3, 2025. The adjournment disposed of several bills that were opposed by many insurance industry factions, including the WSIA, the FSLA and others. The bills that were disposed of included the repeal of 2022 and 2023 reforms that have improved some of the prior issues the Florida market experienced, including reforms of one-way attorney's fees (HB 1551) and unwinding of 2022 and 2023 reforms providing transparency in medical damages (HB 947).

The 2025 legislative session also included a crucial proposed bill, HB 1549, with a provision sought by the Florida Association of Insurance Agents (FAIA) to eliminate diligent effort for residential and commercial residential business that ultimately passed in HB 1549. Florida previously eliminated most of the diligent effort requirements for commercial risk, such that with this law, diligent effort has been fully eliminated. Effective July 1, 2025, Florida became the fifth state to eliminate diligent effort search requirements, joining Louisiana, Mississippi, Virginia, and Wisconsin. North Dakota joined effective August 1, 2025, bringing the tally to six.

Under previously existing Florida law, insurance agents were first required to seek coverage from at least three admitted insurance companies, or from one admitted company if the dwelling's replacement cost is $700,000 or more, before accessing the excess and surplus market. The passed legislation removed this requirement.

National Flood Insurance Program

On March 14, Congress extended the National Flood Insurance Program (NFIP) through the end of the fiscal year, September 30, 2025. This is the 33rd short-term extension since September 2017. From 2015 to 2017, Congress debated which reforms were necessary for NFIP to maintain the program, but they did not agree to any reforms or changes during that time. In its interactions with federal legislators, WSIA continues to ask for support of long-term reauthorization of the NFIP, voicing support for reforms, such as implementation of a continuous coverage provision that allows a consumer to alternate between the NFIP and the private market without penalty. Another reform advocated would permit mid-term cancellations of an NFIP policy that would return unearned premium to a consumer similarly as in the private market. Both reforms would likely improve the public-private partnership and result in increased opportunities for consumers.

Neither AM Best nor the WSIA expects the NFIP to lapse on September 30, 2025. With less than a month before the extension ends, it does not appear likely a long-term authorization or significant reforms to the program will be agreed to as of the September date either. Both entities believe that a financially stable NFIP is important to the public-private partnership.

Private Flood Premium Growth Trend Stalled

Over the last several years, the increase in private flood insurance options has remained a critical piece important to ensuring the NFIP's stability. Expanding and improving private coverage options is vital to providing policyholders in need of flood coverage with the healthiest and most stable market. The National Association of Insurance Commissioners (NAIC) has been collecting annual and quarterly statement data for the private flood line since 2017. From 2017 to 2023, the aggregate annual private flood DPW total increased each year before declining by almost 21% in 2024. As **Exhibit 24** shows, through 2023, purchases of commercial insurance of private flood coverage outpaced by 2 to 1, accounting for 67% of total private flood insurance premium for the year. In 2024, however, there was a reversal of the private flood momentum, as total private flood DPW declined by 14.2% YoY, with the major difference attributable to the decline in private commercial bonds.

Exhibit 24
Private Flood Insurance - Personal and Commercial by DPW
($ millions)

	2020	2021	2022	2023	2024
Personal	205	335	437	457	500
Commercial	516	692	852	958	758
Total	721	1,027	1,288	1,415	1,258
Share Commercial (%)	71.6	67.4	66.1	67.7	60.3

Source: BESTLINK

Pinpointing reasons for the premium decline is difficult, although a possible shift in excess policies and commercial insureds retaining more risk via higher deductibles has had a drag on premium totals. Insurers of commercial risks may have taken a step back from providing the same level of flood coverage owing to a rise in insured flood losses. More likely, some combination of changing climate risk as well as increased development in flood-prone areas is attributable. In 2024, there was a high frequency of severe thunderstorms that led to higher economic loss totals specifically attributable to pluvial flooding —when intense rainfall overwhelms drainage systems and the ground's ability to absorb water, causing the excess water to flow over the surface and pool in low-lying areas. Pluvial flooding is independent of overflowing bodies of water.

In a meaningful development for the reinsurance market, 2024 represented a record-breaking year for catastrophe (cat) bonds and related insurance-linked securities that reached $17.7 billion. It encompassed a total of 93 transactions, according to Artemis, the news, analysis, and data service devoted to catastrophe bonds, insurance-linked security (ILS), non-traditional reinsurance capital, insurance-linked investments, and associated alternative risk transfer markets. The vast majority were Rule 144A cat bonds, which are typically more liquid cat bonds as opposed to privately placed cat bonds. In a Rule 144A debt offering, the initial purchasers of securities from an issuer may resell the securities without the resale constituting a "distribution" subject to the registration requirements of the Securities Act of 1933 (Securities Act). Rule 144A applies to the resale of securities and not to the initial issuance of the security. Cat bond transactions are typically issued to broker-dealers or investment banks, who then, acting as initial purchasers, sell them to qualified institutional buyers (investors) under Rule 144A. Artemis reported that catastrophe bond issuance had already beaten the headline annual record by midyear 2025, as new deals have taken the figure to over $17.8 billion, beating the 2024 record.

SAFER Banking Act—Cannabis Legislation

The Secure and Fair Enforcement Regulation (SAFE) Banking Act of 2023 is federal legislation designed to bridge the gap between state-legalized cannabis industries and the federal banking system. It has been reintroduced as the SAFER Banking Act and is aimed at providing legal access to banking services for state-legal cannabis businesses. The legislation seeks to protect financial institutions from federal penalties when serving these businesses, which are currently operating in a legally gray area due to marijuana's federal classification. Despite cannabis legalization in over three dozen states for medical or recreational use, cannabis-related businesses (CRBs) still face hurdles accessing traditional financial services since marijuana remains classified as a Schedule I drug under federal law. Previous versions of the legislation passed the House six times but stalled in the Senate. Although SAFER has not yet been filed in either chamber this session, a similar version is expected to be considered over the course of this Congressional session.

According to the National Conference of State Legislatures, there are currently 40 states, three territories, and the District of Columbia allow the medical use of cannabis products. Twenty-four states, three territories, and the District of Columbia allow or regulate cannabis for non-medical use by adults. The legal businesses in these jurisdictions must have viable and affordable insurance options, just like all businesses. However, the disconnect between state and federal law, which prohibits the use, sale, and possession of cannabis with more than 0.3% tetrahydrocannabinol, remains an issue for the cannabis industry. Financial services providers are not comfortable supporting these businesses, given the limitations and prohibitions in the federal banking system.

Each state approaches the cannabis market differently, making it necessary for insurers of cannabis businesses to navigate a myriad of regulations and a web of legal issues. Among some of the complex issues is the development of standards for reliable roadside sobriety testing that would be as effective as alcohol breath tests. There is also a question of how on-the-job accidents should be handled when a worker tests positive for cannabis, even if it was from use several days prior.

Data Privacy Legislation

The US remains one of the largest nations without a comprehensive federal privacy law despite efforts to establish such a law. Consequently, there has been a significant increase in state-level privacy legislation since the 2018 enactment of the California Consumer Privacy Act (CCPA), which created a significant compliance burden for most businesses that collect personal information about California residents. The California Privacy Rights Act (CPRA) further amended the CCPA and has created a robust legal framework for data privacy in California. Since the passage of this legislation, activity at the state level has increased, as more states consider establishing data privacy laws in the absence of a comprehensive federal data privacy law.

In California, SB 354, the Insurance Consumer Privacy Protection Act of 2025, would impose new privacy requirements on insurers, including limits on data collection, opt-in consent for data use and marketing, detailed third-party disclosure rules, and a private right of action for violations of the act. WSIA and the California Insurance Wholesalers Association (CIWA) joined a coalition letter opposing the bill before it was heard in the Senate Appropriations Committee on May 12, 2025. As drafted, both associations believe the bill would create significant compliance challenges, overlap with existing laws like the CCPA and CPRA, and expose insurers to costly litigation through a new private right of action, all without offering clear benefits to consumers. The associations submitted a second letter, joined by the Council of Insurance Agents & Brokers, requesting specific amendments related to surplus lines on June 13, 2025. The bill did not have a hearing by the July deadline, such that potential debate and consideration of the bill is expected to continue into the next year.

On January 16, 2024, New Jersey became the first state to pass a comprehensive privacy law when Governor Phil Murphy signed the New Jersey Privacy Act (NJPA) (SB 332) into law. This law took effect on January 15, 2025. New Jersey is one of eight states with new privacy laws that have or will go into effect in 2025. Without a federal privacy law in place, covered businesses must continually assess their data privacy strategies to maintain compliance with the evolving patchwork of state laws. The NJPA is like state privacy laws such as the Connecticut Data Privacy Act (CTDPA) and Colorado Privacy Act (CPA) and is considered more demanding of companies than the business-friendly Utah Consumer Privacy Act (UCPA) and Iowa Consumer Data Protection Act (ICPA).

Beyond California's CCPA, additional comprehensive state privacy laws have also taken effect, including the – Colorado Privacy Act; Connecticut Data Privacy Act (including amendments regulating consumer health data, children's data, and social media platforms); Delaware Personal Data Privacy Act; Florida Data Privacy and Security Act; Iowa Consumer Data Protection Act; Montana Consumer Data Privacy Act; Nebraska Data Privacy Act; New Hampshire Consumer Expectation of Privacy Act; Oregon Consumer Privacy Act; Texas Data Privacy and Security Act; Utah Consumer Privacy Act; and Virginia Consumer Data Protection Act.

These comprehensive state privacy laws are not identical, however, except for the CCPA, they contain similarities. They may differ in scope, privacy notice disclosures, privacy rights, and certain key definitions. While the CCPA has some practical similarities with these state laws, it adopts more granular definitions, requirements, and restrictions that vary considerably from these laws.

The pace of state privacy legislation has continued to accelerate overall, with the following also passing their own comprehensive privacy laws or variations thereof, and even more states introducing similar legislation: Tennessee (effective July 1, 2025); Minnesota (effective July 21, 2025); Maryland (effective November 1, 2025); Indiana (effective January 1, 2026); Kentucky (effective January 1, 2026); and Rhode Island (effective January 1, 2026).

Key State-Specific Legislative Updates

Arkansas

SB 76 codifies that the 20% cap on property and casualty fees charged by producers does not apply to surplus lines broker fees. The bill was signed into law effective July 10, 2025. The passage of SB 76 solidifies the acknowledgement that surplus lines broker fees are exempt from the cap.

Kansas

HB 2050, jointly sponsored by the American Property and Casualty Insurance Association (APCIA), Kansas Association of Insurance Agents (KAIA), and WSIA, modernizes Kansas law by modifying eligibility criteria for the surplus lines insurers. The bill makes the state "whitelist" voluntary and specifies that notwithstanding inclusion on the list, any insurer that meets the uniform eligibility requirements of the NRRA shall be considered eligible. The bill also removes the $200 filing fee and raises state minimum capital and surplus to $15 million from $4.5 million.

HB 2050 also allows motor vehicle dealers to obtain nonadmitted insurance to satisfy their state licensing requirement, which previously could only be provided by an admitted carrier. This provision was included at the request of WSIA members who have observed fewer options in the admitted market for motor vehicle dealers.

The bill was signed on April 10 and became law on July 1, 2025.

South Carolina

H 3430, a tort reform bill that includes several provisions impacting liquor liability and insurance markets, passed both houses and will take effect January 1, 2026. The bill modifies the joint and several liability standards to allow fault to be apportioned to non-named tortfeasors. The new standard makes it more likely that defendants will fall beneath the 50% responsibility threshold necessary to deploy the joint and several liability standards. Damages will now be apportioned among the plaintiff, defendant(s), and tortfeasors who proximately caused the damage, and defendants may add additional tortfeasors for purposes of allocating fault, with certain exceptions. The bill also lowers the mandatory liquor liability minimum coverage from $1 million to $500,000.

Other Select State Updates

Alabama

SB 97 eliminates the nonresident surplus lines broker $50,000 bond requirement that was mistakenly enacted in 2024 reforms (SB 46). The bill was enacted on May 6, 2025, and took effect immediately.

Alaska

The Alaska Division of Insurance issued Order R 25-01 on January 7 declaring the addition of "Hotels/Motels – pre-1990" and "Non-owned and Hired Trailer $100K or more coverage limit" to the state's surplus lines placement list. The order also indicates that the Division of Insurance declined to include "Personal Homeowner $1M or more coverage in PC10" in the list. Order R 25-02 was issued on February 5 correcting references to the codes associated with the newly included risks.

Arkansas

SB 276 permits eligible insurance companies to provide compulsory auto insurance requirements in Arkansas, effectively allowing surplus lines carriers to write the required coverage. The bill was signed and took effect June 3, 2025.

HB 1821 specifies that the surplus lines premium tax does not apply to a captive insurance company created under § 19-3-706 that insures public K-12 schools, state-supported colleges and universities, or state-owned property. The bill was signed and became effective on April 14, 2025.

California

The California Department of Insurance (CDI) issued several bulletins and notices related to the wildfires at the start of the year.

The CDI issued Bulletin 2025-1 on January 9 and Bulletin 2025-6 on February 25 imposing a mandatory one-year moratorium on cancellation and non-renewals of residential policies for specific zip codes affected by the wildfires. The moratorium associated with Bulletin 2025-1 backdates to January 7, and the moratorium associated with Bulletin 2025-6 backdates to January 27. These bulletins were followed by a notice on January 30 announcing the department initiated the 2025 Los Angeles Wildfires Debris Removal Program and insurance companies were expected to cooperate with the program.

The CDI also issued a notice on February 14 regarding insurers terminating Additional Living Expenses coverage for claimants in areas affected by recent wildfires. The notice reminds admitted and nonadmitted insurers to practice "due diligence" when determining whether a home is habitable. This follows updated health advisories from Los Angeles County Public Health, which highlighted the dangers of fire debris, including harmful substances like asbestos, lead, and hazardous chemicals, which could affect residents in the Palisades and Eaton fire burn areas. Following the notice, the CDI released Bulletin 2025-7 on March 7, outlining basic guidance for all property and casualty insurers handling smoke damage claims located in the wildfire areas.

On January 29, 2025, the CDI issued a notice to admitted insurers, surplus lines brokers, and other interested parties regarding 2024 insurance premium tax form filings. Beginning January 31, 2025, the CDI requires all 2024 Insurance (Premium) Tax Forms to be filed electronically through the Premium Tax Processing System (PTPS) and will no longer accept filings through other methods. Tax returns for 2023 and prior years, including amended forms for active years, are only accepted via email until further notice. Premium tax return due dates and tax payment methods remain unchanged. Surplus lines brokers were required to complete their 2024 filing by March 3, 2025.

The CDI issued Bulletin 2025-4 on February 11 with updated guidance for insurer recoupment procedures in response to the California FAIR Plan's assessment. It followed up with an FAQ to support insurance companies with the recoupment process.

The CDI issued a pre-hearing notice requesting submissions for changes to its export list. The export list allows surplus lines brokers to place certain coverages in the surplus lines market without performing a diligent search among admitted insurers. The hearing will consider additions such as commercial cannabis operations, builders risk for wood frame buildings, and wildfire-only commercial coverage, among others. Only coverage types included in the notice will be considered. A public hearing to consider updates to the Export List was held on June 17, 2025.

Colorado

HB 1322 requires homeowner insurers to provide a certified copy of an insurance policy within 30 days of receiving a written request submitted through the carrier's registered agent. Failure to comply triggers a daily $50 penalty starting on day 31, and insurers may also be liable for the policyholder's attorney fees and enforcement costs. The bill was signed by the Governor and took effect August 6, 2025, and applies to requests made on or after that date.

HB 1238 outlines the responsibilities of individuals running a gun show, including having a liability insurance policy that may be obtained from a non-admitted insurer. The law is effective January 1, 2026.

HB 1182 requires insurers to account for any mitigation efforts made by an insured and to publicize and notify consumers of any premium discounts associated with mitigation efforts. WSIA was actively monitoring the bill for amendments that would potentially extend applicability to surplus lines policies, but included methods of enforcement are limited to the rate and form filing process. The bill became effective July 1, 2026.

HB 1329 regulates foreign third-party litigation funding in civil cases. The law establishes disclosure requirements for foreign funders with a financial interest in litigation and imposes restrictions on their conduct, including prohibitions against using domestic entities to provide funding, influencing legal strategy or settlements, claiming profits beyond agreed terms, or sharing sensitive or proprietary information. The bill took effect August 6, 2025.

Connecticut

HB 6981 would provide a waiver of diligent search requirements whenever a retail agent seeks to procure surplus lines coverage through an unaffiliated surplus lines broker. This change would streamline surplus lines placements and align Connecticut with other states that have recently adopted similar exemptions, including Illinois, Minnesota, North Dakota, and Colorado. Additionally, the bill would allow property and casualty insurers to send cancellation and nonrenewal notices using United States Postal Service intelligent mail barcode tracking. WSIA provided testimony in support of the bill which was signed into law by the Governor on June 23 and is effective October 1, 2025.

SB 1245 would require surplus lines brokers to disclose the availability of flood insurance when an individual applies for personal risk insurance, excluding private passenger nonfleet automobile insurance. The disclosure must be in writing, outline options through the National Flood Insurance Program or private insurers, and include a signed acknowledgment from the applicant. The bill also mandates that insurers include a declarations page specific to flood coverage in personal risk insurance policies. If enacted, these provisions would have taken effect on July 1, 2026. WSIA submitted testimony in March opposing the inclusion of surplus lines brokers in the disclosure requirement, emphasizing that they do not typically interact with insureds and urging lawmakers to align the bill with the legal framework governing surplus lines transactions. The bill failed to advance before the legislature adjourned.

Delaware

HB 18 modifies the allocation and management of licensing fees for insurance professionals and adjusts the balance limits of the Insurance Commissioner Regulatory Revolving Fund. Notably, it increases the licensing fees for insurance professionals by $25, including surplus lines brokers. The bill was enacted May 7, 2025, and was effective immediately.

Georgia

SB 69 regulates third-party litigation financing in Georgia, requiring litigation financiers to register and provide thorough disclosure of their affiliations, especially with foreign entities. It establishes strict conditions on litigation financing agreements, prohibiting financiers from influencing legal proceedings and placing liability on them for frivolous litigation costs. It also mandates provisions in financing contracts, such as indemnification requirements and the consumer's right to cancel the agreement. Additionally, the law permits evidence of seat belt use to be considered in civil cases under certain conditions. WSIA was supportive of the bill, and it will take effect January 1, 2026.

Illinois

SB 1289 would revise the definition of "home state" pertaining to multi-state, unaffiliated group surplus lines insurance policies. The new definition would have determined a single home state for unaffiliated groups, similar to the treatment of affiliated group policies in the NRRA. The bill was spearheaded by the Surplus Line Association of Illinois and supported by WSIA. The bill passed and will become effective January 1, 2026.

Kentucky

SB 18 provides that a motor vehicle dealer licensee may obtain their required insurance coverage from a nonadmitted insurer. Previously, this coverage could only be obtained from the admitted market. The bill took effect July 14, 2025.

SB 24 redefines fraudulent insurance acts to encompass a broader range of deceptive practices, including providing misleading information or falsifying documents related to insurance claims and applications. The bill is specifically applicable to fraudulent acts conducted by any agent or surplus lines carrier. The bill took effect on June 16, 2025.

KY Bulletin No. 2025-1 outlines changes to Kentucky's Local Government Premium Tax (LGPT) forms and procedures applicable to surplus lines policies effective July 1, 2025, through June 30, 2026. The annual bulletin indicates surplus lines brokers must comply with new LGPT rates, properly determine risk locations, file quarterly and annual tax reports, and disclose LGPT charges to policyholders if passed along.

Louisiana

HB 561 states that statutory requirements/restrictions regarding arbitration agreements, including venue, do not apply to surplus lines insurance policies. The bill, supported by the Louisiana Surplus Lines Association and WSIA, had passed the House, but did not advance before adjournment and therefore did not pass.

HB 329 permits the Commissioner of Insurance to enter into a cooperative agreement for the use of a clearinghouse to administer and collect taxes imposed by Louisiana statute and gives the commissioner authority to promulgate relevant rules and regulations. The bill also redirects the first $5 million collected annually from surplus lines premium taxes to the Louisiana Fortify Homes Program Fund. The bill was signed into law by the Governor on June 4 and is effective July 1, 2026.

HB 345 extends the required advance notice period from 30 days to 60 days for insurers to notify policyholders of cancellation, nonrenewal, or significant changes to residential property insurance policies. At present, the law applies to surplus lines based upon the 2019 advisory letter written by the commissioner. The bill was signed into law by the Governor on June 8 and took effect July 1, 2025.

The Louisiana Department of Insurance has proposed amendments to Regulation 131, updating definitions and submission requirements following last year's repeal of the state's "three-year rule" through HB 611. WSIA supported the bill in collaboration with the Louisiana Surplus Lines Association. The underlying statute had previously been interpreted to apply to surplus lines, and its repeal marked a significant regulatory shift. The final rule was published in the June 2025 Louisiana Register following a public hearing on March 28, and the Department confirmed that the new filing and approval requirements apply to all insurers under Louisiana law, including surplus lines carriers.

The Louisiana Department of Insurance issued an advisory letter on January 17 reminding surplus lines carriers and brokers that any consideration for insurance, including "policy fees," is subject to Louisiana surplus lines premium tax.

Maine

SP 720 would make several changes to insurance law, including increasing the cancellation/nonrenewal notification from 14 to 30 days and prohibiting workers' compensation from export to the surplus lines market. The bill is still pending before the legislature.

The Maine Bureau of Insurance issued Bulletin 483, providing guidance on the use of aerial imagery by homeowners' insurers.

Massachusetts

S 785 and H 1100 were reintroduced in 2025, which would prohibit surplus lines insurers, captive insurers, reinsurers, and third-party administrators from including provisions restricting insureds from hiring or consulting with public insurance adjusters. WSIA submitted a letter in opposition to the 2024 version of the bill and will continue to oppose it in 2025. These bills are still pending before the legislature.

H 1217 makes several modifications to flood insurance in Massachusetts, including a diligent search exemption for surplus lines brokers placing flood insurance with an eligible surplus lines insurer. This bill is pending before the legislature.

Michigan

SB 245 would significantly expand the scope of the state's Unfair Trade Practices Act (UTPA) by applying its provisions to claims handling—not just sales and advertising. The bill also establishes a new private right of action against insurers for violations of the UTPA under a newly created Chapter 30B, effectively introducing a statutory bad faith remedy. This bill is pending before the legislature.

Minnesota

HF 4 is an omnibus commerce bill containing a provision removing a consumer price index adjustment prohibiting surplus lines from insuring certain homes that are valued above the threshold (the threshold was originally set at $500,000 in 1981, when the bill was enacted, and has been adjusted annually since by the Minnesota Department of Commerce; it currently stands at $1.900,000). Currently, the Department of Commerce must annually adjust the threshold for the percentage change in the Consumer Price Index (CPI) of homes in the Minneapolis/St. Paul metro area. At present, surplus lines insurers are not permitted to insure homes with values below $1.9 million; however, the legislation will lower the threshold back to $500,000 without future CPI increases. The legislation also includes a new disclosure for surplus lines brokers issuing homeowners policies that indicate the homeowner may be eligible for coverage through the Minnesota FAIR Plan. The legislation is took effect June 14, 2025.

Mississippi

HB 1611 requires insurers to issue renewal, cancellation, nonrenewal, or reduction in coverage notices to insureds no less than 45 days prior to the effective date. The previous law only required a 30-day notice and did not apply to renewals. Failure to meet the notice's requirements will give the insured the option of continuing the policy or contract for the remainder of the notice period plus an additional 45 days. The cancellation and nonrenewal provisions are applicable to surplus lines policies according to a Department of Insurance position issued in 2012. The bill took effect July 1, 2025.

Missouri

SB 181 and HB 57 provided for regulation of peer-to-peer car sharing and delivery network company programs in the state, including primary motor vehicle liability insurance requirements that may be obtained from a surplus lines insurer. Both bills failed to advance before the legislature adjourned.

Montana

HB 60 is an omnibus insurance bill that creates a new section establishing the criteria and scope of business for domestic surplus lines insurers. Initially, the bill included a restriction limiting Montana domestic surplus lines insurers to solely write business on risks from the approved risks list. WSIA submitted joint testimony with APCIA on January 9, highlighting the adverse impacts of the restriction on market access and flexibility. As a result, the bill was amended to remove this restriction. HB 60 was signed by the Governor, and the section related to domestic surplus lines insurers is effective October 1, 2025.

Nevada

The Nevada Division of Insurance finalized a rule on December 9 that removes obsolete requirements, including those related to multi-state compacts for surplus lines brokers tax filings. Regarding surplus lines brokers tax filings, the rule updated the requirements to reference the Surplus Lines Information Portal (SLIP). It also repealed the requirement that surplus lines brokers submit a form to the commissioner for assessing fees with their affidavits. The regulation became effective December 9, 2024.

New Hampshire

The New Hampshire Insurance Department issued a bulletin on February 19 clarifying the use of aerial imagery in property insurance underwriting, specifically regarding policy refusals or non-renewals based on roof condition. The guidance directs insurers to implement safeguards to ensure fair and accurate underwriting decisions. If aerial imagery does not clearly demonstrate sufficient roof damage to justify denial or nonrenewal, insurers must conduct a follow-up physical inspection. Additionally, if an applicant or insured disputes an insurer's determination, a physical inspection is required.

New Mexico

The New Mexico Office of Superintendent of Insurance adopted a new rule that repealed and replaced the previous rule for surplus lines brokers on December 10, 2024. The new rule removes the bond requirement, and it also simplifies the language describing the surplus lines broker application process by removing detailed requirements regarding bond amounts and issuer conditions while retaining key provisions related to fees, renewals, and federal compliance for felony convictions. The new rule took effect on April 1, 2025.

New York

S4964 and A1521 are legislation repealing the requirement that excess line insurers obtain a declination from the Medical Malpractice Insurance Pool (MMIP) before providing coverage. The bill aims to expand insurance options for doctors, dentists, and hospitals by allowing them access to broader, customized coverage from financially sound nonadmitted insurers. Current law requires consumers to first seek coverage from the MMIP, which cannot deny coverage, thereby excluding excess lines insurers from the medical malpractice market. This requirement is inconsistent with how other residual markets in the state operate. WSIA believes the bill would restore the natural progression of the insurance market—moving from admitted to excess lines before turning to the residual market—and better support high-risk insureds by leveraging the flexibility of the excess lines market. The bill passed the Senate, and the hope is it will advance through the Assembly.

The New York City Taxi and Limousine Commission (TLC) enacted a rule on January 29, 2025, restricting the use of excess and surplus lines insurance for taxis, commuter vans, black cars, and transportation network companies. Under existing New York law, excess and surplus lines coverage is only utilized when admitted market options are unavailable, ensuring a balanced approach to risk placement. Despite efforts from WSIA and the Excess and Surplus Lines Association of New York (ELANY), the TLC did not make any changes to the final rule. The municipal legislation does not go into effect until January 1, 2026. Nevertheless, WSIA is working with ELANY on reversing or amending the rule before the rule takes effect to eliminate the restriction, reiterating the importance of maintaining a regulatory framework that allows for excess and surplus lines placement when necessary.

S 698 and A 3795 would provide indemnification for intended parents when in vitro fertilization or intrauterine insemination procedures fail in a credit insurance policy and enable the creation of credit insurance policies for such procedures. The bill is pending before the legislature.

S 5310 and A 6060 would permit a waiver of the diligent effort requirement in limited circumstances for certain insurance coverage to be placed by licensed excess line brokers with unauthorized insurers where a retail-producing insurance broker seeks to procure or place commercial lines insurance through an unaffiliated wholesale excess line insurance broker. The bill is spearheaded by ELANY and supported by WSIA. The bill is pending before the legislature.

S 2151 and A 93 would prohibit mandatory arbitration agreements in consumer insurance contracts and would make any current mandatory arbitration clauses in consumers' insurance contracts void once in effect. WSIA is working with ELANY to ensure the bills would not be made applicable to excess line policies. So far, the bills have not been scheduled for committee action. The legislation has not yet advanced, and WSIA will continue monitoring. A 10344 authorizes parametric insurance against a weather-related event where the indemnification is based on the proximity and magnitude of the event as measured and reported by a state or federal agency. It also provides that excess lines brokers who procure such policies must provide the prescribed disclosure on behalf of the insurer. The bill was signed by the Governor in December and went into effect January 12, 2025.

ELANY issued Bulletin No. 2025-08 on February 24 regarding the categorization of "policy fees" paid to producers, following their comprehensive fees guidance from November. Effective January 1, 2026, ELANY will no longer process filings that list non-taxable broker fees as "policy fees." However, for the remainder of 2025, ELANY will process such filings if these "policy fees" are clearly listed as broker fees on a Total Cost Form submitted to ELANY.

ELANY issued Bulletin 2025-01 announcing that excess lines brokers who have no reportable business in 2024 may submit their zero tax filings through the Department of Financial Services Portal. Zero filers could begin filing on January 1, 2025. Additionally, non-zero filers were permitted to begin filing their premium tax statements at the end of February.

S 885 requires that short-term rentals be insured by an admitted insurer or duly licensed excess line broker with a minimum of the value of the dwelling plus a minimum of three hundred thousand dollars coverage for third-party claims of property damage or bodily injury that arise out of the operation of a short-term rental unit. The bill took effect on April 20, 2025.

North Dakota

WSIA worked closely with the North Dakota Department of Insurance on amendments to SB 2374, which would have imposed new arbitration requirements on surplus lines policies, mandating that arbitration be conducted in North Dakota and under North Dakota law. At WSIA's request, the bill was amended to exempt all commercial surplus lines policies. The bill also amends language enacted two years ago that provided a limited exemption from diligent search requirements for risks referred to by a retail producer to a surplus lines producer. Instead, SB 2374 eliminates diligent search requirements entirely. The bill passed as amended and took effect on August 1, 2025.

Oregon

SB 829 would establish a surplus lines export list of coverage generally unavailable in the authorized insurance market for the purpose of covering affordable housing. The list would be developed by the Director of Insurance in consultation with the Surplus Line Association of Oregon. The bill would also establish a program to assist eligible entities in paying the costs of property insurance or liability insurance premiums for property the eligible entities own or operate and provide offsets for those insurance policies, including surplus lines insurance policies. The bill was signed by the Governor and became retroactively effective July 24, 2025.

Pennsylvania

The Pennsylvania Insurance Department published a notice soliciting comments on expanding the surplus lines export list on February 7. The list was reissued without any changes on April 5, 2025.

Rhode Island

HB 5812 would prohibit any liability insurance policy from including defense costs within the policy limits. WSIA submitted testimony in opposition to the bill at a hearing on March 21 and the bill was recommended to be held for further study. There is an expectation the bill will not advance in 2025.

The Rhode Island Department of Business Regulation published a rule change on February 7 to eliminate the surplus lines brokers' bond requirement, aligning the regulation with statutory changes enacted in 2022. Comments on the proposed rule were accepted through March 12, but the final rule has not yet been issued.

Tennessee

The Tennessee Department of Commerce published Bulletin 2025-1 on February 5, requesting that all nonadmitted insurers doing business in the state submit premium data through SLIP beginning with policies effective in 2024. The department will reconcile submitted data with broker filings and require insurers to report key policy details as listed on the declarations page. Foreign nonadmitted insurers writing business in Tennessee were required to submit 2024 policy data by March 31, 2025, and follow the department's quarterly reporting schedule for policies effective in 2025 and beyond. Alien nonadmitted insurers must submit data by June 30 each year for the preceding year.

Texas

HB 3388 establishes requirements for group policies for groups of large commercial insureds and groups of personal insureds. For large commercial group policies, a shared aggregate limit must be disclosed, and for personal group policies, a shared aggregate limit is not permitted. WSIA worked with industry partners in an attempt to remove the prohibition on the shared aggregate limit but was unsuccessful. The bill exempts both categories of group policies from rate and form filing requirements when provided by a surplus lines insurer and permits a single diligent search to be performed for the whole group rather than for each member. The bill was enacted on June 20 without the Governor's signature and became effective immediately.

SB 458 sets forth rules and procedures for appraisal processes contained in personal auto and residential property insurance contracts, including contracts by eligible surplus lines insurers. The bill delegates authority to the insurance commissioner to develop rules ensuring compliance. The bill was enacted on June 20 without the Governor's signature and became effective on September 1, 2025.

HB 3001 would have exempted eligible surplus lines insurers from the prohibition against anti-public adjuster clauses, which was instituted in 2023. The bill was supported by WSIA but failed to advance.

Virginia

SB 1269 and HB 16 both exempt commuter rail systems from surplus lines taxes. The bill was signed by the Governor and took effect July 1, 2025.

Washington

SB 1539 establishes a work group to develop recommendations on wildfire mitigation and resiliency standards, with a focus on reducing property insurance non-renewals and improving market stability. While it does not impose new requirements on surplus lines insurers, the group's efforts may indirectly impact surplus lines by influencing insurance availability in wildfire-prone areas. The bill was signed by the Governor and took effect July 27, 2025.

SB 5794 would have exempted surplus line insurance brokers from paying a 0.484% business tax on their gross income derived from surplus lines insurance business. The Governor signed the bill (with some line-item vetoes), but the bill was amended by the House to remove the exemption for surplus lines brokers.

Section IV – Current Distribution Trends

The sustained period of double-digit premium growth in the surplus lines market since 2018 has underscored the importance of relationships with intermediaries. Insurers looking to provide solutions for difficult risks that continue to become more complex have necessitated broader partnerships with wholesale insurance brokers, MGAs, program managers, and other entities. Moreover, it has increasingly involved the delegation of an underwriting authority and other responsibilities to utilize these relationships most advantageously. Amid the growing demand from insureds, risk managers, and retail brokers for specialized expertise as the business, operational, and technological complexities climb, this need has increasingly become more essential.

Using independent research and directly engaging insurers and their surplus lines distributors, AM Best focused on a few key issues and trends materially shaping the surplus lines market:

- What are the most prominent opportunities and challenges affecting the surplus lines market and wholesale distribution looking forward?
- What are or will be the key drivers of consolidation activity over the near term (next three years)?
- How have technological advancements like artificial intelligence and data analytics affected wholesale distribution.
- What emerging or evolving exposures will command bespoke surplus lines solutions over the next three to five years.
- How does the wholesale distribution segment currently stand with the recruitment, cultivation, and retention of new talent.

Prominent Challenges and Opportunities

Surplus lines insurance will likely always be the appropriate choice for harder-to-place risks with difficult exposures to find coverage. As the world becomes more interconnected and more complex, it also becomes riskier. New technologies that can problem-solve and facilitate quicker, more effective data and information sharing and provide higher-quality service also come with potential downside risks such as operational disruptions, unplanned downtime, project failure, and security breaches. Inflation can put pressure on loss costs, which was clear in the immediate aftermath of the pandemic and remains problematic for certain lines of coverage at present.

The continued shift of complex and emerging risks into the surplus lines market and away from the standard market is driven by admitted carriers being risk averse relative to exposures that pressure underwriting profitability, such as the growing frequency and severity of extreme weather events on personal and commercial property risks, cyber threats, and commercial transportation risks. These exposures create both significant opportunities and notable challenges for wholesale distributors.

Some of the more prominent challenges facing surplus lines distributors and their insurance company partners, and the associated opportunities to create nuanced solutions to address challenges to meet client/market needs, include but are not limited to the following:

- **Economic uncertainty**—Fluctuations in global economies, market volatility, and potential trade tensions from tariffs can impact business planning and operational stability. Concerns regarding tariffs involve the effect on property and vehicle insurance claims. Wholesale brokers that understand a policyholder's exposures can work with insurers to craft the most appropriate coverage from a business interruption and/or a contingent business interruption perspective.
- **Supply chain disruptions**—Events like the pandemic and natural disasters, along with geopolitical tensions, can interrupt supply chains, potentially affecting a business's production and distribution. Nuanced risk placements, including contingent business interruption coverage, enable insureds to secure the coverage needed to provide indemnification from financial losses stemming from these risks.
- **Cybersecurity threats** —Cyber attacks, including data breaches and ransomware, have become more frequent and more sophisticated, including notification costs and business interruption losses.

- **Regulatory changes**—Businesses often face exposures to lawsuits and fines from new laws and regulations. Just as importantly, new regulations can require significant adjustments in different aspects of a company's operations, including compliance. Distributors working with their insurance company partners to provide risk mitigation expertise to their policyholders, in addition to designing unique coverage language that provides protection for the full scope of the policyholder's exposures, will create the greatest value by differentiating themselves from competitors as true problem solvers.
- **Climate risk**—Climate risk can lead to claims from physical risks, such as extreme weather events, and other more transitional risks related to changing regulatory requirements. The increasing frequency of weather-related and natural disasters illustrates the growing need for improved resilience. Insurers that communicate effectively with their distribution partners can design loss control programs that provide the exact kind of resilience needed by the policyholder, as each insured and their specific operations present unique difficulties.

Consolidation Trends

In the wholesale insurance distribution market, demand has and will likely continue to outpace supply for specialty firms. Private equity investors and other strategic buyers have targeted highly specialized firms staffed with professionals possessing surplus lines expertise. Buyers in the specialty marketplace will continue to face an increasingly competitive landscape amid a shortage of high-quality sellers. Deals that have been consummated continue to be driven by certain key motivating factors. Some of the factors that will likely sustain a considerable level of interest in merger and acquisition (M&A) activity across the specialty distribution space over the near-to-medium term include:

- The desire to increase distribution reach.
- Gaining access to advanced technology platforms.
- Acquisitions of companies with well-established, scalable relationships with both retail brokers and insurance carriers.
- The opportunity to add niche market expertise and penetration.
- Acquiring specialty companies with a history of operational excellence.

While the pace of M&A activity in 2025 has moderated compared to previous years, AM Best anticipates industry consolidations will remain steady over the near term. Two of the most highly publicized deals were Ryan Specialty Holdings Inc.'s February 2025 acquisition of Velocity Risk Underwriters LLC for $525 million and Arthur J. Gallagher's announced plans for the April 2025 acquisition of Woodruff Sawyer & Company, Inc. for $1.2 billion. These deals are examples of the key drivers fueling ongoing interest in specialty insurers and insurance intermediaries, particularly firms that offer differentiated value, niche market penetration, and proven operational excellence. As part of the Ryan Specialty-Velocity Risk Underwriters transaction, Factory Mutual Insurance Company announced plans to acquire Velocity's wholly owned excess and surplus (E&S) carrier, Velocity Specialty Insurance Company (VSIC). With the increasing frequency and severity of secondary perils and other emerging risks, businesses are seeking E&S coverage for risks that traditional insurance is less likely to cover. Factory Mutual is anticipating VSIC will focus on property insurance and its expertise in understanding the evolving property risk landscape.

OPTIS Partners, the investment banking and financial consulting firm providing M&A data and other services to insurance agents and brokers across the US, reports that private equity-hybrid investors have accounted for approximately 70% of the transactions consummated since the onset of the pandemic. This group of investors encompasses institutional capital investors such as family offices, pension funds, and sovereign wealth funds entering the specialty insurance market for the first time. In the company's First Half of 2025 Merger & Acquisition Update, they noted:

- First-half M&A transactions were down by 8% compared to the first half of 2024 and were down by 16% compared to the previous five-year average.
- Second quarter 2025 transactions, specifically, were down by 6% compared to 2024.
- Private equity-backed/hybrid enterprises were responsible for 72% of all announced transactions over the last 12 months and during the most recent (second) quarter.
- Privately owned buyers were responsible for 19% of the deals that closed during the first half of 2025, like the percentage in 2024.

As more deals are consummated, the overall pool of companies to potentially be acquired becomes a little more concentrated. Optis noted in 2020 there were 140 unique buyers, with the 10 most active accounting for 44% of the deals completed. As of the first half of 2025, the number of unique buyers dropped to 99, and the top 10 active buyers accounted for a higher percentage (55%) of total deals consummated. Going forward, it is likely larger firms will continue looking for bigger transactions, and the overall number of buyers will continue to shrink because of deals completed over the last several years leaving fewer targets, with some of the current, active buyers having the potential to become sellers.

Insurance Distribution and Artificial Intelligence

Innovative technologies have shifted how insurance industry business is conducted. Digital transformation in the wholesale segment can drive growth and efficiency. However, wholesale distributors have faced increased pressure from digital players and the threat of disintermediation as the role of intermediaries is reduced in search of improved efficiency and reduced costs. Insurtech startups also facilitate alternative distribution channels.

AI is the catch-all term describing the ability of machines to perform tasks typically requiring human intelligence, including capabilities like learning, reasoning, problem-solving, perception, and understanding language. It encompasses machine learning's ability to develop new capabilities rapidly that harness data in new ways. Technology cannot solve all the challenges facing the wholesale distribution industry; however, AI brings the ability to enhance and streamline every step of the process.

Presently for some entities in the industry, AI may have generated as much talk as it has value. However, initial integrations have highlighted the immense potential to change the way insurance intermediaries and companies work. Insurers are adapting, developing, and piloting innovative AI applications in pursuit of greater efficiency to drive customer and distributor satisfaction. For distributors, AI integration offers opportunities and challenges.

AI is reshaping how insurance products are evaluated, sold, and serviced. For distributors, AI insurance can be a collaborator in streamlining insurance operations, enhancing customer service, and improving risk assessment capabilities. It is especially vital for insurance distributors who face increasing pressure to provide faster quotes, better risk assessment, expedient underwriting, and enhanced customer service while maintaining profitability.

Risk Assessment

Traditional risk assessment has relied heavily on standard applications, loss runs, and follow-up questions. Today, AI-powered systems provide distributors with analytical capabilities that transform how risks are evaluated and subsequently, how they are presented to carriers. Advanced systems can integrate multiple data sources to create a comprehensive risk profile that would have been impossible to create previously through manual methods. The latest AI insurance systems can analyze vast amounts of unstructured data from social media activity, customer review platforms, Internet of Things (IoT) sensors, and public records. Enhanced risk assessment capabilities translate directly to improved operational efficiency and business growth for distributors.

Accelerated Underwriting

Modern AI-powered underwriting platforms accelerate the submission-to-quote process while ostensibly improving accuracy and consistency. Such technological advancements allow distributors to respond to market opportunities faster while maintaining underwriting discipline. What is particularly valuable for distributors is platforms excel at automating data collection and data validation, which significantly reduces the manual workload traditionally associated with submissions. Finding ways to seamlessly integrate AI systems with agency management systems would create a continuous flow of information beneficial to all stakeholders.

Customer Service

Insurance distributors face growing pressure to provide around-the-clock service while maintaining an individualized touch that distinguishes them from direct writers. The best AI-enabled customer service solutions can bridge this gap by providing sophisticated automated support that complements, rather than replaces, the human element of insurance distribution. Optimally, these systems serve as a first line of response to handle routine inquiries while intelligently and appropriately escalating complex matters to the correct staff members.

New Risk Classes and Exposures Require Niche Expertise from Distributors

Surplus lines carriers and distributors play a crucial role in securing innovative solutions for complex risks spanning different risk classes, including emerging ones. Over the past several years, there has been an emerging crisis in the homeowner's insurance markets in some states because of extreme weather events occurring with greater frequency.

Environmental or pollution liability covers related to per- and polyfluoroalkyl substances (PFAS) exposures and potential litigation related to those exposures may be more in demand in years to come. Insurance coverage for autonomous transportation exposures for vehicles, drones, and other vessels will require the type of ingenuity that wholesale distributors, MGAs, and/or program managers have proven adept at securing through their relationships with surplus lines insurers.

Other burgeoning exposures that will likely require surplus lines market solutions include AI-related liability, for example, specialized policies for algorithmic or autonomous system errors that lead to financial or physical damage suffered by third parties. Emerging health, biotech, and life sciences liability products (gene therapies, clinical trials, cannabis/psychedelic treatments) will need to cover emerging and evolving exposures in these fields. Similarly, renewable energy projects, including offshore wind farms, solar arrays, and energy storage (battery fire/explosion risks), will also require niche expertise and creative coverage language. Evolving cyber threats like systemic cyber events, cyber-physical convergence, where cyber incidents can cause physical losses, will spur the need for specialized cyber products from the surplus lines market also. Specialty risks such as active assailant covers, event cancellation, and coverage for cannabis-related businesses are shifting to or solely being generated in the surplus lines market.

Parametric insurance represents a significant evolution in the insurance landscape, offering a distinct approach to risk transfer and a more transparent way to manage risks, particularly those associated with objective climate events such as wildfires and floods. A parametric policy pays based on predefined thresholds and characteristics of an event. The flexibility of the surplus lines market in terms of policy forms and rates dovetails well with the required environment for the development and offering of parametric solutions. With respect to natural catastrophes and weather-related exposures, parametric insurance offered via the surplus lines market can help address the growing protection gap for natural catastrophes and other risks that are becoming more challenging to cover via traditional policies.

Progress Made in Attracting and Retaining New Talent— More is Needed

In the insurance industry, particularly concerning the distribution chain, considerable resources have been directed to overcoming the difficulty of bringing in and cultivating new talent. Whether it involves attracting new producers or office staff to handle key functions, recruiting insurance intermediary talent is an important competency for agency and brokerage principals. This challenge has become more difficult post-COVID, as potential employees, intermediaries, and insurance companies have reassessed working environments relative to in-person versus remote. For insurance intermediaries specifically, the transition to a flexible/hybrid workforce requires good planning and the realignment of resources and infrastructure while maintaining the primary function of servicing clients and partnering with insurers.

The surplus lines industry has been focused on attracting new college graduates and individuals from non-traditional backgrounds by being more effective communicators regarding the value of a career in the insurance industry. Getting talent in the door is only half the solution, however. Employee retention isn't solely focused on compensation. Instead, it is about building a place where people want to remain because they can succeed through mentorship and clear career progression. Some surveys on the topic of talent recruitment have shown that more than salaries or health benefits, investments in education can appeal to young workers to demonstrate the industry is interested in supporting career growth.

Today's employees are looking for organizations that invest in their development and provide an environment where they feel both challenged and supported. The fast-paced nature of the surplus lines sector offers a dynamic and intellectually rewarding career path—one where professionals have the opportunity not just to complete tasks or do a job, but to thrive, grow, and build their future.

Attracting the next generation is only one hurdle—retaining and nurturing new employees to have long, productive careers in insurance is another challenge altogether. Insurance intermediaries and insurance companies have a good track record at retaining talent once they've attracted them to the industry and started the learning process. Allocating financial resources to internship programs and job rotations has helped companies hire qualified, talented individuals right out of college. Once individuals have commenced their insurance careers, continuing education is a vital component for building the needed acumen, building out a strong foundation for individuals early in their careers.

Because of the efforts made in the insurance industry, especially in the E&S lines segment, a growing number of college programs now have better awareness and understanding of the surplus lines market and who and what it serves. The WSIA has initiatives focused on speaking at US universities and colleges to provide insights about this segment of the industry. However, the surplus lines segment is still reaching only a relatively small number of potential employees. Continuing to engage with universities or finding ways to interest high school students to enter the industry would also be beneficial.

Production Sources

During the second quarter of 2025, AM Best sent surveys to the insurers writing much of the surplus lines business to obtain information about the production sources generating surplus lines premiums in 2023 and 2024. The survey requested the same production source information data that we request in our supplemental rating questionnaire (SRQ). The only difference is that the data is focused on surplus lines business only, with the understanding that many insurance organizations write both admitted and nonadmitted business in different states. In addition, we use the SRQ data for some of the companies writing surplus lines business that did not submit a separate survey. The aggregated data in **Exhibit 25** represents approximately 40% of all US surplus lines premium. This percentage is limited because many of the global or national insurance groups collect data on premiums written by their companies on a group basis—they do not break out their surplus lines premiums from their admitted market premiums. These companies do not provide specific surplus lines production data for this report.

As **Exhibit 25** shows, for surplus lines business, wholesale brokers without binding authority remained the primary surplus lines distribution channel for the survey respondents, accounting for just under half of surplus lines premium, slightly over the 48.4% in 2023 (based on revised 2023 data). Wholesale brokers remain the key distribution source of surplus lines business, although MGAs and other types of program managers that have delegated authority for various business functions (binding, underwriting, paying claims) generate more than 20% of all surplus lines premiums. AM Best believes these entities have played an integral part in the consistent yearly premium growth in the surplus lines market because of the expertise with unique, moderate- to high-hazard risk classes that are likely to find their best insurance solutions in the surplus lines market. For insurers, these entities provide value through controlled books of business and can be ideal partners to develop the kind of specialized coverage for which surplus lines insurers are known.

Exhibit 25

US Surplus Lines – Leading Production Sources by DPW

(%)

Production Source	2023 % of Total	2024 % of Total
Wholesale Agent/Broker without Binding Authority	48.4	49.1
Wholesale Agent/Broker with Binding Authority	9.0	7.7
Program Manager – Retail or Wholesale Agent/Broker	19.7	23.5
Retail Agent/Broker	18.7	18.6
Direct Procurement	0.9	0.7
Other	3.2	0.5
Total	**100.0**	**100.0**

Note: Company data received in 2025 for both calendar years 2023 and 2024 was used for this exhibit. Some company data for 2023 represented a revision of what was originally provided and used in this exhibit in the 2024 Report.
Source: AM Best data and research

The percentage of nonadmitted business generated by program managers is also a reflection of the influx of hybrid fronting companies into the surplus lines and specialty commercial market in the past decade, as many use MGAs as their primary distribution source. According to the survey responses, retail brokers produced about 19% of surplus lines business in both 2023 and 2024. Surplus lines brokers increasingly work with retail insurance producers who do not necessarily need to hold surplus lines broker licenses but instead bring together the insurance customer and the surplus lines broker. Among the survey respondents, wholesale brokers with binding authority accounted for a slightly lower percentage of aggregated premium in 2024 (7.7%) than in 2023 (9.0%). They represent a relatively small but still viable source of surplus lines business.

Section V – Impairment Trends

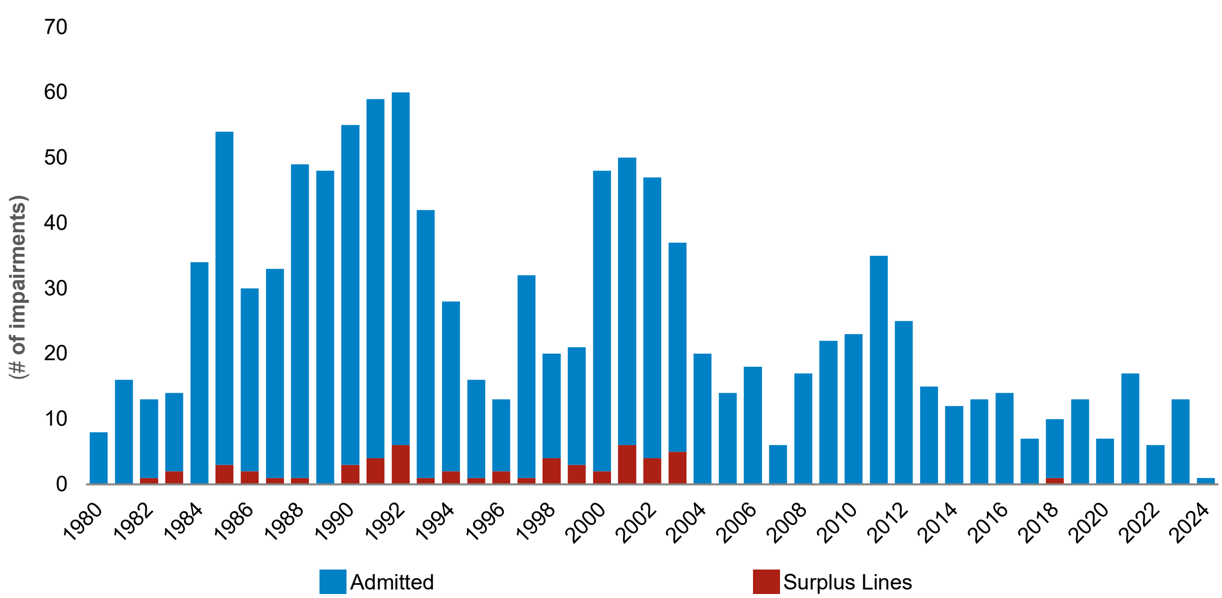
Insurance companies may become impaired due to numerous factors. Common reasons include general business failure, weak operations, internal control failings, or underpricing and under-reserving the business written. Annual financial impairments in the P/C industry have declined in the past three decades, from 346 during 1990-1999 to 279 during 2000-2009 and 167 during 2010-2019. The average number of impairments from 1980 to 1999 was 32.3 but dropped to 19.6 per year from 2000 to 2024 (**Exhibit 26**). Impairment rates the past several years have been more in line with those in the early 1980s. Based on AM Best data since the end of 2003, only one surplus lines company—a monoline insurer writing surety bonds for private student loans in 2018—has become impaired.

AM Best believes that financial impairment frequency (FIF) is a more accurate indicator of industry impairments than a simple tally. The FIF for a given year is calculated by dividing the number of companies that become impaired by the number of companies operating in the insurance market for that year. Because AM Best data recorded only one impairment in 2024 for the P/C industry, its 2024 FIF was 0.03, down from 0.47 in 2023, and below the historical average of 0.78 since 1980. From 2000 to 2024, the P/C industry's FIF reached its highest point of 1.20, or higher, from 2000 to 2003, and has not reached that peak since, although in 2011 it hit a mark of 1.06. The FIF at that time reflected the impact of soft market conditions in 2007 to 2010 and the economic recession of 2007 to 2009.

Periods of unfavorable net operating results for the industry tend to spark an increase in the FIF. Economic recessions, global financial market declines, global pandemics, and catastrophes generating extraordinarily insured losses have typically led to the end of soft market conditions and to historically higher annual FIFs. These catalytic events can also produce notable shifts in the market, often leading to businesses shifting from the standard market to the surplus lines market as carriers tighten underwriting

Exhibit 26

US P/C Annual # of Impairments, Admitted Companies vs Surplus Lines Companies



* All data including 2023-2025 data is as of July 3, 2025.
Calendar year 2023 data was updated from 11 to 13 impairments as per information that became available after the 2024 report was published.
Source: AM Best data and research

standards and increase pricing to offset higher average claim costs. The high FIF rates from 2000 to 2003 occurred during the five-year period (2000-2005) with the highest number of impairments in the last 20 years. The turmoil P/C insurers faced during this period was due to the end of a prolonged soft market and was exacerbated by the September 11, 2001, attacks. During that period, workers' compensation and personal lines insurers accounted for about half the recorded impairments.

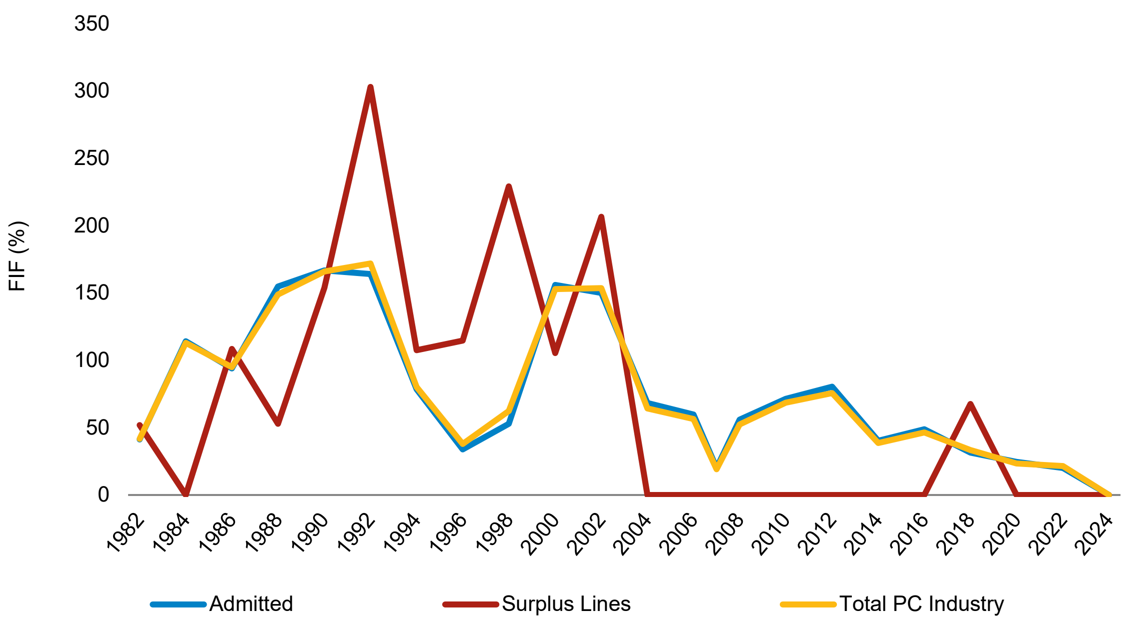
The recorded number of impairments is likely obscured by the growing use of confidential actions by state insurance regulators reluctant to disclose impairments until all avenues for rehabilitation (or all efforts to find buyers for troubled insurers) are exhausted. A reporting lag due to confidential actions could lead to a higher number of impairments over time. In generating the data for this report, AM Best not only looks at the most recent full year and the first half of the current year but also reviews the impairments from one year prior to obtain the most updated impairment count. Last year, we reported the total number of P/C impairments at 11 for 2023; however, we became aware of two additional 2023 impairments, resulting in a revised total of 13 for that calendar year. There is generally a lag of about 18 months between a confidential regulatory action and public disclosure of the impairment, usually the time between supervision and liquidation—assuming the confidential action becomes public.

Surplus Lines Impairments Limited Over an Extended Period

For surplus lines companies, impairment trends have remained favorable over the near-to-medium term. Only one company identified as a surplus lines company has become impaired in the last 20 years. The segment's average FIF of 0.65 from 1980 to 2024 is still only slightly lower than the admitted companies' 0.78 average. The closeness of these impairment numbers reflects the significantly higher impairment frequencies for surplus lines at certain times—particularly in 1992, 1998, 1999, and 2001-2003, as **Exhibits 27 and 28** show. Between 2004 and 2017, 241 admitted companies became impaired, but no company identified as a predominantly surplus lines company did. In addition to reaping the benefit of their inherent freedom of rate and form, the lack of impairments among

Exhibit 27

US P/C Financial Impairment Frequency, Admitted vs Surplus Lines Companies



FIF = Financial Impairment Frequency
Source: AM Best data and research

Exhibit 28

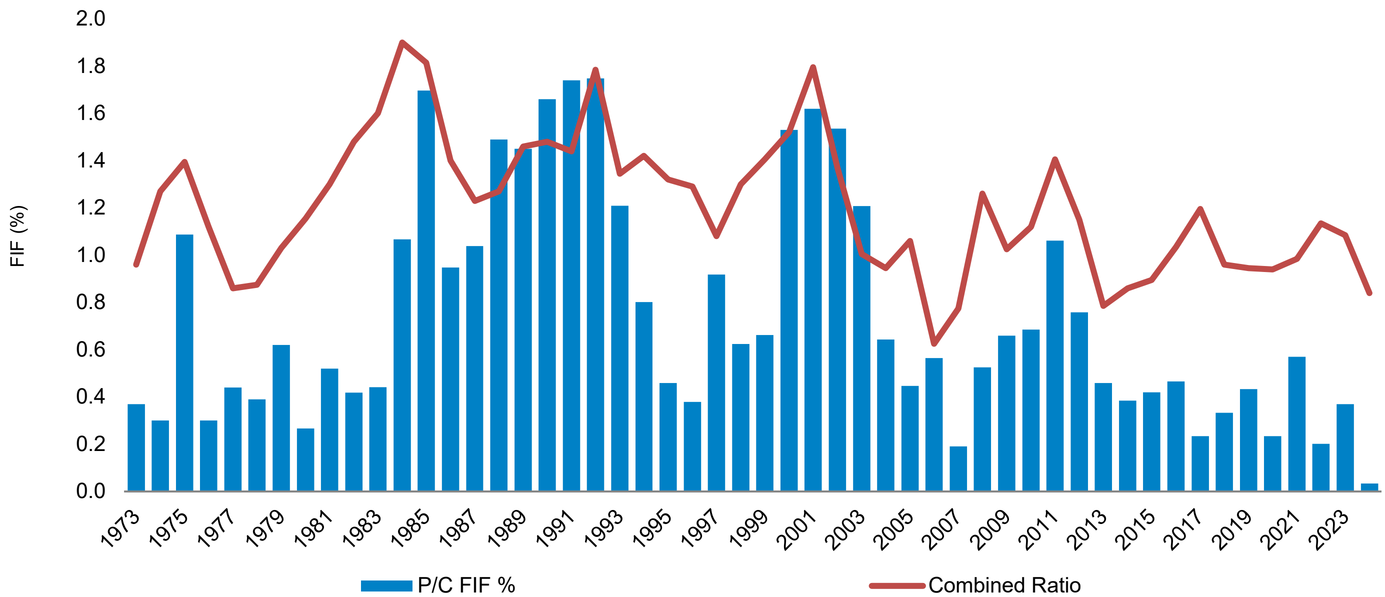
US P/C Industry vs Surplus Lines – # and Frequency of Financially Impaired Companies, 1980-2023

	Financially Impaired Companies (FICs)			Financial Impairment Frequency (FIF)[2]		
	PC Industry	Surplus Lines	Admitted Cos. [1]	PC Industry	Surplus Lines	Admitted Cos.
1980	8	0	8	0.27	0.00	0.28
1981	16	0	16	0.49	0.00	0.55
1982	13	1	12	0.42	0.52	0.41
1983	14	2	12	0.44	0.98	0.40
1984	34	0	34	1.13	0.00	1.14
1985	54	3	51	1.54	1.52	1.54
1986	30	2	28	0.95	1.08	0.94
1987	33	1	32	1.04	0.54	1.07
1988	49	1	48	1.49	0.53	1.55
1989	48	0 [3]	48	1.45	0.00	1.54
1990	55	3	52	1.66	1.54	1.67
1991	59	4	55	1.77	1.99	1.76
1992	60	6	54	1.72	3.03	1.64
1993	42	1	41	1.21	0.52	1.25
1994	28	2	26	0.80	1.08	0.79
1995	16	1	15	0.46	0.56	0.45
1996	13	2	11	0.38	1.15	0.34
1997	32	1	31	0.92	0.58	0.94
1998	20	4	16	0.62	2.29	0.53
1999	21	3	18	0.66	1.70	0.60
2000	48	2	46	1.53	1.05	1.56
2001	50	6	44	1.62	3.03	1.52
2002	47	4	43	1.54	2.07	1.50
2003	37	5	32	1.21	2.64	1.11
2004	20	0	20	0.64	0.00	0.68
2005	14	0	14	0.45	0.00	0.47
2006	18	0	18	0.56	0.00	0.60
2007	6	0	6	0.19	0.00	0.20
2008	17	0	17	0.53	0.00	0.56
2009	22	0	22	0.66	0.00	0.69
2010	23	0	23	0.68	0.00	0.71
2011	35	0	35	1.06	0.00	1.11
2012	25	0	25	0.76	0.00	0.81
2013	15	0	15	0.46	0.00	0.49
2014	12	0	12	0.39	0.00	0.40
2015	13	0	13	0.42	0.00	0.44
2016	14	0	14	0.47	0.00	0.49
2017	7	0	7	0.23	0.00	0.24
2018	10	1	9	0.33	0.68	0.32
2019	13	0	13	0.43	0.00	0.46
2020	7	0	7	0.23	0.00	0.25
2021	15	0	15	0.57	0.00	0.60
2022	6	0	6	0.20	0.00	0.21
2023	13	0	13	0.44	0.00	0.47
2024	1	0	1	0.03	0.00	0.04

[1] Includes alternative markets.
[2] Failure frequencies are annualized.
[3] 1989 figures have been revised from prior reports to eliminate seven UK-domiciled companies.
Source: AM Best data and research.

Exhibit 29

US P/C Industry – Financial Impairment Frequency vs Combined Ratio



Note: Combined ratios are after policyholder dividends. A combined ratio below 100.0 indicates an underwriting profit; below 100.0 indicates an underwriting loss.
Source: AM Best data and research.

surplus lines writers is also likely attributable to long-held underwriting discipline and the ability to quickly develop new products. This discipline is underpinned by adherence to judicious risk selection, despite changes in risk profiles as different risk classes are eschewed by the standard market and policyholders shift to the surplus lines market. Surplus lines insurers have generally refrained from undisciplined behavior amid heightened competitive market pressure during the softest periods of past market cycles. Such pressure can lead to insurers underpricing risks and/or making questionable risk selection choices. The discipline and favorable operating performance of most years has resulted in solid balance sheet strength, which has helped surplus lines companies avert impairments during more difficult operating periods.

The DPSL composite's underwriting profit increased by 9.4% on a year-over-year basis in 2024, after jumping by almost 28% year-over-year from 2022 to 2023, despite a sizable number of weather-related catastrophe events. Because surplus lines insurers generally provide coverage for higher-risk properties, the composite's underwriting profitability has varied more than that of the P/C industry (**Exhibits 29 and 30**), due in part to elevated losses for catastrophe-exposed properties due to weather events. Since 2019, the composite's combined ratios have been under 100, despite the severe weather events, including hurricanes and secondary perils such as severe convective storms and wildfires. The performance demonstrates the segment's strength, which has been a factor in the lack of surplus lines impairments.

Exhibit 30

US DPSL Composite – Financial Impairment Frequency vs Combined Ratio

	DPSL FIF (%)	Combined Ratio
1998	1.72	98.5
1999	1.70	99.8
2000	1.05	105.0
2001	3.54	105.3
2002	2.07	93.0
2003	2.64	92.2
2004	0.00	93.5
2005	0.00	93.2
2006	0.00	79.4
2007	0.00	76.1
2008	0.00	93.6
2009	0.00	93.1
2010	0.00	100.5
2011	0.00	105.1
2012	0.00	110.5
2013	0.00	92.4
2014	0.00	88.0
2015	0.00	100.5
2016	0.00	107.3
2017	0.00	107.1
2018	0.68	104.5
2019	0.00	99.4
2020	0.00	99.7
2021	0.00	94.1
2022	0.00	91.1
2023	0.00	89.9
2024	0.00	90.8

Source: AM Best data and research

Effectively dedicating more financial and strategic resources to enterprise risk management has also helped surplus lines writers prevent impairments. The ability to secure ample reinsurance coverage has supported the surplus lines segment's strong risk-adjusted capitalization, insulating companies from periods of market hyper-competitiveness leading to surplus lines carriers and admitted carriers competing for the same high-quality specialty business. As with any market segment, macroeconomic headwinds, and external factors such as natural catastrophes, along with competitive market conditions, can result in the underperformance of some surplus lines insurers. Favorable results reported by insurers of different lines of coverage and risk classes attract new market participants, including those backed by private equity capital. However, enhanced modeling, improved technology, and enhanced data analytics, have contributed to the lack of impairments despite these challenges.

In recent years, AM Best has remained guardedly optimistic about the favorable trend in surplus lines impairments. External factors such as any weakening in economic conditions and inflationary pressures that could potentially cause long-term stock market volatility, could pressure insurance companies' combined ratios—including the surplus lines companies'—and erode policyholders' surplus.

Financial Impaired Companies (FICs) Defined

AM Best's definition of identifying financially impaired insurance companies has evolved over time. AM Best currently defines impairments as situations in which an insurer has been placed, via court order, into conservation, rehabilitation, or insolvent liquidation. Supervisory actions taken by state insurance department regulators without a court order are not considered impairments, unless there are clear indications that policyholder payments may be delayed or otherwise limited in some manner through the regulatory oversight process.

A number of regulatory oversight actions may be taken with respect to troubled insurers for which court orders are not sought, such as required company action plans, a variety of forms and levels of supervision, or licensure actions. Companies may be subject to insurance department orders and actions on multiple occasions, particularly in certain jurisdictions. Although regulatory actions may suggest difficulties and impose constraints, they do not necessarily mean an insurer is unable to meet its ongoing policy and contract obligations until such time as either clear direction is given by the regulator regarding delaying or limiting policy or contract payments, or a court order is sought to place the company into conservation, rehabilitation, or insolvent liquidation.

Section VI: Surplus Lines Fundamentals

This section is a primer for readers who are not familiar with the wholesale, specialty, and surplus lines market. Below, we discuss the market, and the types of risks insured, industry participants, the distribution system, licensing and compliance, and market cycles.

The Surplus Lines Market

The surplus lines, or nonadmitted, market functions as a supplemental market insuring risks that are not acceptable to the standard, or admitted, insurance market. The majority of the surplus lines business consists of commercial lines insurance but can also include personal lines such as homeowners insurance, more commonly in catastrophe-prone areas, where standard markets are not providing solutions. Businesses unable to obtain insurance coverage from admitted insurers also have the option of self-insuring or seeking solutions in the alternative risk transfer (ART) market.

The surplus lines market has historically been an innovator of new kinds of insurance designed to meet emerging risks. For example, surplus lines insurers were the first to provide coverages for cyber liability, environmental impairment liability, and employment practices liability. These and other types of policies that originated in the surplus lines market can now be obtained in either the admitted insurance market or the surplus lines market, depending on the characteristics of the particular risk. It is common for the surplus lines market to incubate risks until the standard market is willing and able to insure them, such that the surplus lines market expects new and emerging risks to eventually become part of the standard market.

When capacity in the insurance market becomes restricted or the admitted market's appetite for certain risks tends to diminish, business flows into the surplus lines market. Even in normal or soft markets, there will still be many risks that require surplus lines treatment. By fulfilling the role of insuring risks that the admitted market cannot or will not insure, the surplus lines market operates as a safety valve for the insurance marketplace.

Risks insured in the surplus lines market generally fall into four categories:

- **Emerging risks** – These involve new exposures that require specialized underwriting, and the flexibility surplus lines carriers provide. Examples include risks tied to transportation platforms and the civilian use of drones.
- **Distressed risks** – Characterized by unfavorable attributes such as frequent losses or catastrophic potential, these risks are typically declined by admitted insurers. Examples include vacant buildings in high-crime areas, shopping centers with repeated liability claims, or manufacturers of explosives.
- **Unique risks** – Highly specialized or unusual exposures that admitted markets are unwilling or unable to cover. For instance, a medical device company seeking liability coverage for a new product in clinical trials.
- **High-capacity risks** – These require coverage limits beyond what the admitted market can offer. A typical example is a chemical plant facing potential liability in the hundreds of millions of dollars due to a large-scale toxic release.

Surplus Lines Insurers

Surplus lines insurers are considered nonadmitted insurers because they are not licensed, or "admitted," in the state of the insured's principal place of business or principal residence (for an individual). By federal law, the insured's "home state" is responsible for overseeing and regulating surplus lines transactions. Every US jurisdiction has a surplus lines law that permits specially licensed intermediaries (also referred to as surplus lines brokers or licensees) to "export" risks that cannot be placed in the admitted market to eligible surplus lines insurers.

Although not a licensed insurer in the insured's home state, a surplus lines insurer must be licensed in its state or country of domicile and be regulated for solvency by that jurisdiction—the same way that the state-based insurance regulatory system in the US ensures the financial stability of licensed or admitted insurers.

Historically, a surplus lines insurer could not write surplus lines insurance in its state of domicile. However, numerous states have changed their laws to permit a recognized Domestic Surplus Lines Insurers (DSLI) to issue policies on risks located in the insurer's state of domicile.

Unlike admitted carriers, surplus lines insurers are not subject to the rate or form regulations of an insured's home state; a surplus lines insurer and its policyholder are free to use whatever policy forms and rates they agree upon. This approach ensures that the surplus lines market provides an open and flexible marketplace for insureds who are unable to fulfill their insurance requirements in the state's admitted market.

A state's minimum capitalization requirement for surplus lines insurers is generally higher than for admitted insurers. The enhanced capital requirement allows for greater protection for policyholders insured by surplus lines companies, given that the state guaranty fund protection provided to policyholders of admitted insurers that become insolvent is generally unavailable to surplus lines insureds.

Regulated alien insurers (including Lloyd's) are non-US domiciled insurers that must file financial statements and auditors' reports, the names of their US attorneys or other representatives, as well as information on their US trust accounts, with the International Insurers Department (IID) of the National Association of Insurance Commissioners (NAIC). Regulated alien insurers must also meet IID criteria relating to capital and surplus, as well as underwriting and claims practices, and have a reputation of financial integrity. The NAIC publishes a Quarterly Listing of Alien Insurers naming the alien insurers that meet its criteria.

As a result of the Nonadmitted and Reinsurance Reform Act (NRRA) of 2010, which was enacted as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, a state may not prohibit a surplus lines broker from placing nonadmitted (surplus lines) insurance with or procuring such insurance from a nonadmitted insurer listed on the NAIC Quarterly Listing of Alien Insurers.

The Distribution System

For this report, the entities in the surplus lines distribution system are defined as follows:

- Retail producers, which can be either agents who represent the insurer or brokers who represent the insured.
- Surplus lines intermediaries, which can operate as wholesale brokers, MGAs, underwriting managers, or Lloyd's coverholders or open market correspondents.
- Program managers, which manage specialty or niche insurance products and market to retailers and wholesalers.

These three types of organizations are the primary distributors for surplus lines insurers and play an important role in helping consumers obtain coverage that is unavailable in the admitted market. Surplus lines intermediaries are licensed in the states where the insured or risk is located and act as intermediaries between retail producers and surplus lines insurers. Typically, a surplus lines intermediary provides the retail producer and the insured access to the surplus lines market when the admitted market cannot provide coverage or the risk qualifies for export.

The basic difference between wholesale brokers and MGAs is that MGAs are authorized to underwrite and bind coverage on behalf of the surplus lines insurer through binding authority agreements. Wholesale brokers are authorized only to submit business to surplus lines insurers; the insurers then underwrite, quote, and bind the risk if they deem it acceptable. Some MGAs also have claims-handling responsibilities and may be involved in placing reinsurance.

A Lloyd's coverholder is a firm that has been authorized to bind coverage on behalf of underwriting syndicates at Lloyd's; a Lloyd's open market correspondent is a firm that has been approved to generate business for a Lloyd's broker for placement at Lloyd's on an open market basis. Before a risk can be exported, surplus lines laws generally require a "diligent search" of the admitted market, the details of which vary by state, to allow the admitted market the first opportunity to insure the risk. Upon demonstration from the retail agent to the surplus lines producer that admitted insurers have declined to underwrite the risk, it can be placed in the surplus lines market. In some states, specific types of risks can be placed in the surplus lines market without the diligent search. Six states do not require the retail producer to perform diligent effort (Florida, Louisiana, Mississippi, North Dakota, Virginia, and Wisconsin), before a risk is placed in the surplus lines market.

There are other states that have provided statutory or regulatory authority for specific exemptions. For example, Colorado, has an exemption for a retail producer that accesses the surplus lines market through wholesale brokers when they are familiar with the market and know a risk is unavailable in the standard market. Connecticut, Illinois, and Minnesota have exempted diligent search in situations where a risk was referred to a surplus lines broker from an unaffiliated retail producer. Seventeen states have the authority to issue "export lists" of risks for which the insurance commissioner has determined there is little or no coverage available in the state's admitted market; the types of risks listed can be exported to an eligible surplus lines insurer without having to conduct a diligent search. Still, other states may provide certain limited statutory exemptions for specific risks (e.g., private flood insurance) in their insurance codes. There are also laws that allow specific insureds the ability to access the surplus lines market without diligent effort if they meet the qualifications as an Exempt Commercial Purchaser (ECP) or Industrial Insured, as well as potentially accessing markets through independent procurement. Finally, in a few states that have "deregulated" rate and form requirements for admitted commercial lines the states also permit access to the surplus lines market without a diligent search.

In a surplus lines transaction, the surplus lines intermediary is generally responsible for the following:

- Compliance with state surplus lines licensing requirements.
- Filing an affidavit affirming that a diligent search has been conducted, if required.
- Maintaining the records relating to the transaction.
- Collecting and remitting premium taxes and related reporting to the insured's home state.

In addition to the above, the surplus lines intermediary must have the following, among other things:

- The technical expertise about the risk of being insured.
- Extensive insurance product and market knowledge.
- The ability to respond quickly to changing market conditions.
- Access to eligible surplus lines insurers.

Licensing and Compliance

In a surplus lines transaction, the insured's home state has the greatest degree of regulatory oversight, and the onus of compliance is on the surplus lines intermediary, the directly regulated entity in the transaction. In addition to being a licensed (resident or nonresident) agent or broker, a surplus lines broker or licensee must:

- In many states, pass a written surplus lines examination to secure a resident license.
- Pay an annual licensing fee.
- Determine whether the risk meets all the requirements for placement with a surplus lines insurer.
- Collect and remit the state's surplus lines premium taxes.

Furthermore, the surplus lines intermediary is responsible for determining whether the nonadmitted insurer insuring the risk meets the insured's home state eligibility requirements. A surplus lines intermediary may be held liable for payment of claims when a risk is placed with a surplus lines insurer not eligible to receive the risk or with one that is financially unsound when the risk is bound. However, depending on state law, there may be no cause of action against a broker who exercises due diligence or care in selecting the insurer, even if the insurer were to become insolvent sometime after.

Surplus lines policies must disclose that a nonadmitted insurer is providing coverage and that guaranty fund protection will not be available if the insurer becomes insolvent.

Market Cycles

In general, the same market conditions that affect admitted insurance will also affect surplus lines insurance, sometimes significantly. When conditions in the admitted market harden, or become more difficult, a sizable amount of business has historically flowed from it to the surplus lines market. In a hard market, underwriters tend to become more conservative and restrictive, scrutinizing loss exposures more carefully, to determine how they can write a particular risk at a profit. In these circumstances, admitted carriers tend to insure only those risks they are most comfortable assuming and to avoid risks that are more complex or with which they have little or no experience. As the market cycle progresses, competition heats up and market conditions in the admitted market soften, with producers and insurers trying to maintain market share by lowering rates, expanding coverage, and offering additional services at the expense of profit margins. During this soft market phase, consumers' bargaining power increases significantly, causing a drop in rates and relaxation of coverage limitations or exclusions, at which point business begins to return to the admitted market.

Over time, as margins deteriorate to unprofitable levels, competitive pricing pressures erode the admitted market's capacity, which again leads to a hardening of the market, and the cycle continues.

Appendix A

US Surplus Lines - Top 50 Groups and Lloyds, 2024

Ranked by 2024 nonadmitted direct premiums written; ratings are as of August 12, 2025
($ thousands)

Rank	AMB #	Group/Company	Type	Surplus Lines DPW	% Change in DPW 2023/2024	FSR	Affiliation Code	Best's FSR Implication/ Outlook
	85202	**Lloyd's**		**20,821,489**	**4.4**	**A+**		**Stable**
1	**811**	**Berkshire Hathaway Ins Group**		**8,428,162**	**0.7**			
1	20650	AZGUARD Insurance Company	PROF	81,485		A+	p	Negative
1	12334	BHHC Special Risks Ins Co	PROF	916		A++	r	Stable
1	1960	Capitol Specialty Ins Corp	PROF	353,154		A	g	Positive
1	13859	Covington Specialty Ins Co	PROF	416,323		A++	r	Stable
1	308	Cypress Insurance Company	MISC	2,621		A++	g	Stable
1	22013	Fair American Select Ins Co	PROF	77,387		A++	r	Stable
1	3806	General Star Indemnity Co	PROF	1,079,795		A++	g	Stable
1	12619	Landmark American Ins Co	PROF	1,879,694		A++	r	Stable
1	2540	Mount Vernon Fire Ins Co	PROF	302,111		A++	g	Stable
1	18657	Mount Vernon Specialty Ins Co	PROF	2,748		A++	g	Stable
1	2428	National Fire & Marine Ins Co	PROF	4,144,378		A++	g	Stable
1	1824	National Indem Co of the South	MISC	5,127		A++	g	Stable
1	22320	Radnor Specialty Insurance Co	PROF	1,342		A++	g	Stable
1	3736	U.S. Underwriters Insurance Co	PROF	56,460		A++	g	Stable
1	2541	United States Liability Ins Co	MISC	24,621		A++		Stable
2	**18540**	**American International Group**		**5,599,818**	**13.0**			
2	3535	AIG Specialty Insurance Co	PROF	1,685,953		A	r	Stable
2	2350	Lexington Insurance Company	PROF	3,384,979		A	p	Stable
2	2598	Tudor Insurance Company	PROF	1,618		A	g	Stable
2	3132	Western World Insurance Co	PROF	527,270		A	g	Stable
3	**3116**	**Fairfax Financial (USA) Group**		**4,393,751**	**8.6**			
3	12525	Allied World Asr Co (US) Inc	PROF	696,408		A+	g	Stable
3	12526	Allied World National Assur Co	MISC	286,291		A+	g	Stable
3	11719	Allied World Surplus Lines Ins	PROF	691,306		A+	g	Stable
3	11123	Crum & Forster Specialty Ins	PROF	1,694,817		A	r	Stable
3	11883	First Mercury Insurance Co	PROF	1,643		A	r	Stable
3	12631	Hilltop Specialty Insurance Co	PROF	31,562		A+	g	Stable
3	14995	Hudson Excess Insurance Co	PROF	757,663		A+	g	Stable
3	12258	Seneca Specialty Ins Co	PROF	234,061		A	r	Stable
4	**18252**	**W. R. Berkley Insurance Group**		**4,048,118**	**14.1**			
4	3026	Admiral Insurance Company	PROF	1,242,075		A+	r	Stable
4	14158	Berkley Assurance Company	PROF	407,859		A+	r	Stable
4	21577	Berkley Prestige Insurance Co	PROF	7,677		A+	r	Stable
4	11296	Berkley Specialty Insurance Co	PROF	243,892		A+	r	Stable
4	12118	Gemini Insurance Company	PROF	914,626		A+	r	Stable
4	11231	Great Divide Insurance Co	MISC	11,521		A+	r	Stable
4	21258	Intrepid Specialty Ins Co	MISC	15,237		A+	r	Stable
4	1990	Nautilus Insurance Company	PROF	1,205,230		A+	r	Stable
5	**18468**	**Markel Insurance Group**		**3,833,342**	**4.1**			
5	3759	Evanston Insurance Company	PROF	2,633,853		A	g	Stable
5	524	Superior Specialty Ins Co	PROF	138,146		A	p	Stable
5	13105	United Specialty Insurance Co	PROF	1,061,343		A	p	Stable
6	**18498**	**Chubb INA Group**		**3,816,100**	**20.0**			
6	2713	Chubb Custom Insurance Co	PROF	566,451		A++	g	Stable
6	3761	Executive Risk Indemnity Inc.	MISC	3,097		A++	g	Stable
6	11251	Executive Risk Specialty Ins	PROF	100		A++	g	Stable
6	2084	Federal Insurance Company	MISC	0		A++		Stable
6	3510	Illinois Union Insurance Co	PROF	1,019,710		A++	g	Stable
6	4433	Westchester Surplus Lines Ins	PROF	2,226,741		A++	g	Stable
7	**18756**	**Starr International Group**		**2,969,040**	**9.4**			
7	13977	Starr Surplus Lines Ins Co	PROF	2,969,040		A	g	Stable
8	**5987**	**Nationwide Prop & Cas Group**		**2,964,885**	**3.4**			
8	12051	Harleysville Ins Co of NY	PROF	190,037		A	r	Stable
8	1931	Scottsdale Indemnity Company	MISC	52,465		A	r	Stable
8	3292	Scottsdale Insurance Company	PROF	2,682,106		A	r	Stable
8	12121	Scottsdale Surplus Lines Ins	PROF	40,277		A	r	Stable

Appendix A (Con't)

US Surplus Lines - Top 50 Groups and Lloyds, 2024

Ranked by 2024 nonadmitted direct premiums written; ratings are as of August 12, 2025

($ thousands)

Rank	AMB #	Group/Company	Type	Surplus Lines DPW	% Change in DPW 2023/2024	FSR	Affiliation Code	Best's FSR Implication/ Outlook
9	**60**	**Liberty Mutual Insurance Cos**		**2,382,724**	**5.2**			
9	13866	Ironshore Specialty Ins Co	PROF	1,385,685		A	r	Stable
9	12078	Liberty Surplus Ins Corp	PROF	997,039		A	r	Stable
10	**18777**	**AXIS US Operations**		**2,199,009**	**13.0**			
10	12515	AXIS Surplus Insurance Company	PROF	2,199,009		A	g	Stable
11	**18782**	**MS&AD US Insurance Group**		**2,060,354**	**135.8**			
11	20633	MS Transverse Specialty Ins Co	PROF	1,865,176		A+	g	Stable
11	3746	MSIG Specialty Ins USA Inc.	PROF	195,179		A+	g	Stable
12	**18878**	**Sompo Holdings US Group**		**2,047,189**	**5.4**			
12	13033	Endurance American Spec Ins Co	PROF	2,047,189		A+	g	Stable
13	**18557**	**XL America Companies**		**1,986,894**	**1.2**			
13	11340	Indian Harbor Insurance Co	PROF	1,986,293		A+	g	Stable
13	789	T.H.E. Insurance Company	MISC	601		A+	g	Stable
14	**14027**	**Kinsale Insurance Company**		**1,870,341**	**19.2**			
14	14027	Kinsale Insurance Company	PROF	1,870,341		A		Stable
15	**18484**	**Arch Insurance Group**		**1,643,845**	**12.0**			
15	12523	Arch Specialty Insurance Co	PROF	1,643,845		A+	g	Stable
16	**18674**	**Travelers Group**		**1,643,112**	**18.6**			
16	4869	Northfield Insurance Co	PROF	415,644		A++	g	Stable
16	4025	Northland Casualty Company	PROF	2,920		A++	g	Stable
16	3592	St. Paul Surplus Lines Ins Co	PROF	22,394		A++	g	Stable
16	241	Travelers Excess & Surp Lines	PROF	1,199,040		A++	g	Stable
16	11763	Travelers Specialty Ins Co	PROF	3,114		A++	g	Stable
17	**18313**	**CNA Insurance Companies**		**1,605,899**	**8.3**			
17	3538	Columbia Casualty Company	PROF	1,605,899		A	g	Positive
18	**18733**	**Tokio Marine US PC Group**		**1,603,880**	**4.3**			
18	3286	Houston Casualty Company	PROF	1,103,347		A++	g	Stable
18	21159	PURE Specialty Exchange	PROF	101,191		A	g	Stable
18	22607	Safety Specialty Insurance Co	PROF	46,572		A++	g	Stable
18	763	Tokio Marine Specialty Ins Co	PROF	352,770		A++	p	Stable
19	**18975**	**Core Specialty Insurance Group**		**1,462,409**	**4.3**			
19	11432	StarStone Specialty Ins Co	PROF	1,462,409		A	g	Stable
20	**18753**	**Munich-American Hldg Corp Cos**		**1,434,764**	**-7.1**			
20	2666	American Modern Select Ins Co	PROF	49		A+	g	Stable
20	3763	American Western Home Ins Co	PROF	8,308		A+	g	Stable
20	20791	Bridgeway Insurance Company	PROF	550,030		A+	g	Stable
20	14838	HSB Specialty Insurance Co	PROF	27,242		A++	r	Stable
20	12170	Princeton E&S Lines Ins Co	PROF	849,134		A+	g	Stable
21	**48**	**Hartford Insurance Group**		**1,412,504**	**7.1**			
21	2611	Hartford Ins Co of Illinois	MISC	2,507		A+	p	Stable
21	12563	Maxum Indemnity Company	PROF	312,729		A+	r	Stable
21	10761	Navigators Specialty Ins Co	PROF	969,451		A+	r	Stable
21	11654	Pacific Insurance Company, Ltd	PROF	127,818		A+	p	Stable
22	**18549**	**Zurich Ins US PC Group**		**1,352,351**	**-15.7**			
22	2147	Empire Fire and Marine Ins Co	MISC	791		A+	g	Stable
22	2148	Empire Indemnity Ins Co	MISC	1		A+	g	Stable
22	3557	Steadfast Insurance Company	PROF	1,351,084		A+	g	Stable
22	3565	Zurich Amer Ins Co of Illinois	MISC	474		A+	g	Stable
23	**4835**	**Great American P & C Ins Group**		**1,342,248**	**8.5**			
23	3735	Great Amer Risk Sol Surplus	PROF	558,519		A+	r	Stable
23	3837	Great American E & S Ins Co	PROF	698,765		A+	r	Stable
23	3293	Great American Fidelity Ins Co	PROF	75,185		A+	r	Stable
23	14150	Mid-Continent E&S Ins Co	PROF	9,779		A+	r	Stable
24	**5696**	**Everest Re U.S. Group**		**1,318,562**	**-6.7**			
24	12096	Everest Indemnity Insurance Co	PROF	1,318,562		A+	g	Stable

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($ thousands)

Rank	AMB #	Group/Company	Type	Surplus Lines DPW	% Change in DPW 2023/2024	FSR	Affiliation Code	Best's FSR Implication/ Outlook
25	**18533**	**AmTrust Group**		**1,134,663**	**14.9**			
25	11693	Associated Industries Ins Co	PROF	728,831		A-	r	Stable
25	4070	Republic-Vanguard Ins Co	PROF	301,597		A-	r	Stable
25	2522	Security National Ins Co	MISC	63,952		A-	p	Stable
25	2011	Sierra Specialty Insurance Co	MISC	40,283		A-	r	Stable
26	**18944**	**Trisura US Insurance Group**		**1,126,620**	**8.9**			
26	21059	Bricktown Specialty Ins Co	PROF	93,981		A-	g	Stable
26	20575	Trisura Specialty Insurance Co	PROF	1,032,640		A-	g	Stable
27	**18626**	**James River Group**		**1,082,286**	**1.4**			
27	22509	Falls Lake Fire & Casualty Co	PROF	61,649		A-	g	Negative
27	14313	Falls Lake National Ins Co	MISC	14,016		A-	g	Negative
27	12604	James River Insurance Co	PROF	1,006,622		A-	g	Negative
28	**5658**	**QBE North America Ins Group**		**1,054,827**	**0.5**			
28	12562	QBE Specialty Insurance Co	PROF	1,054,827		A	p	Stable
29	**18991**	**BAMR US PC Group**		**1,013,968**	**-2.7**			
29	2803	American Natl General Ins Co	MISC	61,709		A	g	Stable
29	11700	American Natl Lloyds Ins Co	PROF	179,514		A	g	Stable
29	3283	Colony Insurance Company	PROF	660,501		A-	g	Stable
29	2619	Colony Specialty Insurance Co	MISC	6,824		A-	g	Stable
29	11035	Peleus Insurance Company	PROF	105,420		A-	g	Stable
30	**18965**	**Accelerant US Holdings Group**		**959,952**	**72.0**			
30	20951	Accelerant Specialty Ins Co	PROF	959,952		A-	g	Stable
31	**4294**	**The Cincinnati Insurance Cos**		**874,347**	**20.6**			
31	13843	Cincinnati Specialty Undrs Ins	PROF	874,347		A+	g	Stable
32	**18460**	**CSAA Insurance Group**		**862,377**	**47.1**			
32	20790	Mobilitas Ins Co of Arizona	PROF	750,106		A	r	Stable
32	20628	Mobilitas Insurance Company	PROF	112,271		A	r	Stable
33	**3883**	**RLI Group**		**847,629**	**6.7**			
33	2591	Mt. Hawley Insurance Company	PROF	847,629		A+	g	Positive
34	**18783**	**Aspen US Insurance Group**		**804,894**	**-2.7**			
34	12630	Aspen Specialty Insurance Co	PROF	804,894		A	g	Stable
35	**18943**	**AU Holding Company Group**		**746,409**	**25.3**			
35	22281	Texas Insurance Company	PROF	746,409		A-	p	Stable
36	**18680**	**AF Group**		**734,075**	**14.5**			
36	13044	Accident Fund General Ins Co	MISC	1,442		A	r	Stable
36	12011	Ameritrust Insurance Corp	PROF	4,714		A	r	Stable
36	3780	Century Surety Company	PROF	496,599		A	r	Stable
36	2180	ProCentury Insurance Company	MISC	3,709		A	r	Stable
36	11876	Third Coast Insurance Company	PROF	227,612		A	r	Stable
37	**18429**	**Allianz US PC Insurance Cos**		**731,350**	**-4.1**			
37	2618	Allianz Underwriters Ins Co	PROF	109,920		A+	g	Stable
37	1892	Fireman's Fund Indemnity Corp	PROF	404,278		A+	g	Stable
37	2267	Interstate Fire & Casualty Co	PROF	217,152		A+	g	Stable
38	**3262**	**Swiss Reinsurance Group**		**690,758**	**5.3**			
38	10783	Swiss Re Corp Sol Capacity Ins	PROF	690,758		A+	g	Stable
39	**18458**	**Intact US Insurance Group**		**679,111**	**11.8**			
39	14398	Homeland Ins Co of Delaware	PROF	46,646		A+	r	Stable
39	10604	Homeland Ins Co of New York	PROF	632,465		A+	r	Stable
40	**18934**	**Beazley USA Insurance Group**		**659,480**	**NM**			
40	21670	Beazley Excess and Surplus Ins	PROF	659,480		A	g	Stable
41	**18954**	**Palomar Holdings US Group**		**640,695**	**33.9**			
41	20907	Palomar Excess and Surplus Ins	PROF	640,695		A	p	Stable

Appendix A (Con't)

US Surplus Lines - Top 50 Groups and Lloyds, 2024

Ranked by 2024 nonadmitted direct premiums written; ratings are as of August 12, 2025

($ thousands)

Rank	AMB #	Group/Company	Type	Surplus Lines DPW	% Change in DPW 2023/2024	FSR	Affiliation Code	Best's FSR Implication/ Outlook
42	**419**	**Coaction Specialty Ins Group**		**635,790**	**23.9**			
42	728	Gotham Insurance Company	PROF	492,551		A-	g	Stable
42	13309	Southwest Marine & Gen Ins Co	PROF	143,239		A-	g	Stable
43	**18915**	**Ascot Insurance U.S. Group**		**630,379**	**7.5**			
43	20561	Ascot Insurance Company	MISC	1,257		A	g	Stable
43	11545	Ascot Specialty Insurance Co	PROF	629,122		A	g	Stable
44	**3873**	**SCOR US Group**		**626,795**	**4.5**			
44	2837	General Security Indem Co AZ	PROF	626,795		A	g	Stable
45	**18717**	**Skyward Specialty Ins Group**		**620,848**	**15.9**			
45	13825	Houston Specialty Insurance Co	PROF	620,848		A		Stable
46	**734**	**Old Republic Insurance Group**		**611,156**	**33.2**			
46	3769	Old Republic Union Ins Co	PROF	611,156		A+	g	Stable
47	**730**	**Westfield Group**		**606,810**	**26.2**			
47	20985	Westfield Specialty Ins Co	PROF	606,810		A	p	Stable
48	**18947**	**Sutton National Group**		**603,040**	**98.1**			
48	20810	Sutton Specialty Insurance Co	PROF	603,040		A-	g	Stable
49	**124**	**American Family Ins Group**		**596,594**	**12.0**			
49	22142	Homesite Ins Co of Florida	PROF	339,133		A	r	Stable
49	22141	Homesite Insurance Company	MISC	253,392		A	r	Stable
49	13037	MSA Insurance Company	PROF	4,069		A	r	Stable
50	**18868**	**Clear Blue Insurance Group**		**594,861**	**-18.2**			
50	22328	Clear Blue Specialty Ins Co	PROF	485,326		A-		Stable
50	20920	Highlander Specialty Ins Co	PROF	109,534		A-	g	Stable

Notes: FSR = Financial Strength Rating; u = under review.

Affiliation codes; g = group; p = pool; r = reinsured.

PROF = domestic professional surplus lines company; MISC = domestic specialty surplus lines company.

Source: AM Best data and research

Appendix B

US DPSL Composite Companies

X denotes professional surplus lines companies (those whose surplus lines direct premium represents greater than 50% of their total premium)

Company	2020	2021	2022	2023	2024	Company	2020	2021	2022	2023	2024
Accelerant Specialty Ins. Co.		X	X	X	X	Dellwood Specialty Ins Co					X
Acceptance Casualty Ins. Co.	X	X	X	X	X	Dorchester Ins. Co., Ltd		X	X		
Acceptance Indemnity Ins. Co.	X	X	X	X	X	Dover Bay Specialty Ins. Co.	X	X	X	X	X
Accredited Specialty Ins. Co.		X	X	X	X	Emerald Bay Specialty Ins Co					X
Admiral Ins. Co.	X	X	X	X	X	Empire Indemnity Ins. Co.	X				
Adriatic Ins. Co.	X	X	X	X	X	Endurance American Spec Ins. Co.	X	X	X	X	X
Agent Alliance Ins. Co.	X	X	X	X	X	Evanston Ins. Co.	X	X	X	X	X
AIG Specialty Ins. Co.	X	X	X	X	X	Everest Indemnity Ins. Co.	X	X	X	X	X
AIX Specialty Ins. Co.	X	X	X	X	X	Everspan Indemnity Ins. Co.		X	X	X	X
Allianz Underwriters Ins. Co.	X	X	X	X	X	Executive Risk Specialty Ins.		X	X	X	X
Allied World Asr Co. (US) Inc.	X	X	X	X	X	Fair American Select Ins. Co.	X	X	X		X
Allied World Surplus Lines Ins.	X	X	X	X	X	Firemen's Fund Indemnity Corp.			X	X	X
American Empire Surplus Lines	X	X	X			First Mercury Ins. Co.	X	X	X	X	X
American Federation Ins. Co.			X	X	X	First Specialty Ins. Corp.	X	X			
American Modern Select Ins. Co.			X	X	X	Fortegra Specialty Ins. Co.			X	X	X
American Mutual Share Ins. Corp.	X	X	X	X	X	Frontline Ins. Unlimited Co.	X	X	X	X	X
American Natl Lloyds Ins. Co.		X	X	X	X	Gemini Ins. Co.	X	X	X	X	X
American Safety Ins. Co.	X	X	X	X	X	General Security Indem Co. AZ	X	X	X	X	X
American Western Home Ins Co					X	General Star Indemnity Co.	X	X	X	X	X
Ameritrust Insurance Corp					X	GeoVera Specialty Ins. Co.	X	X	X	X	X
Arch Specialty Ins. Co.	X		X	X	X	GNY Custom Ins. Co.	X	X	X	X	X
Ascot Specialty Ins. Co.		X	X	X	X	Gotham Ins. Co.	X	X	X	X	X
Aspen Specialty Ins. Co.	X	X	X	X	X	Gray Surplus Lines Ins. Co.		X	X	X	X
Associated Industries Ins. Co.	X	X	X	X	X	Great American E&S Ins. Co.	X	X	X	X	X
Atain Specialty Ins. Co.	X	X	X	X	X	Great American Fidelity Ins. Co.	X	X	X	X	X
At-Bay Specialty Insurance Co					X	GuideOne National Ins. Co.	X	X	X	X	X
Ategrity Specialty Ins. Co.	X	X	X	X	X	Guilford Ins. Co.	X				
Atlantic Casualty Ins. Co.	X	X	X	X	X	Hallmark National Ins. Co.	X	X	X		
AXIS Surplus Ins. Co.	X	X	X	X	X	Hallmark Specialty Ins. Co.	X	X	X	X	X
AZGUARD Ins. Co.		X	X	X	X	Hamilton Select Ins. Inc.			X	X	X
Bankers Specialty Insurance Co					X	Harleysville Ins Co of NY					X
Beazley Excess and Surplus Ins					X	HDI Specialty Ins. Co.			X	X	X
Berkley Assurance Co.	X	X	X	X	X	Highlander Specialty Ins. Co.			X	X	X
Berkley Prestige Insurance Co					X	Hilltop Specialty Ins. Co.			X	X	X
Berkley Specialty Ins. Co.	X	X	X	X	X	Homeland Ins. Co. of DE	X	X	X	X	X
Blackboard Specialty Ins. Co.	X					Homeland Ins. Co. NY	X	X	X	X	X
Blue Hill Specialty Ins. Co.		X	X	X	X	Homesite Ins. Co. of Florida				X	X
Bridgeway Ins. Co.		X	X		X	Housing Specialty Ins. Co. Inc.	X	X	X	X	X
Burlington Ins. Co.	X	X	X	X	X	Houston Casualty Co.	X	X	X	X	X
Canopius US Ins., Inc.	X	X	X	X	X	Houston Specialty Ins. Co.	X	X	X	X	X
Capitol Specialty Ins. Corp.	X	X	X	X	X	HSB Specialty Ins. Co.	X	X	X	X	X
Centennial Casualty Co.			X	X	X	Hudson Excess Ins. Co.	X	X	X	X	X
Centerline Ins. Co.			X	X	X	Hudson Specialty Ins. Co.	X				
Centerline Prop and Cas Ins. Co.		X				Illinois Union Ins. Co.	X	X	X	X	X
Century Surety Co.	X	X	X	X	X	Independent Specialty Ins. Co.	X	X	X		
Chubb Custom Ins. Co.	X	X	X	X	X	Indian Harbor Ins. Co.	X	X	X	X	X
Cincinnati Specialty Undrs. Ins.	X	X	X	X	X	Insurors Indemnity Select Ins.		X	X	X	X
Clear Blue Specialty Ins. Co.	X	X	X	X	X	Interstate Fire & Casualty Co.	X	X	X	X	X
CM Vantage Specialty Ins. Co.	X	X	X	X	X	Ironshore Specialty Ins. Co.	X	X	X	X	X
Colony Ins. Co.	X	X	X	X	X	ISMIE Indemnity Co.		X	X	X	X
Columbia Casualty Co.	X	X	X	X	X	James River Casualty Co.	X	X	X		
Commercial Alliance Ins. Co.			X	X		James River Ins. Co.	X	X	X	X	X
Concert Specialty Ins. Co.			X	X	X	Kinsale Ins. Co.	X	X	X	X	X
Concord Specialty Ins. Co.		X	X	X	X	Knight Specialty Ins. Co.	X	X	X	X	X
Conifer Ins. Co.	X	X			X	KW Specialty Ins. Co.		X	X	X	X
Coverys Specialty Ins. Co.	X	X	X	X	X	Landmark American Ins. Co.	X	X	X	X	X
Covington Specialty Ins. Co.	X	X	X	X	X	Lexington Ins. Co.	X	X	X	X	X
Crum & Forster Specialty Ins.	X	X	X	X	X	Liberty Surplus Ins. Corp.	X	X	X	X	X
CUMIS Specialty Ins. Co. Inc.	X	X	X	X	X						

Appendix B (Con't)

US DPSL Composite Companies

X denotes professional surplus lines companies (those whose surplus lines direct premium represents greater than 50% of their total premium)

Company	2020	2021	2022	2023	2024
LIO Specialty Ins. Co.			X	X	
Maxum Indemnity Co.	X	X	X	X	X
Medical Security Ins. Co.	X	X	X	X	X
Mercer Ins. Co.	X	X	X	X	X
Merchants National Ins. Co.	X	X	X	X	X
Mesa Underwriters Spec Ins. Co.	X	X	X	X	X
Mid-Continent Excess & Surplus	X	X	X	X	X
Mobilitas Ins. Co. of Arizona		X	X	X	X
Mobilitas Ins. Co.		X	X	X	X
MSA Ins. Co.	X	X	X	X	X
MSIG Specialty Ins. USA Inc.	X	X	X	X	X
Mt Hawley Ins. Co.	X	X	X	X	X
Mt Vernon Fire Ins. Co.	X	X	X	X	X
Mt. Vernon Specialty Ins. Co.	X	X	X	X	X
MS Transverse Specialty Ins Co					X
NAMIC Ins. Co., Inc.	X	X	X	X	X
National Fire & Marine Ins. Co.	X	X	X	X	X
National Guaranty Ins. Co. of Vermont	X	X	X	X	X
Nautilus Ins. Co.	X	X	X	X	X
Navigators Specialty Ins. Co.	X	X	X	X	X
NORCAL Specialty Ins. Co.		X	X	X	X
Noetic Specialty Ins. Co.	X				
North American Capacity Ins. Co.	X	X	X	X	
North Light Specialty Ins. Co.	X	X	X	X	X
Northfield Ins. Co.	X	X	X	X	X
Northland Casualty Company					X
Obsidian Specialty Ins. Co.		X	X	X	X
Oklahoma Specialty Ins. Co.	X	X	X	X	
Old Republic Union Ins. Co.	X	X	X	X	X
Orion 180 Ins. Co.			X	X	X
Pacific Ins. Co., Ltd	X	X	X	X	X
Palms Specialty Ins Co, Inc.					X
Palomar Excess and Surplus Ins.		X	X	X	X
Peleus Ins. Co.	X	X	X	X	X
Penn-America Ins. Co.	X	X	X	X	X
Penn-Patriot Ins. Co.	X	X	X	X	X
Penn-Star Ins. Co.	X	X	X	X	X
Prime Ins. Co.	X	X	X	X	X
Princeton Excess & Surplus Lines	X	X	X	X	X
ProAssurance Specialty Ins. Co.	X	X	X	X	X
Professional Security Ins. Co.	X	X	X	X	X
Protective Specialty Ins. Co.	X	X	X	X	X
PURE Specialty Exchange			X	X	X
QBE Specialty Ins. Co.	X	X	X	X	X
Radnor Specialty Ins. Co.	X	X	X	X	X
Rainier Ins. Co.		X	X	X	X

Company	2020	2021	2022	2023	2024
Republic-Vanguard Ins. Co.	X	X	X	X	X
Richmond National Ins. Co.			X	X	X
Rockingham Specialty, Inc.			X	X	X
Rockhill Ins. Co.	X				
Safety Specialty Ins. Co.	X	X	X	X	X
Scottsdale Ins. Co.	X	X	X	X	X
Scottsdale Surplus Lines Ins.	X	X	X	X	X
Seneca Specialty Ins. Co.	X	X	X	X	X
Sirius Point Specialty In Corp.			X	X	X
Southlake Specialty Ins Co					X
Southwest Marine & General	X	X	X	X	X
Specialty Builders Ins Co					X
Spinnaker Specialty Ins Co					X
St. Paul Surplus Lines Ins. Co.	X	X	X	X	X
Star Vantage Recip Ins Exch					X
Starr Surplus Lines Ins. Co.	X	X	X	X	X
StarStone Specialty Ins. Co.	X	X	X	X	X
Steadfast Ins. Co.	X	X	X	X	X
Summit Specialty Ins. Co.			X	X	X
Superior Specialty Ins. Co.			X	X	X
Sutton Specialty Ins. Co.			X	X	X
Swiss Re Corp. Sol Capacity Ins.			X	X	X
TDC National Assurance Co.	X		X		
TDC Specialty Ins. Co.	X	X	X	X	X
Tokio Marine Specialty Ins. Co.	X	X	X	X	X
Topa Insurance Company					X
Transverse Specialty Ins. Co.			X		
Travelers Excess & Surplus Lines	X	X	X	X	X
Travelers Specialty Ins Co					X
Trisura Specialty Ins. Co.	X	X	X	X	X
Tudor Ins. Co.	X	X	X	X	X
United National Ins. Co.	X	X	X	X	X
United National Specialty Ins. Co.	X				
United Specialty Ins. Co.	X	X	X	X	X
Upland Specialty Ins. Co.				X	X
US Underwriters Ins. Co.	X	X	X	X	X
Vantage Risk Specialty Ins. Co.			X	X	X
Vault E&S Ins. Co.			X	X	X
Velocity Specialty Ins Co					X
Victor Insurance Exchange					X
Voyager Indemnity Ins. Co.	X	X	X	X	X
Watford Specialty Ins. Co.	X	X	X	X	X
Westchester Surplus Lines Ins.	X	X	X	X	X
Western World Ins. Co.	X	X	X	X	X
Wilshire Ins. Co.	X	X	X	X	X

Source: AM Best data and research

Appendix C

US Surplus Lines – State Capital & Surplus Requirements for Surplus Lines Companies

	Domestic Company Minimum Surplus	Alien Company Minimum Surplus	Alien Companies Required to Maintain a Trust Fund	Pending Revisions
Alabama	$15,000,000	(1)	No	No
Alaska	15,000,000	(1)	Yes: $2,500,000	No
Arizona	15,000,000	(1)	Yes: $2,500,000	No
Arkansas	15,000,000	(1)	No	No
California	45,000,000	(1)	No	No
Colorado	15,000,000	(1)	No	No
Connecticut	15,000,000	(1)	No	No
Delaware	15,000,000	(1)	No	No
Dist of Columbia	15,000,000	(1)	No	No
Florida	15,000,000	$15,000,000	Yes: $5,400,000	No
Georgia	15,000,000	(1)	No	No
Hawaii	15,000,000	(1), (2)	Yes: $5,400,000	No
Idaho	15,000,000	(1)	No	No
Illinois	15,000,000	(1)	No	No
Indiana	(3)	(1)	No	No
Iowa	15,000,000	(1)	No	No
Kansas	4,500,000	(1)	No	No
Kentucky	15,000,000	(1)	No	No
Louisiana	15,000,000	(1), (2)	Yes: $5,400,000	No
Maine	15,000,000	(1)	No	No
Maryland	15,000,000	(1)	No	No
Massachusetts	20,000,000	(1)	No	No
Michigan	15,000,000	(1)	No	No
Minnesota	15,000,000	(1)	(4)	No
Mississippi	15,000,000	(1)	Yes: $5,400,000; (2)	No
Missouri	15,000,000	(1)	No	No
Montana	15,000,000	(1)	Yes: $5,400,000; (2)	No
Nebraska	15,000,000	(1)	No	No
Nevada	15,000,000	(5)	No	No
New Hampshire	15,000,000	(1)	No	No
New Jersey	15,000,000	(1)	No	No
New Mexico	15,000,000	(1)	No	No
New York	49,000,000	(1)	No	No
North Carolina	15,000,000	(1)	No	No
North Dakota	15,000,000	(1)	No	No
Ohio	15,000,000	(1)	No	No
Oklahoma	15,000,000	(1)	No	No
Oregon	15,000,000	(1)	Yes: $5,400,000; (2)	No
Pennsylvania	15,000,000	(1), (6)	No	No
Puerto Rico	15,000,000	(7)	No	No
Rhode Island	15,000,000	(1)	No	No
South Carolina	15,000,000	(1)	No	No
South Dakota	15,000,000; (8)	(1)	No	No
Tennessee	15,000,000	(1)	No	No
Texas	15,000,000	(1)	No	No
Utah	15,000,000 (9)	(1)	No	No
Vermont	15,000,000	(1)	No	No
US Virgin Islands	15,000,000	(1)	No	No
Virginia	15,000,000	(1)	No	No
Washington	15,000,000	(1)	No	No
West Virginia	15,000,000	(1)	No	No
Wisconsin	15,000,000	(1)	No	No
Wyoming	15,000,000	(1)	No	No

Notes on following page.

Notes:
(1) Surplus lines brokers may do business with nonadmitted insurers that are domiciled outside the US (including Lloyd's syndicates) that appear on the Quarterly Listing of Alien Insurers maintained by the International Insurers Department (IID) of the NAIC and that comply with minimum capital requirements in the state (generally $15,000,000; $45,000,000 in California).
(2) Approved alien insurers are required to maintain a trust fund in the US designed to reasonably protect all policyholders, with a minimum amount set by state law. In Florida, Hawaii, Louisiana, Mississippi, Montana and Oregon, the stipulated minimum is $5.4 million.
(3) Indiana does not impose formal eligibility requirements other than requiring a sponsoring broker for foreign surplus lines insurers. A licensed surplus lines producer must request by letter or email that a foreign (US) surplus lines insurer be added to the state's eligibility list.
(4) Trust of a minimum $1,500,000 must be maintained under Minnesota 60A. 206, Subd. 5.
(5) The Nevada Division of Insurance no longer has the authority to maintain a list of eligible insurers, and there are no requirements that a foreign or alien insurer must meet other than the objective eligibility criteria specified in the Nonadmitted and Reinsurance Reform Act of 2010 (NRRA) and reaffirmed in Chapter 685A of NRS, as amended by Senate Bill 289.
(6) If the company is listed on the Quarterly List of Alien Insurers maintained by the IID, a written request for surplus lines eligibility must include documentation evidencing its listing by the NAIC.
(7) Puerto Rico no longer imposes a fee or financial premium; nor does it require other information from a foreign or alien insurer for surplus lines eligibility purposes, aside from the eligibility requirements set forth in the NRRA.
(8) South Dakota requirements for a surplus lines insurer remain the same as before, aside from the requirements under the NRRA. Surplus lines insurers will be required to file the Unauthorized Insurer Business Written & Premium Tax Report, along with the Schedule T & State Page for foreign Cos. Alien surplus lines Cos will be required to file the Unauthorized Insurer Business Written & Premium Tax Report.
(9) As of July 21, 2011, Utah cannot prohibit placement of surplus lines insurance with a nonadmitted insurer domiciled outside the US if the insurer is listed on the Quarterly Listing of Alien insurers maintained by the IID of the NAIC.
Source: AM Best data and research

Appendix D

US Surplus Lines – State Stamping Office Premium Tax and Fees

State	Stamping Office	Premium Tax (%)	Stamping Fee (%)	State	Stamping Office	Premium Tax (%)	Stamping Fee (%)
Alabama	No	6.00	No	Nebraska	No	3.00	No
Alaska	No	2.70	1.00	Nevada	Yes	3.50	0.40
Arizona	Yes	3.00	0.20	New Hampshire	No	3.00	No
Arkansas	No	4.00	No	New Jersey	No	5.00	No
California	Yes	3.00	0.18	New Mexico	No	3.003	No
Colorado	No	3.00 [1]	No	New York	Yes	3.60 [7]	0.15
Connecticut	No	4.00	No	North Carolina	Yes	5.00	0.30
Delaware	No	3.00	No	North Dakota	No	1.75	No
Dist of Columbia	No	2.00	No	Ohio	No	5.00	No
Florida	Yes	4.94	0.06	Oklahoma	No	6.00 [8]	No
Georgia	No	4.00	No	Oregon	Yes	2.30 [9]	$10
Hawaii	No	4.68	No	Pennsylvania	Yes	3.00 [10]	$20
Idaho	Yes	1.50	0.50	Puerto Rico	No	9.00	No
Illinois	Yes	3.50	0.04	Rhode Island	No	4.00	No
Indiana	No	2.50	No	South Carolina	No	6.00	No
Iowa	No	0.975 [2]	No	South Dakota	No	2.5-3.0 [11]	No
Kansas	No	3.00 [3]	No	Tennessee	No	5.00 [12]	No
Kentucky	No	3.00 [4]	No	Texas	Yes	4.85	0.04
Louisiana	No	4.85	No	Utah	Yes	4.25	0.18
Maine	No	3.00	No	Vermont	No	3.00	No
Maryland	No	3.00	No	US Virgin Islands	No	5.00	No
Massachusetts	No	4.00	No	Virginia	No	2.25	No
Michigan[5]	No	2.00	No	Washington	Yes	2.00 [13]	0.30
Minnesota	Yes	3.00	0.04	West Virginia	No	4.55	No
Mississippi	Yes	4.00	0.25	Wisconsin	No	3.00	No
Missouri	No	5.00	No	Wyoming	No	3.00 [14]	No
Montana	No	2.75 [6]	0.25				

[1] Surplus lines tax is 3.0% plus, 0.175% SLAS Clearinghouse transaction fee.

[2] Surplus lines tax was 0.975% (for the 2024 calendar year); is now 0.95% (for the 2025 calendar year); and will be 0.925% (for the 2026 calendar year); 0.9% (for 2027 and subsequent calendar years).

[3] Effective January 1, 2024, the surplus lines tax was reduced to 3% from 6%.

[4] Surplus lines tax is 3%, plus 1.8% surcharge payable by the broker.

[5] In Michigan, a 0.5% regulatory fee applies in addition to the premium tax.

[6] 0% stamping fee if policy is filed electronically by agent; 0.25% stamping fee if policy is mailed to the Office of the Commissioner of Securities

[7] Plus 0.15% stamping fee payable to Excess Line Association of New York (ELANY). An additional fee of $25 applies for late/erroneous filing.

[8] Surplus lines tax is 6%, payable by broker, plus 0.175% SLAS Clearinghouse transaction fee.

[9] This amount includes a 0.3% Fire Marshall tax applied to every policy, payable by the broker.

[10] The stamping fee is per filing. Beginning with the 2024 reports, PA now reports all premiumg bering items; previous reports only included new and renewal policies).

[11] 3% for fire insurance, plus a 0.175% SLAS Clearinghouse transaction fee.

[12] Surplus lines tax is 5%, plus 0.175% SLAS Clearinghouse transaction fee.

[13] Stamping fee increased to 0.3% from 0.1% for all policies effective January 1, 2025.

[14] Surplus lines tax is 3% plus 0.175% SLAS Clearinghouse transaction fee.

Source: AM Best data and research

Appendix E

US Surplus Lines – Direct Premiums Written by Segment, 1988-2024

($ millions)

	Total P/C Industry		Total Surplus		Domestic Professionals				Lloyd's			Regulated Aliens				Domestic Specialty			
Year	DPW	YoY % Chg	DPW	YoY % Chg	DPW	YoY % Chg	SL Mkt Share	# of Cos	DPW	YoY % Chg	SL Mkt Share	DPW	YoY % Chg	SL Mkt Share	# of Cos	DPW	YoY % Chg	SL Mkt Share	# of Cos
1988	211,270	4.2	6,281	-4.3	3,704	-10.4	59.0	86	1,237	-7.5	19.7	1,012	31.3	16.1	104	328	2.2	5.2	128
1989	220,620	4.4	6,123	-2.5	3,530	-4.7	57.7	88	1,182	-4.4	19.3	1,050	3.8	17.1	101	361	10.1	5.9	123
1990	230,757	4.6	6,532	6.7	3,882	10.0	59.4	117	1,241	5.0	19.0	1,013	-3.5	15.5	85	396	9.7	6.1	149
1991	235,627	2.1	6,924	6.0	4,081	5.1	58.9	117	1,322	6.5	19.1	1,111	9.7	16.0	85	410	3.5	5.9	151
1992	240,410	2.0	7,549	9.0	4,491	10.0	59.5	120	1,388	5.0	18.4	1,220	9.8	16.2	74	450	9.8	6.0	151
1993	253,847	5.6	8,540	13.1	5,270	17.3	61.7	123	1,631	17.5	19.1	1,183	-3.0	13.9	70	456	1.3	5.3	138
1994	263,653	3.9	8,786	2.9	6,089	15.5	69.3	115	1,196	-26.7	13.6	992	-16.1	11.3	64	509	11.6	5.8	141
1995	273,929	3.9	9,245	5.2	6,511	6.9	70.4	112	1,300	8.7	14.1	1,022	3.0	11.1	57	412	-19.1	4.5	144
1996	279,990	2.2	9,205	-0.4	6,668	2.4	72.4	108	1,354	4.2	14.7	818	-20.0	8.9	57	365	-11.4	4.0	125
1997	287,196	2.6	9,419	2.3	6,569	-1.5	69.7	106	1,609	18.8	17.1	802	-2.0	8.5	59	439	20.2	4.7	114
1998	300,309	4.6	9,861	4.7	6,763	3.0	68.6	107	1,574	-2.2	16.0	1,196	49.1	12.1	58	328	-25.3	3.3	113
1999	308,671	2.8	10,615	7.6	7,265	7.4	68.4	105	1,912	21.5	18.0	1,140	-4.7	10.7	55	298	-9.1	2.8	116
2000	327,286	6.0	11,656	9.8	7,884	8.5	67.6	98	2,499	30.7	21.4	941	-17.5	8.1	46	332	11.4	2.8	106
2001	367,798	12.4	15,813	35.7	10,773	36.6	68.1	104	3,368	34.8	21.3	1,362	44.7	8.6	44	310	-6.6	2.0	91
2002	422,703	14.9	25,565	61.7	19,572	81.7	76.6	108	4,082	21.2	16.0	1,600	17.5	6.3	46	311	0.3	1.2	76
2003	463,033	9.5	32,799	28.3	25,662	31.1	78.2	115	4,492	10.0	13.7	2,400	50.0	7.3	45	245	-21.2	0.7	63
2004	481,588	4.0	33,012	0.6	25,744	0.3	78.0	115	4,596	2.3	13.9	2,400	0.0	7.3	53	272	11.0	0.8	59
2005	491,429	2.0	33,301	0.8	25,968	0.9	78.0	111	4,675	1.7	14.0	2,400	0.0	7.2	50	238	-12.5	0.7	57
2006	503,894	2.5	38,698	16.3	29,410	13.3	76.0	117	5,989	28.1	15.5	3,100	29.2	8.0	55	199	-16.4	0.5	54
2007	506,180	0.5	36,637	-3.5	27,675	-5.9	74.1	120	6,360	6.2	17.0	3,100	0.0	8.3	55	202	1.5	0.5	56
2008	492,881	-2.6	34,365	-6.2	24,612	-11.1	71.6	130	6,062	-4.7	17.6	3,403	9.8	9.9	53	288	42.6	0.8	70
2009	481,410	-2.3	32,952	-4.1	22,830	-7.2	69.3	139	6,090	0.5	18.5	3,735	9.8	11.3	55	297	3.1	0.9	69
2010	481,120	-0.1	31,716	-3.8	21,882	-4.2	69.0	143	5,789	-4.9	18.3	3,758	0.6	11.8	56	287	-3.4	0.9	66
2011	501,555	4.2	31,140	-1.8	22,582	3.2	72.5	146	5,790	0.0	18.6	2,537	-32.5	8.1	53	231	-19.5	0.7	60
2012	523,360	4.3	34,808	11.8	25,490	12.9	73.2	142	6,270	8.3	18.0	2,747	8.3	7.9	61	301	30.3	0.9	53
2013	545,760	4.3	37,719	8.4	26,818	5.2	71.1	140	7,099	13.2	18.8	3,362	22.4	8.9	59	440	46.2	1.2	49
2014	570,187	4.5	40,243	6.7	28,274	5.4	70.3	135	8,157	14.9	20.3	3,311	-1.5	8.2	60	501	13.9	1.2	58
2015	591,186	3.7	41,259	2.5	29,333	3.7	71.1	139	8,645	6.0	21.0	2,974	-10.2	7.2	58	307	-38.7	0.7	53
2016	612,906	3.7	42,425	2.8	29,112	-0.8	68.6	139	9,607	11.1	22.6	3,057	2.8	7.2	61	649	111.4	1.5	59
2017	642,127	4.8	44,879	5.8	30,594	5.1	68.2	138	10,325	7.5	23.0	3,289	7.6	7.3	59	671	3.4	1.5	58
2018	678,029	5.6	49,890	11.2	34,054	11.3	68.7	148	11,755	13.8	23.2	3,543	7.7	7.0	62	537	-20.0	1.1	61
2019	712,194	5.0	56,279	11.2	39,060	14.7	70.4	154	12,477	6.1	22.5	4,337	22.4	6.3	62	405	-24.6	0.7	60
2020	728,866	2.3	66,102	17.5	46,948	20.2	71.0	161	12,821	2.8	19.4	5,847	34.8	8.8	74	486	20.0	0.7	65
2021	798,393	9.5	82,653	25.0	61,200	30.4	74.0	169	13,872	8.2	16.8	6,864	17.4	8.3	75	717	47.5	0.9	69
2022	875,458	9.7	98,488	19.2	73,369	19.9	74.5	185	15,483	11.6	15.7	8,735	27.3	8.9	79	901	25.6	0.9	65
2023	966,817	10.5	115,050	16.8	83,234	14.8	72.3	192	19,947	28.8	17.3	10,667	22.1	9.3	80	1,202	33.3	1.0	60
2024	1,059,735	9.5	129,820	12.3	96,012	14.5	74.0	202	20,821	4.4	16.0	11,717	9.9	9.0	82	1,269	5.6	1.0	61

Domestic professional surplus lines and domestic specialty surplus lines 2024 DPW totals are aggregated as of June 23, 2025. Lloyd's and Regulated Alien Company data is as of July 29, 2025.

Source: AM Best data and research

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