November 10, 2026

Market Segment Outlook: Delegated Underwriting Authority Enterprises

The outlook for DUAE remains at Stable, reflecting solid ongoing growth

AM Best is maintaining its Stable outlook for the delegated underwriting authority enterprises (DUAE) segment, based on the following factors:

- 2025 marked the fifth consecutive year of double-digit premium growth. The pace is expected to moderate, reflecting disciplined premium expansion.
- The DUAE segment serves as a strategic partner for capacity providers, spanning multiple lines, industries, and geographies.
- Selective capacity deployment focuses on providers whose interests align with and remain committed to the DUAE distribution channel.
- Increased scrutiny and oversight of DUAEs highlights long-term underwriting quality, sustainable loss ratios, and strengthening governance practices.
- Strong demand for DUAEs focuses on emerging risks, technology-based platforms, and deep niche expertise.

Regulatory Environment

DUAEs are not highly regulated in most jurisdictions, are generally classified as intermediaries, and their operations have less oversight than the broader insurance carrier community. Regulators typically consider the capacity providers to be responsible for customer outcomes, compliance, risk management, and operational resilience even where authority has been transferred to a managing general agent, coverholder, third-party administrator, or other delegated partners. As such, the onus is largely on risk carriers to perform due diligence on any DUAEs and third parties that they conduct business with. However, the regulatory landscape for DUAEs has been expanding as DUAEs enter new markets and territories, with each jurisdiction having specific rules to govern DUAE activity. The regulatory environment is moving toward stronger governance practices, as well as deeper scrutiny of DUAEs as the segment has faced criticism in the past. Misaligned incentives and inadequate controls can lead to unprofitable business, unsupported growth, and the inability to identify emerging risks.

Regulators and capacity providers are putting greater emphasis on long term underwriting quality, transparency, and loss ratio stability rather than short term premium growth. (Re) insurers are focused on whether DUAEs can demonstrate their value through consistent performance, robust internal controls, and reliable and timely reporting. Stricter governance and audit requirements are becoming standard, as carriers intensify their reviews of underwriting authority, claims handling, and data integrity. Regulators, such as the Financial Conduct Authority in the United Kingdom, are expanding supervision of outsourced claims processes and delegated structures to ensure robust controls are in place to support policyholder servicing.

These governance expectations extend to documentation and operational clarity. Carriers must be specific in defining delegated authority. There is pressure to ensure operational alignment

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2026-140

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and maintain management information capable of identifying poor outcomes and/or control failures. For instance, Lloyd's has sharpened focus on oversight expectations. Managing agents are required to demonstrate adequate governance frameworks and effective management information systems to oversee delegated underwriting and claims activities. In the current operating environment, DUAEs that demonstrate strong oversight, clear authority guidelines, and reliable reporting will be best positioned to retain carrier confidence and secure stable capacity.

Competitive Landscape

DUAEs are an essential part of the insurance distribution ecosystem. The global DUAE market is diverse, covering traditional and niche products across markets. The US and UK markets have strong and mature DUAE coverage. Other markets—such as, EU, the Middle East, Asia-Pacific, and Latin America—have shown significant growth in recent years, with further opportunities available.

Competition in the DUAE segment is intensifying as the market matures and carriers become more selective in how they deploy capacity. Traditional carriers continue to anchor DUAE capacity by supporting the core of most program business. Furthermore, innovation and technological advancements have created new products and improved data analytics for new DUAE ventures, which has been supported by the market. Moreover, alternative capital and insurance-linked securities (ILS) are increasingly entering the space, often seeking diversified noncorrelated risk through quota share treaties or fronting arrangements. The result is a blended capacity environment where capacity provider balance sheets provide support while other alternative capital sources add flexibility, speed, and appetite for emerging or specialty risk. Private equity capital, for example, continues to flow into the segment, driving mergers and acquisitions, where smaller and less-differentiated players are likely to become acquisition targets.

While overall capacity remains available, it is increasingly partner specific, with capacity providers distinguishing sharply between DUAEs that deliver predictable, disciplined results and those with more volatile performance. This reflects a shift toward profitability, governance, and long term alignment rather than pure growth.

Rate momentum has moderated across multiple classes of business, increasing competitive pressure and compressing margins. Growth continues in the excess and surplus (E&S) lines and fronting arrangements, though expansion has slowed as carriers become more cautious. Fronting carriers bridge capacity gaps by ceding underlying risk to fully collateralized ILS structures that may be funded by third-party capital. DUAEs are increasingly utilizing sidecars, catastrophe bonds, and collateralized reinsurance to secure backing if traditional insurers are not willing. At the same time, there is consolidation within specialty distribution channels, driven by firms seeking scale, technology capabilities, and a broader market reach.

Performance Trends

Although the segment is still expanding, it is doing so with greater discipline and a sharper focus on underwriting quality. The DUAE market posted its fifth consecutive year of double-digit premium growth, outpacing the broader P/C industry. While execution and sustainable growth is fueled by specialty lines and E&S business, moderating rate momentum and tightening renewal terms are having an impact.

Capacity providers are rewarding DUAEs that demonstrate consistent underwriting discipline, operational maturity, and strong governance. Technology enabled performance is becoming a clear differentiator. DUAEs that invest in analytics, workflow automation, and real time reporting are

outperforming peers. At the same time, DUAEs that specialize in emerging risk and have deep expertise in these areas continue to also drive strong results.

There are segment-specific economic pressures that are impacting some DUAE portfolios. Social inflation and rising casualty loss costs continue to challenge liability lines. In emerging risks, such as AI enabled industries, autonomous transportation, lithium-ion batteries, biotech, and environmental exposures, there is both opportunity and volatility for DUAEs positioned in these classes. As a result, the DUAE market is proving to be more selective and performance driven. Carriers are deploying capacity with greater precision, favoring partners that demonstrate resilience, operational maturity, and the ability to navigate shifting economic conditions with disciplined underwriting and strong governance.

Other Considerations

Broader market forces are having an impact on the DUAE environment, adding complexity to carrier and reinsurer decision making. Economic and political uncertainty is shaping capacity deployment and risk appetite, while casualty portfolios remain under pressure from social inflation and rising loss costs. At the same time, emerging risk classes are creating new opportunities for DUAEs. Those with the expertise and the agility to respond to evolving demand are being rewarded.

Technology and talent have become basic differentiators. A modern automated underwriting platform that can provide specialized technical staff is now essential for carrier and DUAE scalability and responsiveness. The segment is moving from rapid expansion toward measured, quality focused growth, requiring stronger portfolio discipline. The market is becoming more selective, more sophisticated, and more strategically aligned, where innovation must be matched with governance excellence to sustain long term success.

GUIDE TO BEST'S MARKET SEGMENT OUTLOOKS

A market segment outlook reflects AM Best's forward-looking assessment of the expected operating environment and conditions within a segment over the next 12 months. It is based on factors such as economic conditions, the regulatory environment, the competitive landscape, as well as performance trends and other considerations. The outlook provides context for how these factors collectively shape the segment's trajectory.

A Best's Market Segment Outlook, like a Best's Credit Rating Outlook for a company, can be Positive, Negative, or Stable.

Best's Market Segment Outlook	
Positive	A **Positive outlook** indicates that market conditions are expected to improve or support operations and strong performance within the segment over the next 12 months.
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Negative	A **Negative outlook** signifies that market conditions are expected to deteriorate or present challenges to operations and performance within the segment over the next 12 months..

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Published by AM Best

BEST'S MARKET SEGMENT REPORT

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Version 011624