

WHAT ARE EXCESS AND SURPLUS LINES MARKETS?

Excess and surplus lines insurance markets provide coverage for risks that standard (admitted) insurance companies won't insure. These risks are often considered unusual, higher risk, or hard to price using standard underwriting guidelines.

WHY THEY EXIST

Traditional insurance companies (admitted insurers) have strict guidelines and regulatory requirements for the policies they write. This means they may decline coverage for:

- Unique or non-standard risks (farm and ranch, short-term rental properties)
- High-risk exposures (e.g., coastal properties prone to hurricanes)

E&S insurers step in to fill these gaps in the marketplace.

KEY FEATURES

- ★ **Not Admitted:** E&S insurers are not licensed in the state where the risk is located, but they are allowed to operate there if they meet eligibility requirements.
- ★ **Flexible Underwriting:** Because they aren't bound by the same regulatory rate and form filings as admitted insurers, E&S carriers have more freedom to customize policies for unusual or complex risks.
- ★ **Solvency Requirements:** E&S insurers must meet certain financial solvency requirements and typically appear on a state's "approved surplus lines list".
- ★ **Surplus Lines Brokers:** Policies are placed through specially licensed surplus lines brokers who have access to these markets.

DIFFERENCE BETWEEN ADMITTED AND NON-ADMITTED INSURERS

Aspect	Admitted Insurer	Non-Admitted (E&S) Insurer
Licensed	Licensed by the state	Not licensed, but eligible to write E&S business
Rate/Form Filing	Must file with state	Not required to file rates/forms with state
Guaranty Fund	Covered by state insurance guaranty fund	Not covered by guaranty fund
Flexibility	Limited by state regulations	Greater flexibility to underwrite unique risks

EXAMPLES OF E&S MARKETS

- ✓ Lloyd's of London
- ✓ Markel Corporation
- ✓ Scottsdale Insurance (part of Nationwide)
- ✓ Lexington Insurance (part of AIG)

IN SUMMARY

E&S markets are crucial for providing insurance to hard-to-place or unusual risks that the admitted market avoids. They expand coverage availability and help ensure that even unique or high-risk exposures can be insured.