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Trend Review
September 30, 2026

**As of year-end
2025, market
estimates suggest
upwards of \$30
billion of US P/C
insurance industry
premium is fronted**

“Front” and Center – A Review of the Property/Casualty Fronting Market

- The property/casualty fronting market continued to grow at a healthy rate through 2025, driven by the sustained expansion of MGA-originated business.
- Fronts remain sought after relationships, providing benefits to MGAs, captives, and reinsurers.
- Over time, market dynamics have necessitated that fronts take on additional balance sheet risk via higher retentions and the placement of caps/corridors.
- Fronts continue to broaden their reinsurance panels but have introduced additional credit risk via the utilization of unrated and/or unauthorized reinsurers.
- Calendar year 2025 statutory financial results have improved, but accident year loss ratios and adverse reserve development remain a concern.
- Enterprise risk management practices, especially operational and credit risk frameworks, need to evolve as the market becomes more complex.
- Moderating growth and market consolidation appear likely over the medium term.

Fronting Through the Years

Fundamentally, fronting refers to the use of a licensed insurer to issue an insurance policy for an unlicensed entity to meet regulatory requirements. Historically, fronting was primarily used by captives or self-insured organizations, which allowed these entities to comply with financial responsibility laws imposed by many states that required evidence of coverage written by an admitted insurer. Over time, fronting has expanded to include a much broader set of entities, including managing general agents (MGAs). As of year-end 2025, market estimates suggest upwards of \$30 billion of US property/casualty insurance industry premium is fronted.

In fronting arrangements, the fronting company (admitted and licensed insurer) passes off most, if not all of the risk to reinsurers—through an indemnity or reinsurance agreement. The reinsuring entity is often an offshore unauthorized reinsurer or captive, or an unrated/low-rated US insurer.

When a reinsurer's rating places it at a competitive disadvantage, it can gain access to the business it targets through a fronting insurer with a higher rating. It is critical to note that the fronting company assumes the counterparty credit risk since it would be required to honor the obligations imposed by the policy if the cedent fails to indemnify it. Fronting companies charge a fee for this service, known as a “fronting fee,” which is typically around 5%.

Over the last decade, there has been a resurgence in fronting due to the hard market conditions and the growth of MGA-originated business. According to note 19 of the NAIC statutory statements, MGAs now produce \$108.7 billion of premium, which represents approximately 10% of the overall property/casualty (P/C) market. (See the MGA Market blue box on page 2 of this report.) In actuality, the number is likely \$20 billion higher due to limitations of Note

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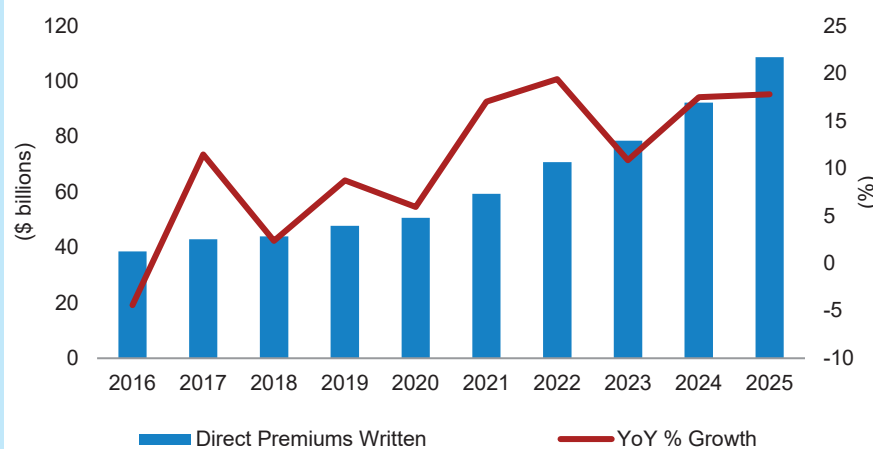
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MGA Market

MGAs have established themselves as an important distribution channel for insurers over the business cycle. The US DUA market contributed over \$108 billion in premium in 2025 and has posted double-digit increases annually over the last five years (**Exhibit 1**). Accompanying the segment's robust premium growth is the rising number of DUAEs, as the market continues to attract new entrants. The relationship between MGAs and fronting carriers is a critical, symbiotic partnership in the insurance industry. MGAs provide specialized niche expertise and distribution, while fronting carriers supply the licensed paper and regulatory framework necessary to issue policies.

Exhibit 1

US P/C Industry — MGA Direct Premiums Written, 2016-2025



Source: **BESTLINK**

The value proposition is relatively straightforward. Partnering with fronts allows MGAs to launch programs far faster than working with traditional insurers, and fronts typically grant MGAs much more autonomy than traditional insurers. In addition, traditional insurers are not typically built to underwrite niche or emerging segments. By working with fronts, MGAs can assemble tailored and segmented quota share reinsurers that fit with the business.

From the fronter's perspective, they are looking for MGAs that have proprietary distribution, better risk selection, and improved operational controls. Data transparency is valued, which is highlighted by bordereaux accuracy and transparent dashboards, automated flags and referrals, and expense load disclosures. MGAs increasingly have skin in the game in the form of sliding scale commissions, risk corridor retention, or a captive insurance vehicle at scale.

While continued growth is expected in the DUA market, AM Best did revise the outlook on the global delegated underwriting authority market from Positive to Stable in late 2025. This reflected moderating growth expectations and emerging headwinds, including more selective capacity and greater performance pressure from carriers and reinsurance partners. The DUA market remains well positioned as a go-to market for (re)insurers.

19 (insurers are required to report on MGA relationships only if the premiums that they generate through MGAs exceed 5% of their capital & surplus) and the exclusion of Lloyd's. The vast majority of fronting insurer premium is generated through MGAs. MGAs value the flexibility, economics, efficiencies, and options that the fronting market provides. While fronting companies continue to cede to captives and self-insured organizations, most cessions now go to unaffiliated third-party reinsurers that are keen to access this MGA business, which historically eluded them.

Initially, most fronts ceded 100%, or nearly 100%, of the insurance risks of the business they wrote on a direct basis. Over the last several years, there has been a discernable move toward "hybrid fronting" whereby the reinsurer requires the fronting company to retain some risk through net retentions and the

application of loss caps and corridors. Typically, the net retentions range between ten and twenty percent but can go higher depending on the individual carrier's risk appetite. Reinsurers prefer this approach as it ensures alignment of interests between the MGA, the fronting company, and the reinsurer.

Current Fronting Market Participants Specialized Fronting Organizations

While it is estimated that approximately thirty organizations within the P/C industry have fronting operations, the focus of this briefing will be the sixteen AM Best-rated organizations whose primary operation is fronting (**Exhibit 2**).

Exhibit 2

AMB Fronting Companies - Rating Unit List

		Financial Data Based On:	
AMB #	Group/Company Rating Unit	AMB #	Entity Name
45356	Accelerant Holdings	18965	Accelerant US Holdings Group
13924	Accredited Insurance Holdings Inc.	26005	Accredited America Insurance Group
18922	Benchmark Insurance Group	18922	Benchmark Insurance Group
18868	Clear Blue Insurance Group	18868	Clear Blue Insurance Group
18973	Concert Insurance Group	18973	Concert Insurance Group
26003	Emerald Bay Insurance Group	26003	Emerald Bay Insurance Group
18958	Everspan Group	18958	Everspan Group
45662	Hadron Holdings I, LLC	21642	Hadron Specialty Insurance Company
20781	Incline Insurance Group	20781	Incline Insurance Group
52662	MS&AD Insurance Group Holdings, Inc.	18931	MS Transverse Insurance Group
18956	Obsidian Insurance Group	18956	Obsidian Insurance Group
18968	Spinnaker Insurance Group	18967	Southlake Insurance Group
18967	Southlake Insurance Group	18968	Spinnaker Insurance Group
18604	State National Insurance Group	18604	State National Group
18947	Sutton National Group	18947	Sutton National Group Insurance
46559	Trisura Group, Ltd.	18944	Trisura US Insurance Group

Source: 

Apart from State National, all the specialized fronts entered the market over the last ten years or so, with the majority entering the market in the 2018-2021 timeframe. Almost half of the fronting organizations are owned by private equity, which has been attracted by the fee-based revenue, capital-light vehicles, and limited balance sheet risk. The breadth of the other owners, which include insurance companies, brokers, and private individuals, also speaks to the attractiveness of the market.

In terms of market size, State National Group continues to lead the way with over \$3.5 billion of direct premiums written (DPW) in 2025, followed by MS Transverse at \$2.8 billion and Clear Blue at \$1.9 billion (**Exhibit 3**). In 2025, nearly half of the sixteen specialized fronts surpassed the \$1 billion DPW mark, with Obsidian knocking on the door. Accredited, which had generated more than \$1 billion in DPW from 2020 through 2024, fell below that mark in 2025 as its direct premiums declined by approximately 10%. Two relatively new fronting organizations, Emerald Bay Insurance Group and Hadron Specialty Insurance Company, began writing business in 2024 and experienced notable growth in 2025. In total, the top five AM Best-rated fronting specialists account for 60% of the DPW for the entire group, which was relatively consistent with the results in 2024.

Growth has not been universal across the fronting segment in 2025. Concert, Obsidian, and Accelerant posted the biggest growth rates, with MS Transverse, Accelerant and Obsidian contributing the most to the segment's overall premium increase. State National, the overall market leader, leveled off in 2025 with premium contracting 2% to around \$3.5 billion as a significant amount of premium moved from State National to Tesla's direct underwriting operations. Accredited and Benchmark also

Exhibit 3

AM Best-Rated Fronting Companies

(Ranked by 2025 Direct Premiums Written)

(\$millions)

Direct Premiums Written

Group/Company	2021	2022	2023	2024	2024/2025	
					2025	% Change
State National Group	2,848	2,970	2,927	3,643	3,552	-2.5%
MS Transverse Insurance Group	222	483	904	2,011	2,819	40.2%
Clear Blue Insurance Group	1,084	1,471	1,778	1,671	1,879	12.5%
Accelerant US Holdings Group	99	478	710	1,295	1,697	31.0%
Trisura US Insurance Group	799	1,310	1,485	1,491	1,537	3.1%
Sutton National Group	71	230	583	1,180	1,435	21.6%
Spinnaker Insurance Group	474	629	835	882	1,105	25.3%
Obsidian Insurance Group	119	259	397	597	956	60.2%
Accredited America Insurance Group	501	1,048	1,035	1,057	952	-9.9%
Benchmark Insurance Group	625	642	859	921	814	-11.5%
Incline Insurance Group	182	288	410	556	704	26.7%
Hadron Specialty Insurance Company	0	0	0	181	438	142.3%
Southlake Insurance Group	0	162	259	365	419	14.7%
Concert Insurance Group	46	100	154	215	347	61.4%
Everspan Group	13	146	234	334	329	-1.6%
Emerald Bay Insurance Group	0	0	0	40	263	555.9%
Fronting Company Aggregate Totals	7,084	10,216	12,569	16,439	19,248	17.1%
Year-over-Year Change		44.2%	23.0%	30.8%	17.1%	

Source: 

Exhibit 4

AM Best-Rated Fronting Organizations

Ratings as of September 4, 2026

AMB#	AMB Rating Unit Name	ICR	Rating Outlook	FSR	Outlook	Balance Sheet Strength	Operating Performance	Business Profile	Enterprise Risk Management
45356	Accelerant Holdings	a- u	Developing	A- u	Developing	Very Strong	Adequate	Limited	Appropriate
13924	Accredited Insurance Holdings, Inc. Ins.	a-	Stable	A-	Stable	Very Strong	Adequate	Limited	Appropriate
18922	Benchmark Insurance Group	a	Stable	A	Stable	Very Strong	Adequate	Neutral	Appropriate
18868	Clear Blue Insurance Group	a-	Stable	A-	Stable	Very Strong	Adequate	Limited	Appropriate
18973	Concert Insurance Group	a-	Stable	A-	Stable	Very Strong	Adequate	Limited	Appropriate
26003	Emerald Bay Insurance Group	a-	Stable	A-	Stable	Very Strong	Adequate	Limited	Appropriate
18958	Everspan Group	a-	Stable	A-	Stable	Very Strong	Adequate	Limited	Appropriate
45662	Hadron Holdings I, LLC Ins.	a-	Stable	A-	Stable	Very Strong	Adequate	Limited	Appropriate
20781	Incline Insurance Group	a-	Stable	A-	Stable	Very Strong	Adequate	Limited	Appropriate
52662	MS & AD Insurance Group Holdings, Ltd.	aa	Stable	A+	Stable	Strongest	Strong	Favorable	Appropriate
18956	Obsidian Insurance Group	a- u	Positive	A- u	Positive	Very Strong	Adequate	Limited	Appropriate
18967	Southlake Insurance Group	a-	Stable	A-	Stable	Very Strong	Adequate	Limited	Appropriate
18968	Spinnaker Insurance Group	a-	Stable	A-	Stable	Very Strong	Adequate	Limited	Appropriate
18604	State National Group	a+	Stable	A	Stable	Strongest	Strong	Neutral	Appropriate
18947	Sutton National Group	a-	Stable	A-	Stable	Very Strong	Adequate	Limited	Appropriate
18944	Trisura US Insurance Group	a-	Stable	A-	Stable	Very Strong	Adequate	Neutral	Appropriate

ICR = Issuer credit rating; FSR = Financial strength rating.

Source: 

contracted at 10% and 12%, respectively. Accredited was acquired by Onex Partners, a private equity firm, from R&Q investment holdings as R&Q was placed under provisional liquidation in Bermuda due to adverse loss development in its run-off book and faced a liquidity issue. Benchmark transitioned

from a public entity after it was fully acquired by Altaris Capita Partners and the transaction closed in 2023. Similarly, after a much publicized IPO, Accelerant Holdings announced in August 2026 that it was being acquired by Thoma Bravo, a private equity investment firm.

Ratings Distribution

All the specialized fronting organizations maintain Financial Strength Ratings of A- or higher (**Exhibit 4**). Except for Obsidian and Accelerant, whose ratings are under review because of pending acquisitions, all of the fronting companies currently maintain Stable rating outlooks. Most of the organizations have multiple US companies that comprise the rating unit, which enable the use of admitted and nonadmitted paper as needed to provide the best coverage solutions to policyholders. The ability of an organization to write on either admitted or surplus lines paper reduces potential channel conflict. Four specialized fronting organizations, Trisura, Hadron, Accelerant, and Accredited, have international operations, which are considered in their respective credit ratings and financial size categories. However, the financial metrics exhibited throughout this report reflect the results of US statutory operations only.

All AM Best-rated fronting companies carry a balance sheet strength assessment of very strong or strongest and their Enterprise Risk Management is assessed as Appropriate. State National and MS Transverse's operating performance is assessed as strong with the remainder classified as adequate. State National has the longest track record in the fronting space, and MS Transverse is group-affiliated with Mitsui Sumitomo as of June 2025. From a business profile perspective, there is more divergence, with Benchmark, State National, and Trisura maintaining neutral business profiles and MS Transverse maintaining a favorable business profile as the result of the group affiliation. The remainder of the fronting companies carry a business profile assessment of Limited, primarily reflecting the increasingly competitive market, limited net retentions, and concentration risk.

Reinsurance Capacity Dynamics

MGAs are attracted to fronting companies for reinsurance efficiency and optionality. Multi-year capacity stability, faster product launches and distribution, and access to reinsurance and capital markets are all selling points. From the perspective of reinsurers, the MGA and fronting segment provide access to a different kind of risk than reinsurers typically write through treaty agreements with traditional carriers. Much of the program business ceded to reinsurers through fronting companies tends to be small-to-medium-size business in specialty classes, which serves as a diversification play for reinsurance companies.

Exhibit 5

Fronting Companies - Top Reinsurers By Ceded Premiums (\$ thousands)

Ratings as of September 10, 2026

Reinsurer	Current ICR	Current Outlook	Total Ceded Premiums
Hannover Rück SE	aa	Stable	604,070
Topsail Reinsurance Spc Ltd	nr	-	535,567
Munich Reinsurance America, Inc.	aa	Stable	433,181
Allianz Reinsurance America, Inc.	nr	-	408,517
West Bay Reins Ltd	nr	-	386,872
Sandell Re Ltd.	nr	-	380,908
Arch Reinsurance Company	aa	Stable	374,497
Tesla Insurance Company of Hawaii, LLC	nr	-	328,804
Obra CICS 2023-1 Ltd	nr	-	313,554
General Reinsurance Corporation	aa+	Stable	313,158
Trouvaille Re	nr	-	273,414
Everest Reinsurance Company	aa-	Negative	267,217
SiriusPoint America Insurance Company	a	Stable	265,973
Atlantic Mutual of Bermuda Ltd	nr	-	258,808
Tiberius Reins Co Ltd	nr	-	243,197

Source: 

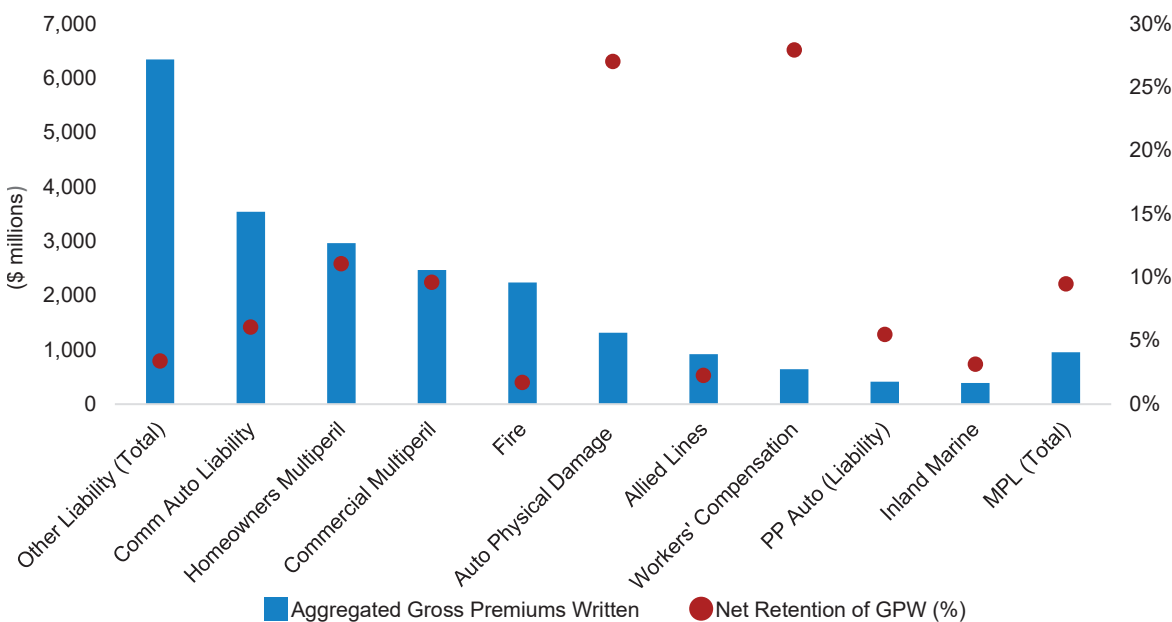
In the early stages of the recent fronting company boom, the majority of premium were ceded to authorized and/or rated reinsurers. Over time, there has been a gradual movement towards unauthorized, lower, or unrated reinsurers and collateralized reinsurers. As shown in **Exhibit 5**, the top fifteen reinsurers for AM Best-rated fronting companies, ranked by 2025 ceded premium, include six reinsurers with issuer credit ratings of “a” or higher.

However, the list also includes nine unrated reinsurers. This shift to using unrated reinsurers is attributable to increased competition, pricing considerations, reduction of capacity for MGA business by large traditional balance sheets, and traditional reinsurers’ requirements for fronts to take on additional net retentions.

The largest reinsurer by ceded premium is Hannover Ruck SE, which assumed about \$604 million USD in 2025. While there are some large and highly rated global reinsurance companies (or their American branches) in the top 15, the majority are unrated. About 58% of ceded premiums among the top 15 are with unrated reinsurers. While the large, rated reinsurers are utilized by a number of fronting companies, several of the unrated reinsurers, such as West Bay, which has the fifth-highest ceded premiums overall, assume premium from only one or a few fronting companies.

Reinsurers have been demanding that fronting companies retain more risk to ensure greater alignment of interests. This is especially true for MGAs with specialized programs, where reinsurers prefer that the fronting carrier have more “skin in the game,” which offers greater reassurance that MGA binding, underwriting, and claim handling decisions will be made with the bottom-line profitability of the program foremost in mind. Net retentions for fronting companies are relatively low, less than 10%, for most lines of coverage, as shown in **Exhibit 6**. The relatively high auto physical damage retention is skewed by the lender services segment that State National retains. The highly regulated nature of workers’ compensation likely contributes to that line’s higher retention.

Exhibit 6

AM Best-Rated Fronting Companies - Net Retention by Line of BusinessSource: **BESTLINK**

Rewind – Vesttoo

Founded in Israel in 2018, Vesttoo grew rapidly into a prominent provider of alternative reinsurance capacity. Its technology platform brought insurers together with capital markets investors and was designed to help verify that investors posted sufficient collateral for the obligations they assumed.

In 2023, a whistleblower prompted scrutiny of letters of credit used in transactions arranged through Vesttoo. The company's investigation concluded that several senior insiders participated in a scheme involving fabricated bank documents and false identities, with alleged assistance from individuals connected to two banking institutions. Reviews ultimately identified more than \$4 billion of questionable or fraudulent letters of credit tied to Vesttoo transactions. The company entered bankruptcy proceedings in August 2023.

Because a number of fronting insurers had participated in Vesttoo-related arrangements, the discovery created the potential for broad losses across the segment. Large financial losses did not ultimately spread throughout the market, but the event damaged confidence and revealed shortcomings in the verification of collateral and the monitoring of counterparties. It prompted fronting organizations to place greater emphasis on controls governing the acceptance, authentication, and ongoing review of letters of credit. Related litigation remains unresolved, although the sector has continued to develop and strengthen its enterprise risk management practices. Even so, those improvements have not yet been tested by another fraud event of comparable scale.

By requiring higher retentions, reinsurers are striving to ensure underwriting discipline as fronting companies execute risk selection decisions. Reinsurers have made greater use of loss corridors and caps to limit their liability and better manage risk volatility in reinsurance treaties. These mechanisms shift a specific band of losses back to the fronting company, effectively helping to control a reinsurer's exposure to high loss ratios and tail events.

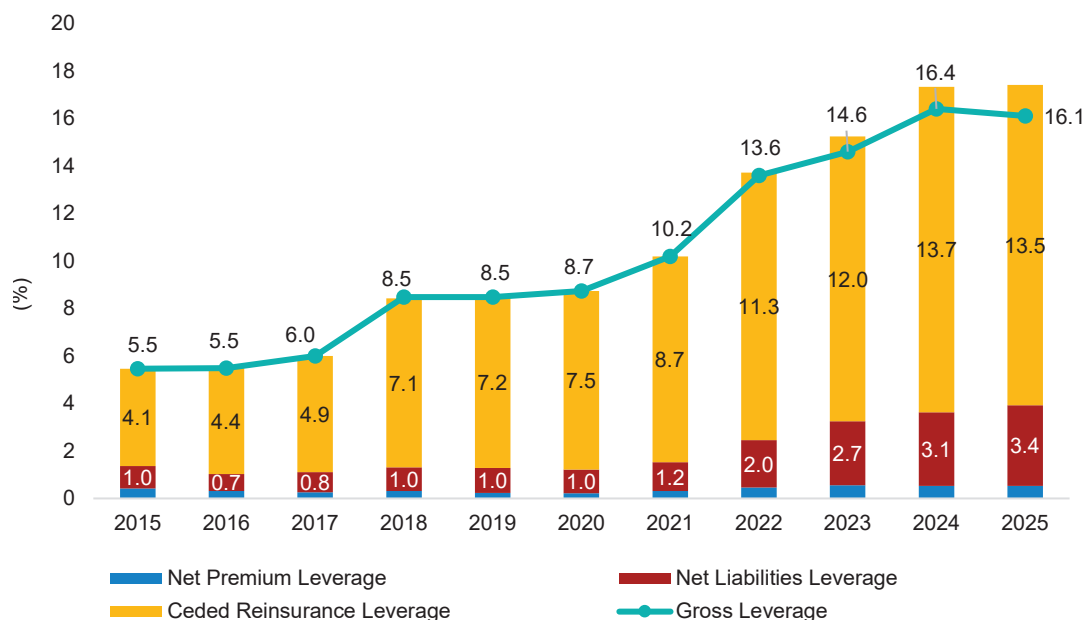
Reinsurance Reliance - Operational and Rating Implications

Hybrid fronting carriers often manage numerous MGA relationships, demanding coordination of complex capacity flows, business platform diversity, multi-territory compliance, and increasing calls for reporting transparency. As a result, the operational, governance, and counterparty credit risks are heightened and have the potential to overwhelm organizations that do not have the proper governance and infrastructure in place.

Increased use of unauthorized and/or unrated reinsurance carriers introduces additional risk into the equation, especially from a collateral and credit risk management perspective. The Vesttoo scandal that rocked the fronting world in 2023 highlighted some of these risks. (See the **Rewind—Vesttoo** call-out box above.) As a result of the Vesttoo wake-up call, the fronting industry has made significant investments in people and processes to buttress the risk-management processes pertaining to collateral and credit risk management.

While the increase in net retention has led to modestly higher premium retention and higher net premium leverage for fronting companies, it has elevated the net liabilities leverage associated with the higher premium retention (**Exhibit 7**). As these fronting companies have gained traction and become formidable competitors in the specialty commercial and surplus lines market segments, both their aggregate written premium and corresponding net liabilities have increased as well, elevating

Exhibit 7
AM Best-Rated Fronting Companies - Underwriting Leverage



Source: **BESTLINK**

total gross underwriting leverage. This makes the fronting segment more sensitive to errors involving inadequate premiums, under-reserving or counterparty credit risk associated with reinsurers. The additional caps and corridors mandated by the reinsurance market introduce additional complexities for the fronting market, which it must solve for. Once viewed as balance-sheet-light entities that were valued in the same vein as brokers, fronting organizations are now viewed by some as more like traditional insurers in terms of their balance sheet risks.

Credit risk, the risk associated with the potential inability of the insurer to collect from its reinsurers, continues to be the largest risk to fronts, which is evident by the elevated aggregate ceded reinsurance and gross underwriting leverage as displayed in **Exhibit 7**. The application of a reinsurance dependence factor (RDF) within the computation of each company's Best's Capital Adequacy Ratio (BCAR), imposing an additional charge to account for the increased exposure to dispute, risk reflects the impact of the elevated counterparty credit risk on the balance sheet strength of fronting companies. Analysts have the latitude to reduce the calculated RDF based upon the strength of the organization's enterprise risk management (ERM), history of profitable results, lack of reinsurance disputes, and reinsurer diversification.

AM Best analysts also review the collateral in place. Up to 100% credit can be given for funds held individually for each reinsurer using the same aggregation process used for the corresponding recoverables but capped at the amount of recoverables. AM Best will consider other forms of collateral, such as trust funds and letters of credit (LOC), as an offset to reinsurance-recoverable balances. The amount of credit given for trusts and LOCs will be 90% of the risk factors applied to the corresponding recoverables. However, the amount of credit given will vary based on several factors, including but not limited to the following: the quality and liquidity of assets in the trust, the type of letter of credit, and whether the LOC is irrevocable and evergreen.

Ceded balance payables, which refer to reinsurance premiums or funds held by a ceding company that are owed to a reinsurer and typically utilized in NAIC's Schedule F to offset collateral requirements for unauthorized reinsurers, have increased significantly over the last couple of years. While the NAIC does afford credit in Schedule F, the baseline BCAR model does not. Analysts will have discussions with management teams to determine if some credit is appropriate. Flow of funds, the chain, and the strength of trust agreements and independent confirmation of such will be instrumental in determining if and how much credit should be afforded.

Given the increase in net retentions and imposition of loss caps and corridors, the capital required to support written premium and loss reserves has increased over the last few years, as has the relevance of growth and loss reserve deficiency factors. AM Best will discuss the various loss caps and corridors within reinsurance contracts and any resulting corporate covers in place to determine the impact of the overall view of each fronting company's balance sheet strength. From a qualitative perspective, the appropriateness and quality of reinsurance continue to play important roles in the assessment of balance sheet strength.

"Front" Page News – Recent Developments in the Fronting Market

Over the course of the last 18 months, there have been several changes to the specialized front's ownership structure and/or ratings. Below is a summary of those changes.

Sutton National Group

In January of 2025, AM Best removed from under review with negative implications and affirmed Sutton National Group's ratings with a Stable outlook. This followed the Oklahoma insurance commissioner's approval of the organization's ownership restructure of Sutton Specialty Insurance Company and Sutton National Insurance Company. Under the new structure, the insurance entities are now controlled by recently established upstream and downstream trusts whose trustees are independent long-tenured insurance executives with a high degree of expertise. The group's ratings had been placed under review with negative implications pending the approval of this new structure. The newly established structure alleviated AM Best's concern regarding the potential pressure of prior ownership on Sutton National Group's financial condition. In January of 2026, the group's ratings were affirmed with a Stable outlook.

MS Transverse Insurance Group

In June of 2025, AM Best upgraded the FSR of MS Transverse Specialty Insurance Company, MS Transverse Insurance Company, and TRM Specialty Insurance Company, collectively referred to as MS Transverse Insurance Group (MS Transverse) to A+ (Superior) from A (Excellent) with a Stable rating outlook. The upgrade reflected the assignment of full rating enhancement to MS Transverse due to the increased level of support by its ultimate parent, MS&AD Insurance Group Holdings, Inc. (MS&AD), and its lead insurance entity, Mitsui Sumitomo Insurance Co. Ltd. (MSI). The ratings of MSI were extended to MS Transverse given the implicit and explicit support provided by MSI. MS Transverse is regarded as strategically important to the group's strategy and is viewed as one of its main sources of growth in the US market. The ratings were then affirmed in June 2026.

MS Transverse was acquired in early 2023 to expand MSI's US operations into the rapidly growing fronting market. Since the acquisition, MSI's support to MS Transverse has included a full unconditional guarantee, participation in the reinsurance panel, and the willingness to provide additional capital support if required.

Accelerant Holdings

Accelerant Holdings (Accelerant) completed its IPO on July 25, 2025, raising approximately \$724 million by selling 34.46 million shares at \$21.00 per share.

On August 13, 2026, Accelerant announced that it had agreed to be acquired by Thoma Bravo, a technology and software-focused private equity firm, in an all-cash deal representing more than \$4 billion in enterprise value. The deal is expected to close before the end of the first half of 2027. According to reports, Accelerant leadership believes returning to private ownership with Thoma Bravo's technology and software expertise in addition to its financial resources will enable Accelerant to make investments further enabling its data-filled platform to be the core of its specialty insurance operations.

Effective August 14, 2026, AM Best placed the A- (FSR of Accelerant Holdings) under review with developing implications because of the announced deal.

Concert Insurance Group

In January 2026, Concert Group Holdings, Inc. (Concert) announced that founding shareholder Freedom Underwriters LLC (Freedom) would acquire all outstanding shares from current shareholders WT Holdings, Inc. and Century Focused Fund IV, LLC. The transaction required regulatory approval and had been expected to close during the first half of 2026. In late August, however, it was revealed that the acquisition would not close after key shareholders terminated the stock purchase agreement.

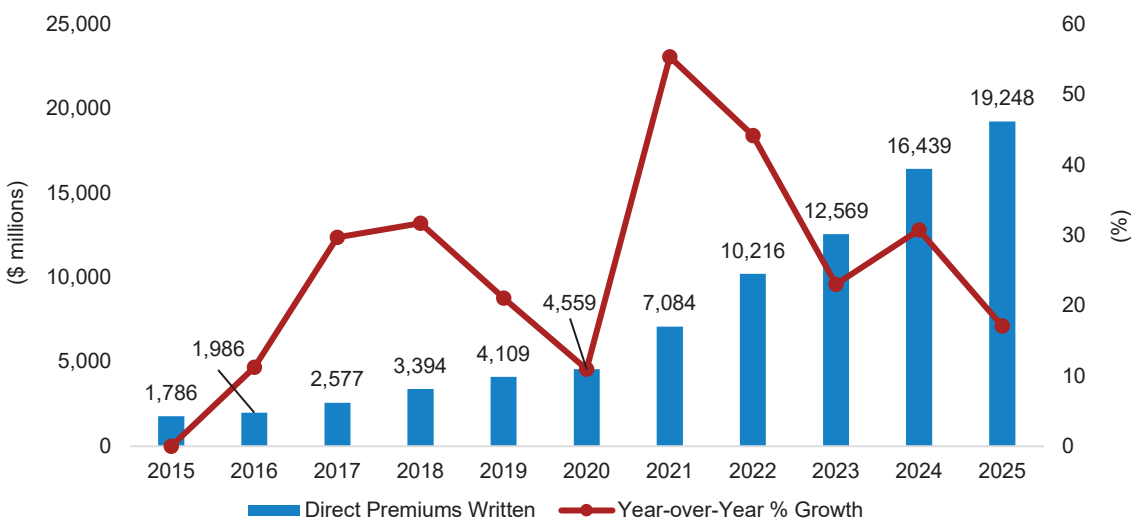
Obsidian Insurance Group

In April 2026, Obsidian Insurance Group was placed under review with positive implications status following the announced acquisition of Obsidian by Protective Life Insurance Company, a principal subsidiary of Protective Life Corporation (Protective), a U.S. subsidiary of Dai-ichi Life Holdings, Inc. This transaction could enhance Obsidian's financial flexibility, operating scale, and execution capabilities if completed as contemplated and subject to regulatory approval. The action also considers Obsidian's strategic importance to the prospective parent as a specialty property/casualty insurance platform for expansion into complementary markets and earnings diversification.

Financial Results

Over the last 10 years, the fronting specialists' premium base has expanded from about \$1.8 billion to nearly \$20 billion in direct written premium, achieving double-digit growth rates in every year from 2015 through 2025 (**Exhibit 8**). The last five years have been especially noteworthy with a compound

Exhibit 8 AM Best-Rated Fronting Companies - Aggregate Direct Premiums Written

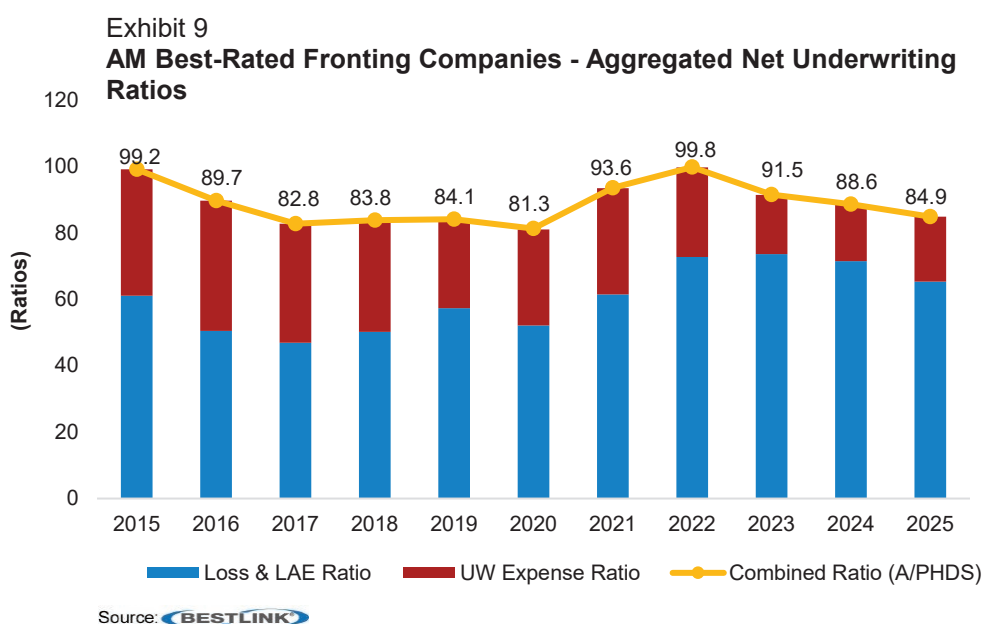


Source: **BESTLINK**

annual growth rate (CAGR) of 33%, principally attributable to the continued expansion of the DUAE market. Premium growth decreased a little in 2025 but remained very healthy at 17% as the market matures and rates continue to moderate.

Overall, Calendar Year Profitability Improving; Reserves Remain a Concern

Calendar-year results have improved as the statutory strain from rapid growth has eased. Combined and operating ratios have improved during the last three calendar years, and for calendar year 2025, the combined ratio of 84.9 was moderately lower than the annual combined ratio average of 89.6 from 2015 through 2025 (**Exhibit 9**). Since fronting companies cede most of written net underwriting ratios, while important to bottom-line profitability, do not always tell the entire story of how successful these insurers have been at selecting, underwriting, and pricing risks. Nevertheless, the more than five percentage point improvement in the 2025 net loss and loss adjustment expense ratio is still noteworthy.

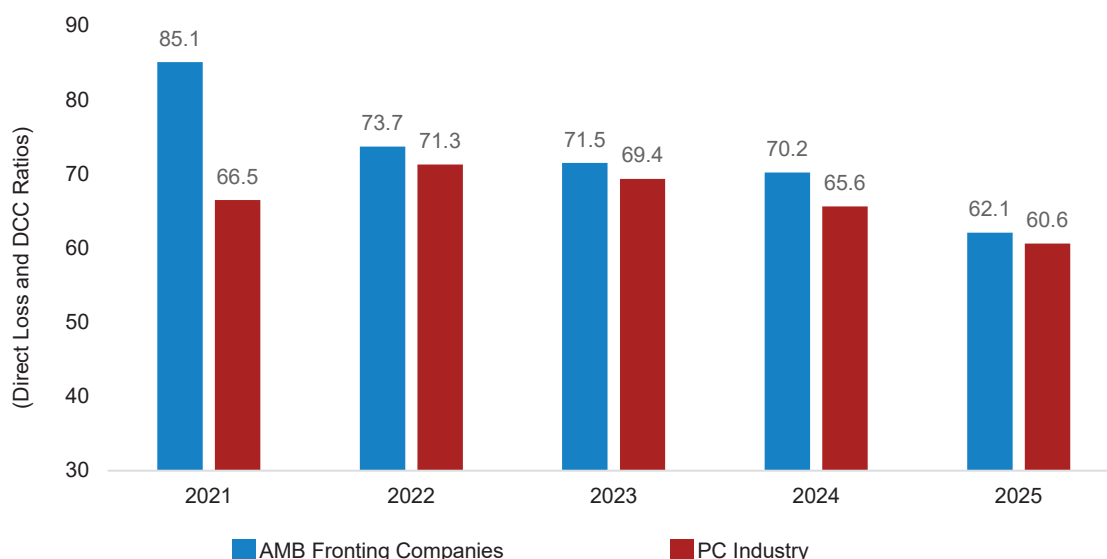


The direct loss and defense and cost containment ratios for the fronting companies, which are more indicative than net ratios of the success of these companies concerning risk selection and underwriting, have been slightly higher than those of the broad P/C industry (**Exhibit 9a**). General liability and commercial auto liability are significant contributors to fronting companies' premium base. These lines have been the most challenged by social inflation and higher litigation, leading to one explanation of the disparity in loss and DCC ratios. If fronting companies and MGAs in the value chain prioritize quantity over quality, they may be prone to adverse selection.

The disparity concerning the loss and DCC ratios underscores the importance of monitoring the activities and performance of fronting companies by their reinsurance partners to ensure that binding, underwriting, pricing, and claim-handling decisions by fronting companies remain high quality and in line with the established guidelines and reinsurer expectations.

In addition to net underwriting performance being favorable for these companies, return measures have also improved both on a pre-tax and total return basis (**Exhibit 10**). The favorable returns apply to both returns on revenue (net premiums earned) and returns on equity (policyholders' surplus). The operating performance of these companies as reflected in these measures has improved noticeably in the past couple of years.

Exhibit 9a
AM Best-Rated Fronting Companies vs. P/C Industry
Direct Loss and DCC Ratios



DCC Ratio = Defense and Cost Containment Ratio

Source: BESTLINK

While calendar year results have improved, accident year loss ratios remain a concern. Fronting organizations are not immune from the social and economic inflation trends that continue to affect the overall industry. Furthermore, given that other liability and commercial auto liability reserves comprise over 50% of the fronting specialists' overall reserve balance, the adverse development has been considerable as shown in **Exhibit 11**, specifically for accident years 2018 and 2020 through 2022. While it is too early to draw conclusions on the most recent accident years of 2024 and 2025, the accident year 2025 loss pick seems notably aggressive considering the continued loss severity pressures.

Exhibit 10

AM Best-Rated Fronting Companies - Return Measures
 (%)

	Pretax Return on Total Return Revenue on Revenue		Pretax Return on Total Return Surplus on Surplus	
2021	9.2	8.0	2.5	2.2
2022	2.9	-1.9	1.1	-0.7
2023	17.6	12.7	8.9	6.5
2024	23.7	11.6	13.2	6.5
2025	26.5	20.4	13.4	10.3

Return on Revenue = Return on Net Premiums Earned
 Return on Surplus = Return on Policyholder's Surplus

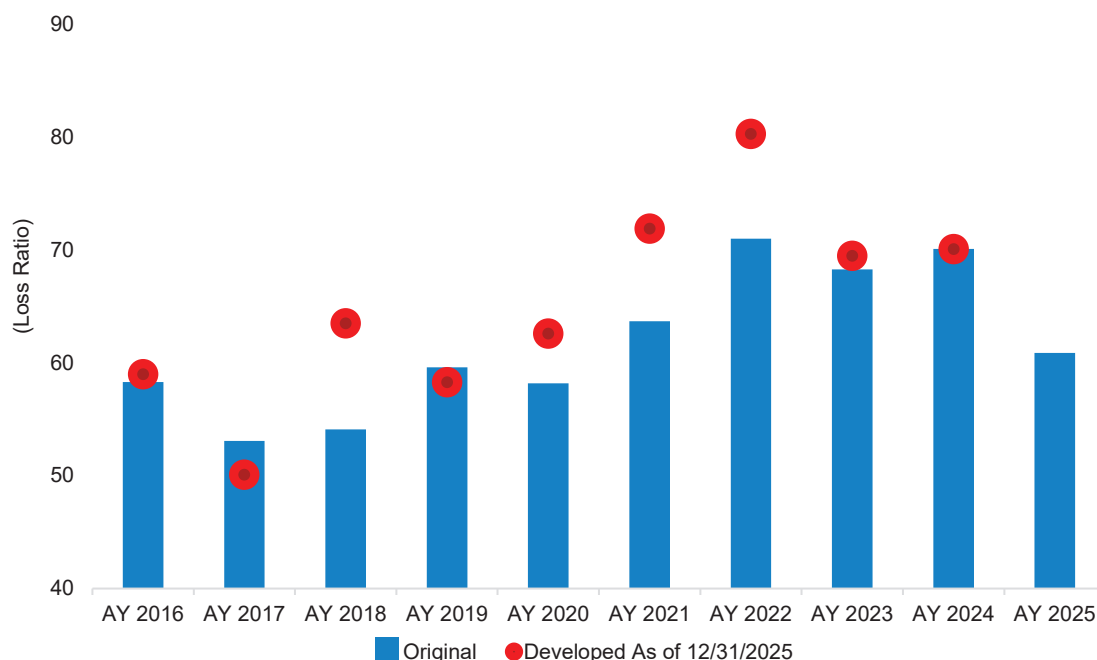
Source: BESTLINK

Looking Ahead – What's in Store for the Fronting Market

Growth

Fueled in part by the expectation for continued growth in the MGA market, it is expected that the fronting market will continue to expand. Taking that into account, premium growth in the surplus lines market, where MGAs and fronting companies remain particularly active, is slowing, especially for property risks. Furthermore, rates in casualty have either remained consistent or have moderated somewhat. Therefore, it is expected that the level of growth in the fronting market will diminish over the next 12 months. We may already be seeing that with fronting premiums on a 2Q YTD basis only up 7.7% when growth during the same period of the previous three years averaged 26%.

Exhibit 11

AM Best-Rated Fronting Companies - Accident Year Loss Reserve Development

Source: BESTLINK

Over the last couple of years, there has been a trend for some fronts to assume business from a variety of entities – including other insurers, reinsurers, and state facilities. As of year-end 2025, the fronting specialists assumed premium totaled \$4.8 billion, up significantly from the \$1.8 billion recorded in 2024. Of the \$4.8 billion in assumed premiums written in 2025, about \$1.7 billion was unaffiliated assumed premium, representing written premium that would present a different risk profile for these fronting companies since it is business initially underwritten by other companies.

ILS and Sidecar Capacity

The diversification of capacity will likely continue, as it is the expectation that fronting companies will engage the insurance-linked securities (ILS) market (cat bonds, sidecars, and collateralized reinsurance) on a more frequent basis. For ILS investors, fronting companies act as efficient transformers so they can access risks through rated insurance companies directly, getting them closer to the risk. These transactions offer a different risk profile compared to the traditional catastrophe risks that make their way to the ILS market. The differences in risk profile also creates uncertainties. While catastrophe risks are typically short-tailed, these risks are longer-tailed, incorporate investment assumptions, and adverse reserve developments and loss estimates could lead to operational conflicts between the fronting company and the investors. Fronting companies would also need to have specific fall-back plans on what to do after the commutation date.

Net Exposure

The trend of higher net exposure for fronts is likely to continue. Net retentions have ticked up over time, and there appears to be no pullback from the caps and corridors that the reinsurance market has instituted. Furthermore, as flight to quality accelerates, there is the likelihood that fronting companies will terminate programs for performance, reporting quality, or strategic alignment

failures. While these terminations may make sense from a long-term strategic perspective, fronting companies will remain exposed to runoff liabilities, recoverables from reinsurers, and potential adverse reserve development following program termination. The ultimate effect on financial performance depends on factors including program concentration, operating results, and the adequacy of collateral arrangements and monitoring practices. Considering those factors, AM Best has noted a recent uptick in losses due to reinsurance collectability issues and Schedule F considerations. The most significant example was State National's credit loss associated with the insolvency and bankruptcy of a capacity provider. State National established a \$205 million reserve after determining that the capacity provider's collateral was insufficient to cover faster-than-expected claims and projected losses on the reinsured business. This was State National's first major credit loss in more than 40 years of fronting operations and should serve as a warning to the broader sector.

Consolidation

Given the number of competitors in the market and the perceived lack of differentiation, it has been the prevailing thought over the last few years that the number of market participants would contract over time. While there has been a change in ownership of several fronting companies, the overall competition has only increased with the entrance of Emerald Bay, Hadron, and, most recently, Ledgebrook over the last couple of years. Slower near-term growth in the MGA and surplus lines markets, combined with a broader flight to quality, could create conditions for consolidation. Fronting companies that have not achieved sufficient scale and private equity-owned organizations appear to be the most likely candidates for transactional activity. Beyond mergers and acquisitions, some fronting companies may seek to transition into full-stack carriers, leveraging their existing infrastructure, underwriting capabilities, and talent.

Published by AM Best
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