

## 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                       |
|-------------------------|--|--|
| <b>Licensed</b>         | Licensed by the state                    | Not licensed, but eligible to write E&S business |
| <b>Rate/Form Filing</b> | Must file with state                     | Not required to file rates/forms with state      |
| <b>Guaranty Fund</b>    | Covered by state insurance guaranty fund | Not covered by guaranty fund                     |
| <b>Flexibility</b>      | 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.