

AM Best's Insurance Market Briefing – APCIA

November 2, 2026

AM BEST

MGAs & Fronting in an Increasingly Fragmented P/C Insurance Value Chain

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Agenda

MGAs & Fronting

- The changing value chain
- DUAE developments
- Fronting developments
- Segment outlook

Global Reinsurance

- Segment outlook
- Operating results
- Available capital
- The next 12 months
- Q&A

Traditional Integrated P/C Insurance Model

Historically, insurers controlled most components of the value chain

PHASE 01

PRODUCT & MARKET

1. **Product development & pricing**
2. Distribution (agents, brokers, direct)

PHASE 02

RISK & POLICY

3. Underwriting & risk selection
4. Policy administration
5. Risk prevention & loss control

PHASE 03

CLAIMS & SERVICE

6. Claims management
7. Repair / replacement networks

PHASE 04

CAPITAL

8. Reinsurance
9. **Capital support**

P/C Insurance Value Chain has Become Increasingly Fragmented

TECHNOLOGY & NEW MODELS

1. Digital platforms and APIs
2. AI and advanced analytics
3. InsurTech innovation
4. Embedded insurance models



MARKET, POLICY & CAPITAL

5. Regulatory changes
6. Lower technology costs
7. Demand for specialized capabilities
8. Private equity and venture capital investment

Core Functions of an MGA

The MGA has become responsible for many of the activities traditionally performed by an insurance company, while the carrier (which has become increasingly a fronted carrier) provides the licensed paper.

01
Product Design

- Develop specialized products
- Often spot underserved market opportunities faster than legacy insurers

02
Distribution & Customer Acquisition

- Access to niche customers
- Strong producer relationships
- Brand recognition within a specialty market

03
Underwriting Authority

Most receive delegated authority from carriers to:

- Quote business
- Bind coverage
- Set pricing within approved guidelines
- Issue policies

04
Data & Analytics

Increasingly differentiate through:

- Proprietary data
- AI underwriting models
- Industry-specific datasets
- Risk scoring algorithms

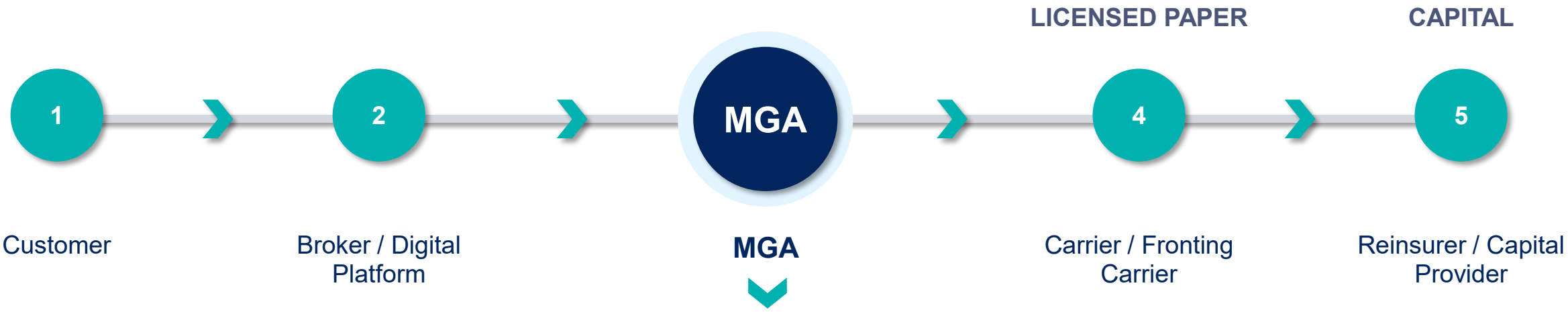
05
Portfolio Management

Manage underwriting results on behalf of capital providers.

MGAs monitor:

- Loss ratios
- Pricing adequacy
- Exposure accumulation
- Reinsurance performance

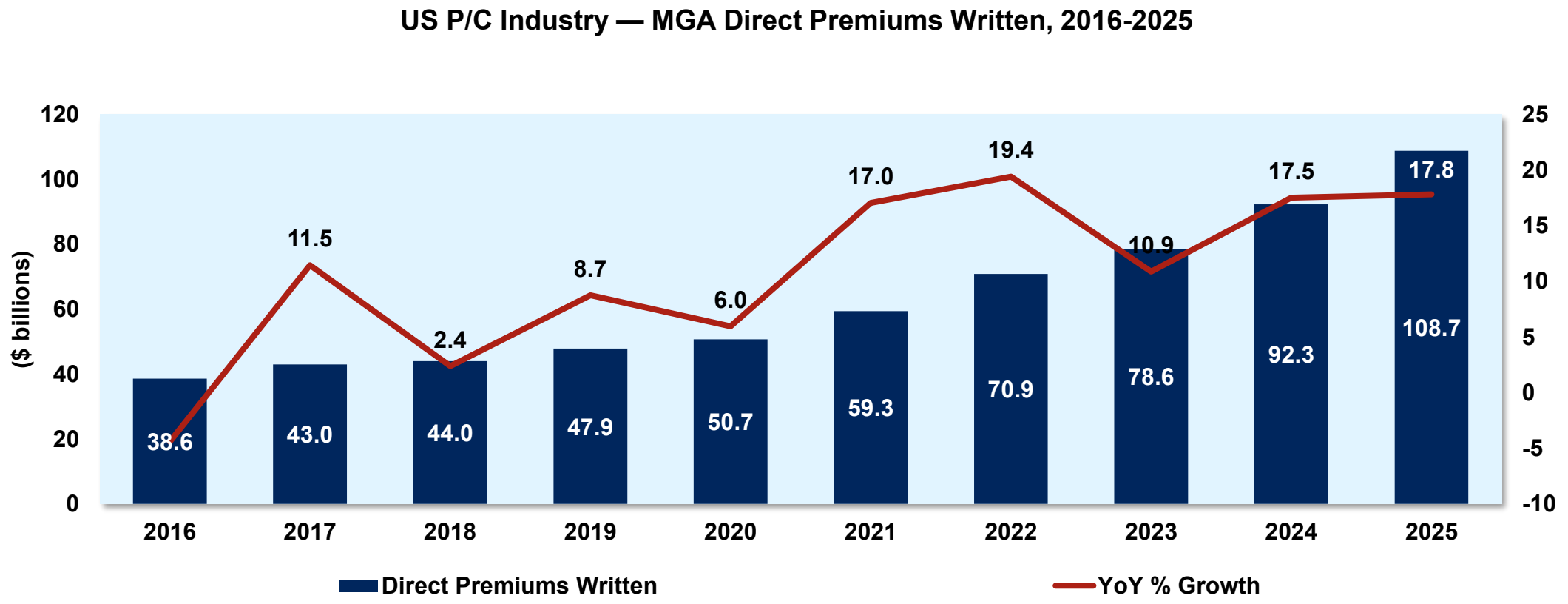
MGAs Have Cemented Their Place in P/C Insurance Value Chain



DUAE Market Developments

DUAE Growth

DWP generated by MGAs eclipsed $108B in 2025 per Note 19 in statutory statements, marking the 6th consecutive year of double-digit growth rates.



Source: AM Best data and research

MGA Dealmaking is Shifting from Scale to Strategic Fit

Activity accelerated through 2025 and into 2026 as buyers pursued specialty distribution, stronger underwriting, and technology-enabled scale.

WHAT BUYERS VALUE

01 Scaled specialty platforms

Established MGAs add premium, talent, and niche distribution.

02 Institutional capital

Private equity and strategic capital remain active in specialty P&C and E&S.

03 Technology infrastructure

AI and API-enabled workflows have become operating requirements.

04 Underwriting discipline

Governance and stable loss ratios outweigh top-line growth.

Criticism of MGA Market Becoming Louder

01 CHUBB

Chubb CEO warns that backing managing general agents (MGAs) is a **"bad bet in the majority of cases“.**

02 BERKLEY

W. Robert Berkley Jr., CEO of W.R. Berkley Corporation, has sharply criticized the Managing General Agent (MGA) and Managing General Underwriter (MGU) model, calling it a **"big thorn in the side of the marketplace"** and warning that it will **"end in tears"** for poorly controlled operations.

03 KINSALE

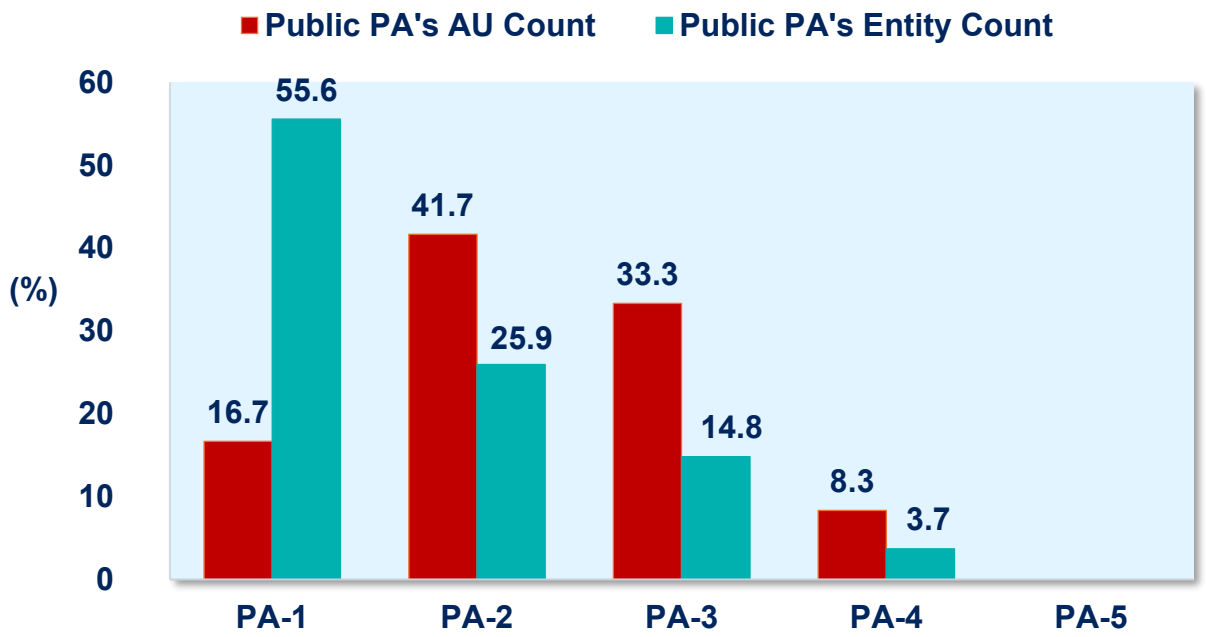
Kehoe highlights that delegating authority to third-party MGAs creates an **inherent conflict of interest**. Third parties often seek volume and commission, whereas Kinsale prioritizes maintaining strict control over its own pricing and risk selection.

Concerns:

Economics unsustainable
Inherent misalignment of interests
Artificially suppressing market rates
Private equity distortion
Cyclical unreliabilty

AM Best Public Performance Assessments

PUBLIC PERFORMANCE ASSESSMENTS



FACTOR STRENGTH

Factor	Avg score	Maximum	% of maximum
Underwriting Capabilities	7.25	10	72.5
Governance & Internal Controls	7.00	10	70.0
Financial Condition	6.13	10	61.3
Organizational Talent	3.56	5	71.3
Depth & Breadth of Relationships	3.31	5	66.3

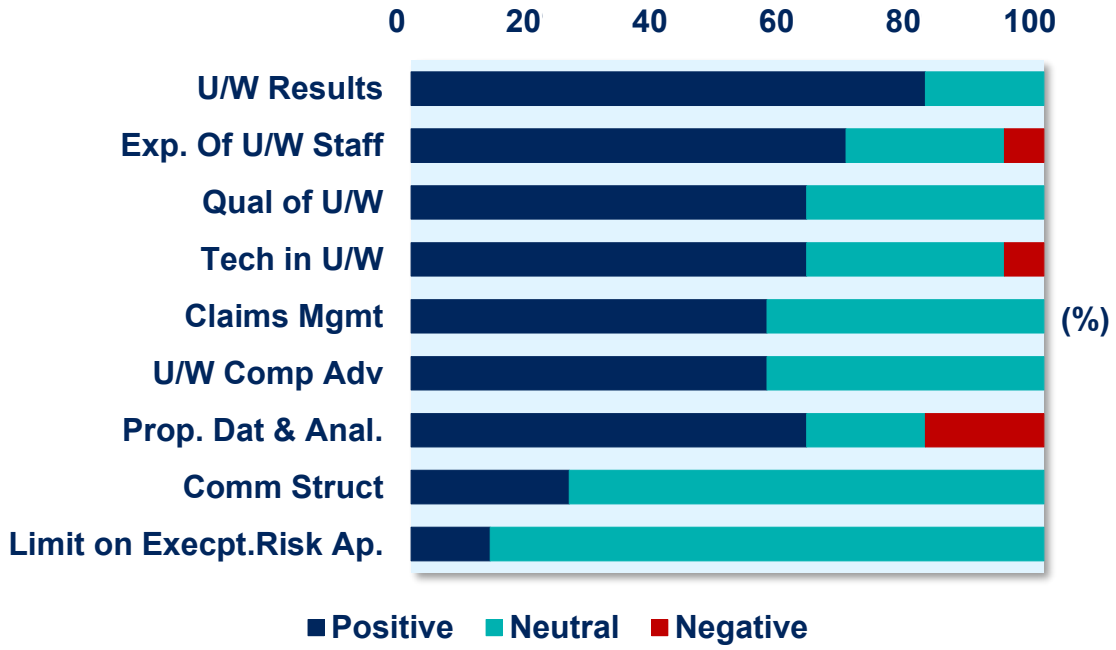
Takeaways:

- **81.5% of entity assessments** are PA-1 or PA-2; AU counts cluster in PA-2 and PA-3 (75.0%).
- **Underwriting (72.5%)** is the strongest factor; **financial condition (61.3%)** is the clearest gap.

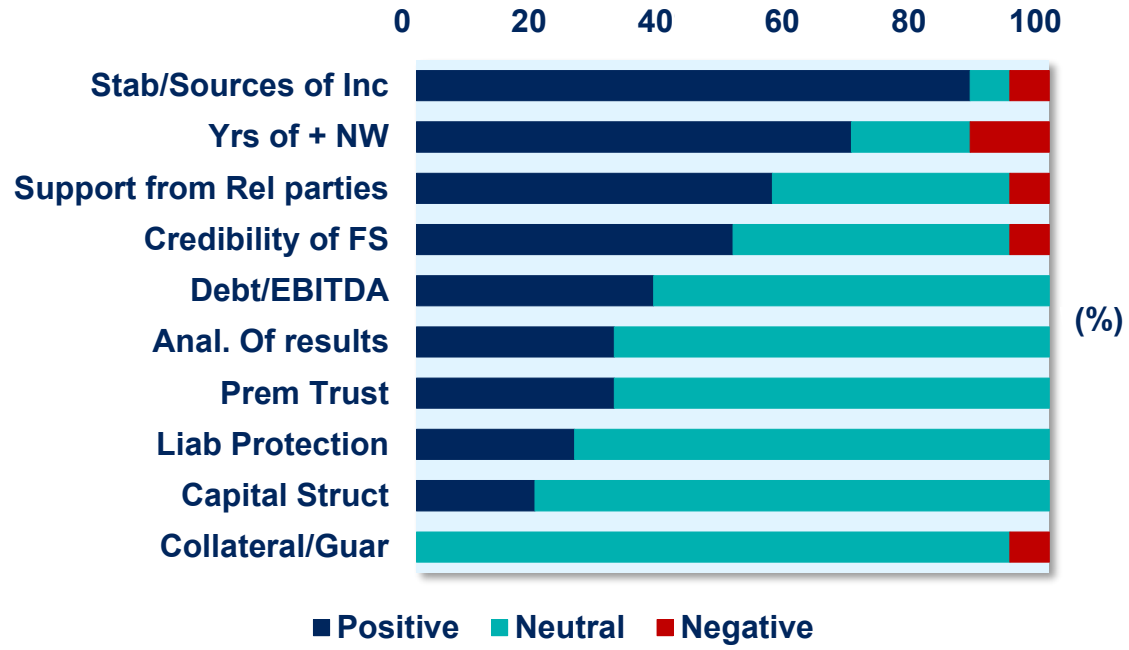
Source: AM Best data and research

Analysis of Key Assessment Factors

UNDERWRITING CAPABILITIES



FINANCIAL CONDITION



Commentary:

- **Underwriting:** Results and experience lead at 81% and 69% positive; communication structure and exceptions-risk appetite are the clearest development areas at 25% and 13% positive.
- **Financial condition:** Stability and income sources lead at 88% positive, while capital structure and collateral/guarantees remain predominantly neutral, indicating limited demonstrated strength.

Capacity is Abundant — but Increasingly Selective

Capital is concentrating behind MGAs that combine underwriting performance, real-time transparency, and aligned operating models.

$108B–$128B

2025 MGA direct premiums written

DISCIPLINED MATURITY

Capital is not scarce; tolerance for weak controls and volatile results is.

WHAT EARNS CAPACITY

01 **Performance before volume**
Stable loss ratios, margins, and multi-year quality.

02 **Transparency is table stakes**
Live claims, exposure, and automated reporting.

03 **Alignment protects autonomy**
Retention, governance, and controls support authority.

WHERE CAPITAL IS FLOWING

Scaled platforms

Broker-owned distribution, API-first data, and embedded AI.

Property

Ample and competitive; favors niche expertise.

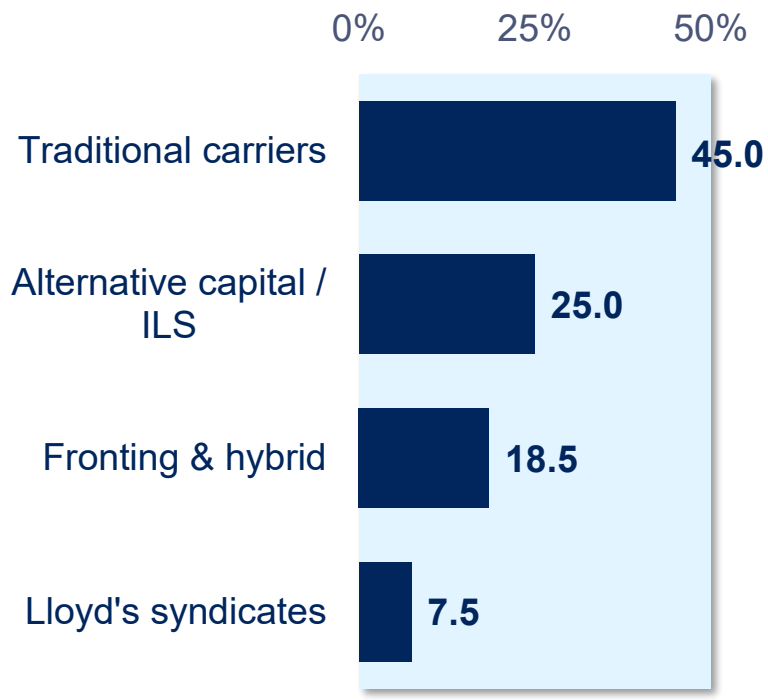
Casualty & excess

Firm and selective; rewards retention and aligned quota share.

Traditional Carriers Anchor Capacity; Alternatives Gain Ground

Estimated participation by capacity source; categories overlap and are directional rather than additive.

ESTIMATED SHARE



Bars use range midpoints; 25% reflects reported direct ILS support.

ROLE IN THE MARKET

Capacity source	Est. share (%)	Role and context
Traditional admitted & E&S	**~40–50**	Foundational balance-sheet capacity with the broadest, most established provider base.
Alternative capital / ILS	**~25 direct**	Institutional investors, sidecars, and cat bonds increasingly supplement traditional reinsurance.
Fronting & hybrid carriers	**~17–20**	Fastest-growing channel; supports >$19B in premium/.
Lloyd’s syndicates	**~7–8 U.S.**	Largest external binder source; roughly $7.5B–$8.5B in U.S. MGA premium.

Note: Definitions differ across sources, so estimates should not be summed.

Sources: AM Best; Lloyd’s market data; Conning; Artemis. Estimates compiled Sep. 2026.

ILS is Moving from Supplemental to Foundational Capacity

Alternative capital is widening the MGA funding base—but only for portfolios that meet investor-grade data and reporting standards.

ADOPTION IS BROADENING

25% of MGAs report direct ILS investor support.

up from 18% in prior cycles

51%+ recognize ILS funds as an active capacity source.

ILS is increasingly embedded in program-capacity planning—not treated as episodic funding.

WHAT IT CHANGES FOR MGAs

01 Diversifies the capacity stack

ILS investors and sidecars supplement insurers, reinsurers, and fronting partners.

02 Fills selective reinsurance gaps

Alternative capital can support risk tiers where traditional markets retrench or tighten.

03 Raises the operating standard

Transparent, consistent, algorithm-friendly portfolio data becomes a condition for access.

Winning MGAs convert clean portfolio data into durable access to institutional risk capital.

Sources: Artemis/Conning: Risk & Insurance

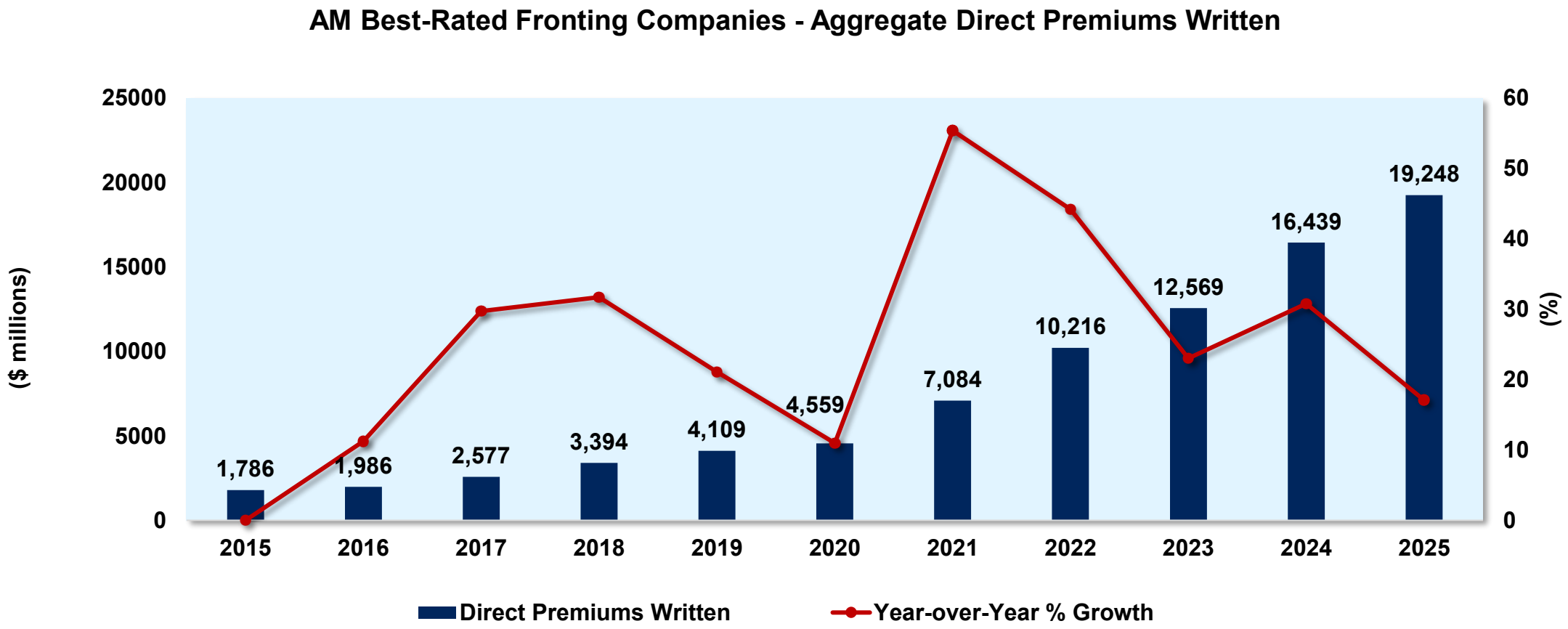
Fronting Market Developments

Fronting Market Developments

Fronting carriers act as the operational and legal backbone for the fragmented insurance value chain.

20% of all MGA premiums

~40% of unaffiliated MGA premiums



Source: AM Best data and research

Fronting Market Developments

AM Best-Rated Fronting Companies
(Ranked by 2025 Direct Premiums Written) ($millions)

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

Source: AM Best data and research

Ownership Changes

Ownership is consolidating around strategic insurers and institutional sponsors. Private Equity remains active and holds ownership stakes in majority of fronts and 30% of MGAs.

01

Transverse

MS&AD acquired 100% ownership

Closed Jan. 2023

02

Sutton

Independent trusts now control the insurers

Restructure approved Nov. 2024

03

Obsidian

Protective / Dai-ichi to acquire from Genstar

Announced Apr. 2026

04

Accelerant

Thoma Bravo to take Accelerant private

>$4B deal announced Aug. 2026

05

Concert

Freedom to buy WT and Century stakes

Agreement announced Dec. 2025; Terminated in August 2026

Premium volume is concentrated in four core lines

Other Liability leads at ≈$6.3B; the four largest lines represent roughly 70% of displayed gross written premium.

VOLUME LEADER

≈$6.3B

Other Liability gross premiums written

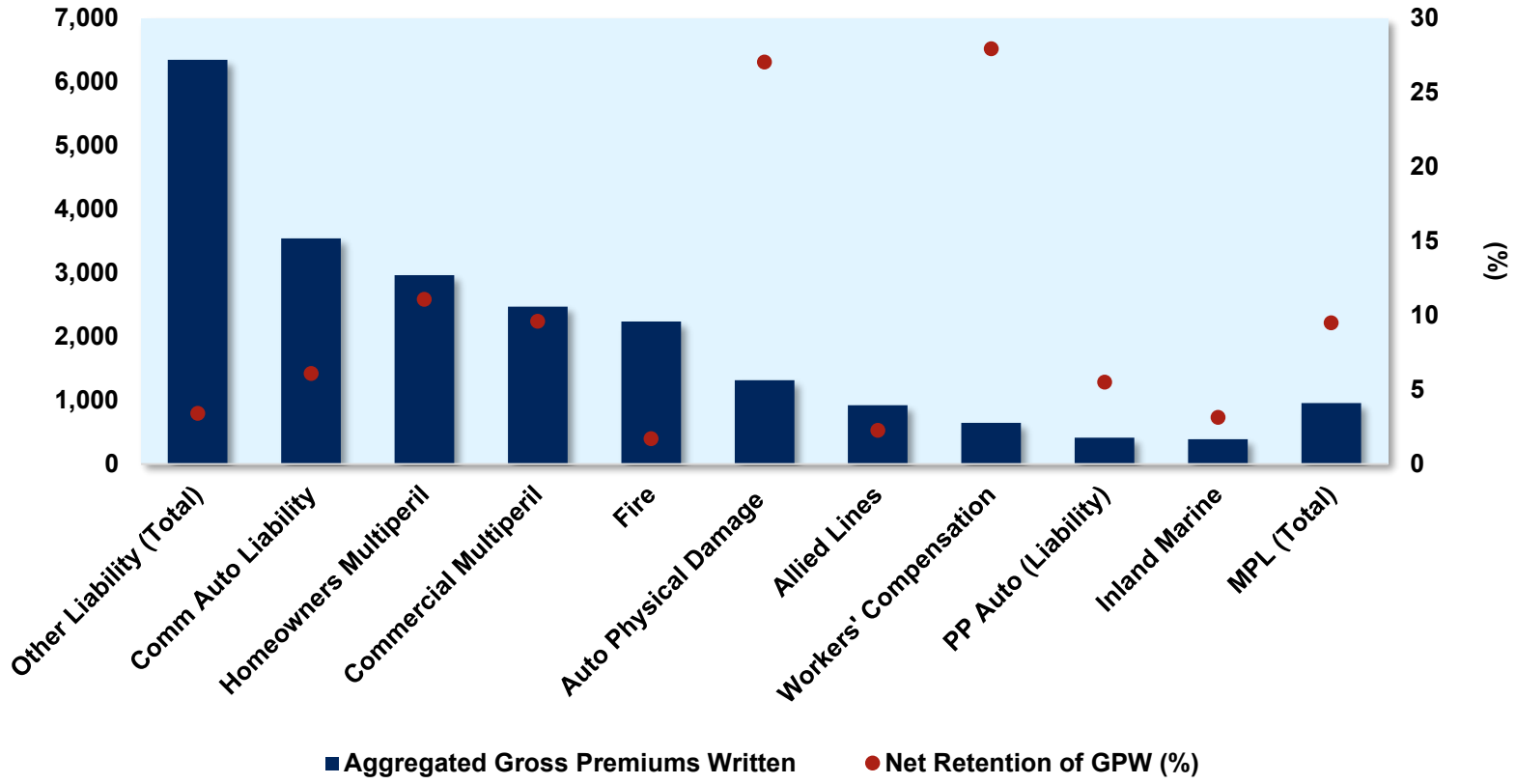
CORE FOUR

≈$15.1B

Other Liability + Commercial Auto + Homeowners MP + Commercial MP.

≈70% of displayed GPW

NET RETENTION BY LINE OF BUSINESS



Source: AM Best data and research

Calendar Year returns strengthen, but reserve volatility persists

2025 profitability reached new highs, while prior accident years still show uneven loss development.

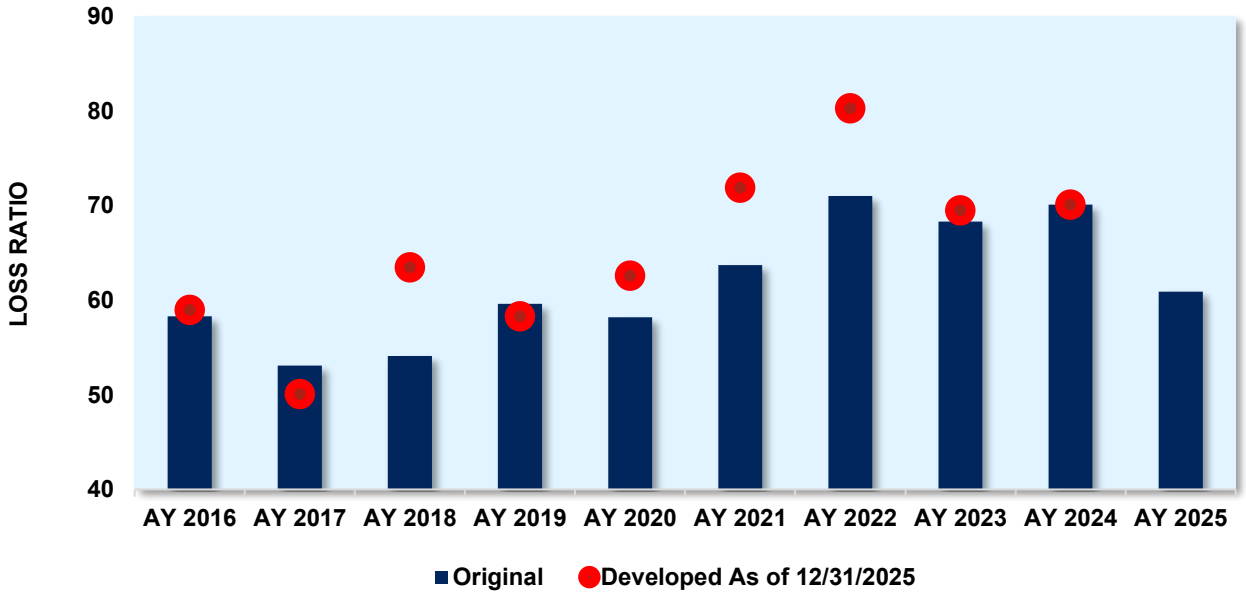
CY RETURN MEASURES (%)

Year	Pretax ROR	Total ROR	Pretax ROS	Total ROS
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

2025 total return on revenue rose to 20.4%; total return on surplus reached 10.3%.

ROR = return on net premiums earned; ROS = return on policyholders' surplus.

AY LOSS RESERVE DEVELOPMENT



AY 2022 developed to ~80%, underscoring the need for continued reserve discipline.

Source: BestLink. Reserve development shown as of Dec. 31, 2025.

Risk Management Under the Microscope

Given the rapid growth and the increased utilization of unrated reinsurers, credit and operational risk has blossomed as illustrated by four high profile events.

01
Trisura
2022

- $60 million reinsurance recoverable write-off.
- Post-Ian spike in commercial property losses and higher reinsurance costs

02
James Allen
2023

- Allegedly misrepresented Lloyd's capacity

03
Vesttoo
2023

- Use of $4B of fraudulent letters of credit

04
State National
2026

- $205 million provision for reinsurance recoverables
- Revised loss estimates exceeded collateral held at a now-bankrupt reinsurer

AM Best Process for Rating Fronts

The rating process for fronts and hybrid fronts follows BCRM. Given that credit risk is the overwhelming number one risk, below are specific areas that garner additional scrutiny.

ADDITIONAL ANALYTICAL FOCUS

BALANCE SHEET STRENGTH

- Reinsurance quality & fit
- Reinsurance dependency
- Caps and corridors
- AY loss-reserve development

OPERATING PERFORMANCE

- Growth trends
- History of profitable results

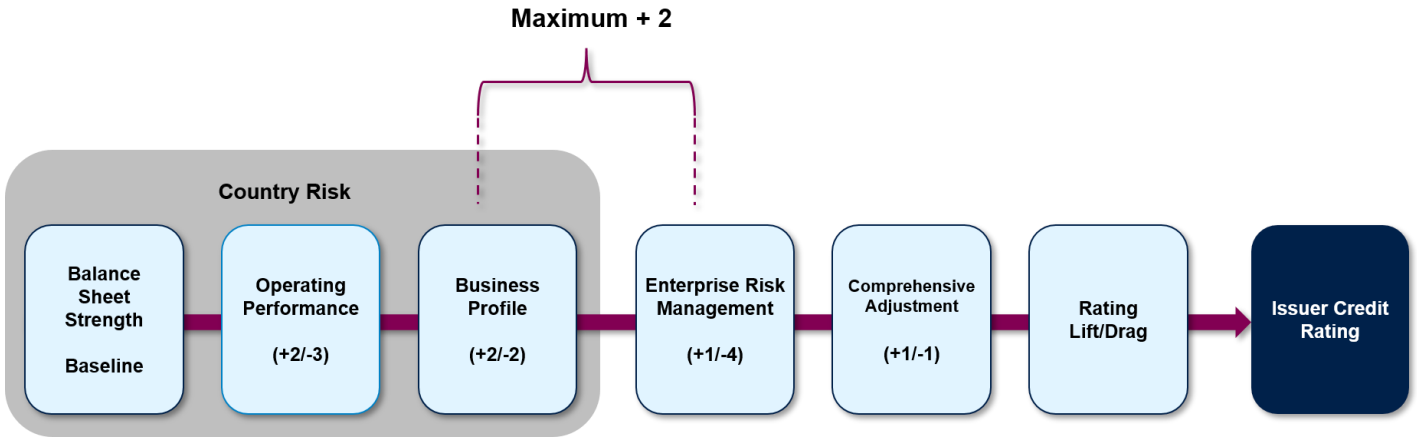
BUSINESS PROFILE

Concentrations of:

- MGA / program / LOB
- Geography
- Reinsurer

ERM

- Reinsurance dispute history
- Collateral quality
- Collateral setting & verification
- MGA selection
- MGA performance monitoring



Ratings of Fronting Organizations

AMB#	Rating Unit	ICR	Outlook	FSR	Outlook	B/S	O/P	B/P	ERM
45356	Accelerant Holdings	a-*	Developing*	A-*	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
26032	Ledgebrook Insurance Group	a-	Stable	A-	Stable	Very Strong	Adequate	Limited	Appropriate
52662	MS&AD Insurance Group Holdings, Inc.	aa	Stable	A+	Stable	Strongest	Strong	Favorable	Appropriate
18956	Obsidian Insurance Group	a-*	Positive*	A-*	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 Insurance	a-	Stable	A-	Stable	Very Strong	Adequate	Limited	Appropriate
46599	Trisura Group, Ltd.	a-	Stable	A-	Stable	Very Strong	Adequate	Neutral	Appropriate

Source: AM Best data and research

Looking Ahead

Tailwinds Support a Stable DUAE Outlook



01 NICHE VERSATILITY

Expertise, talent and technology continue to support adaptable underwriting.

02 TALENT + TECHNOLOGY

Specialist talent and enabling technology remain key differentiators.

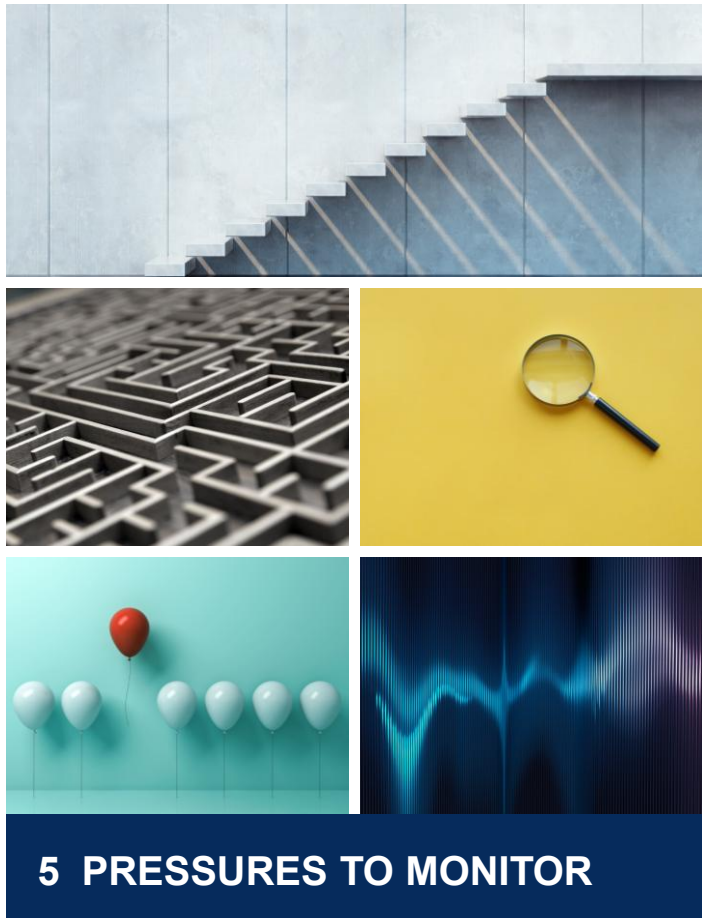
03 STAKEHOLDER CONFIDENCE

Optimism remains among insurers, reinsurers and investors.

04 E&S MOMENTUM

Growth continues, with capacity available for well-run DUAEs.

Headwinds Temper an Otherwise Stable DUAE Outlook



5 PRESSURES TO MONITOR

01 GROWTH NORMALIZES
Growth continues, but the pace is moderating.

02 CAPACITY GETS SELECTIVE
Capacity remains strong, while fronting-market dynamics add pressure.

03 SCRUTINY RISES
Market participants are raising expectations and oversight.

04 COMPETITION INTENSIFIES
More competition increases the need to differentiate and execute.

05 INFLATIONARY/CASUALTY PRESSURES PERSIST
Ongoing inflation and casualty dynamics remain a material constraint.

AM BEST

Global Reinsurance Perspectives: Strategies for a Softening Market

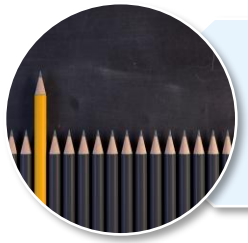
Dan Hofmeister – Associate Director, Global Reinsurance, AM Best

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Outlook – Stable
Past Peak, Fundamentally Strong

Global Non-Life Re Outlook Remains Stable – Tailwinds



Despite softening property pricing, operating results remain solid



Property-catastrophe underwriting aided by favorable terms and higher attachment points



Robust absolute and risk-adjusted capital, prudent capital management plans



Elevated interest rates enhancing investment income and earnings

Global Non-Life Re Outlook Remains Stable – Headwinds



Accelerated softening in property reinsurance pricing, with modest loosening of terms and structures



Social inflation driving reserve and pricing concerns in certain US casualty lines



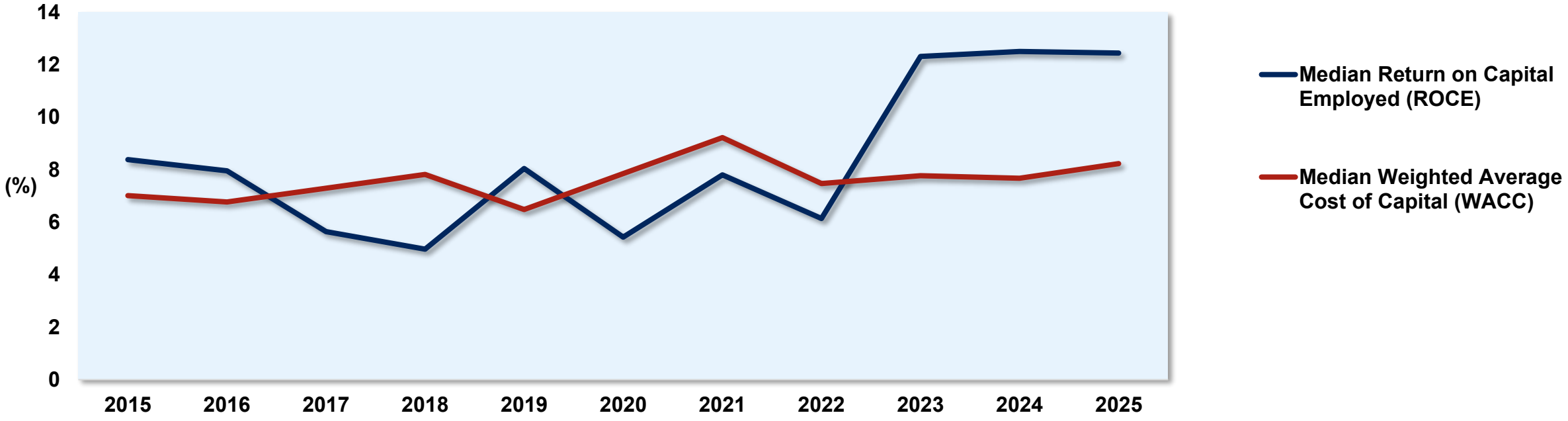
Elevated frequency and severity of weather-related events



Geopolitical and macroeconomic uncertainty – inflation, policy shifts, market volatility

Robust Operating Results

Returns Still Exceeding Cost Of Capital



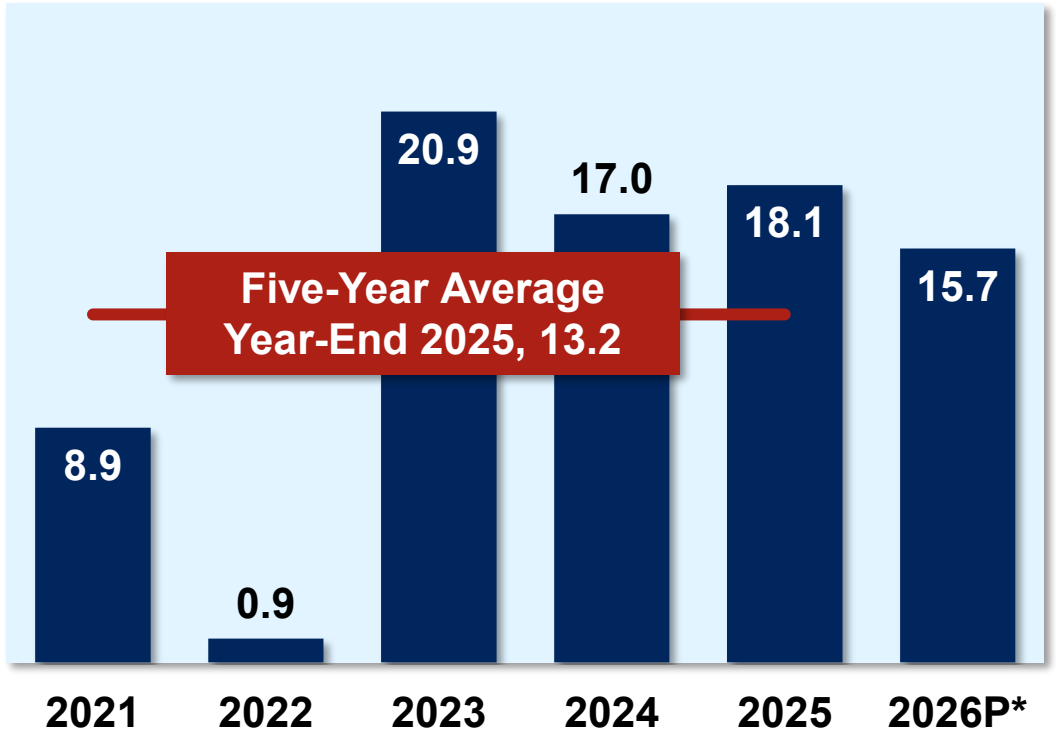
Reinsurers Meeting Cost of Capital

- **Profits** — Stabilized technical profitability
- **Secular factors** — Climate and geopolitical trends
- **Interest rates** — Higher for longer
- **Outlook** — Stable

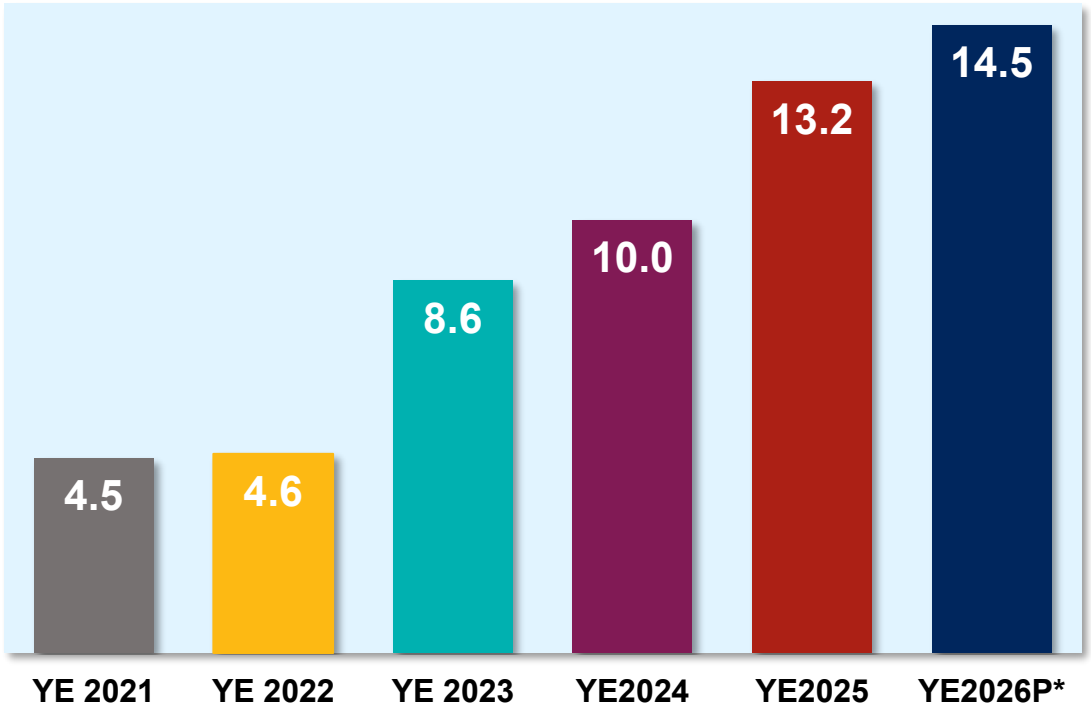
Source: Bloomberg

Dramatically Improved Performance Since Market Turned

Return on Equity (%)

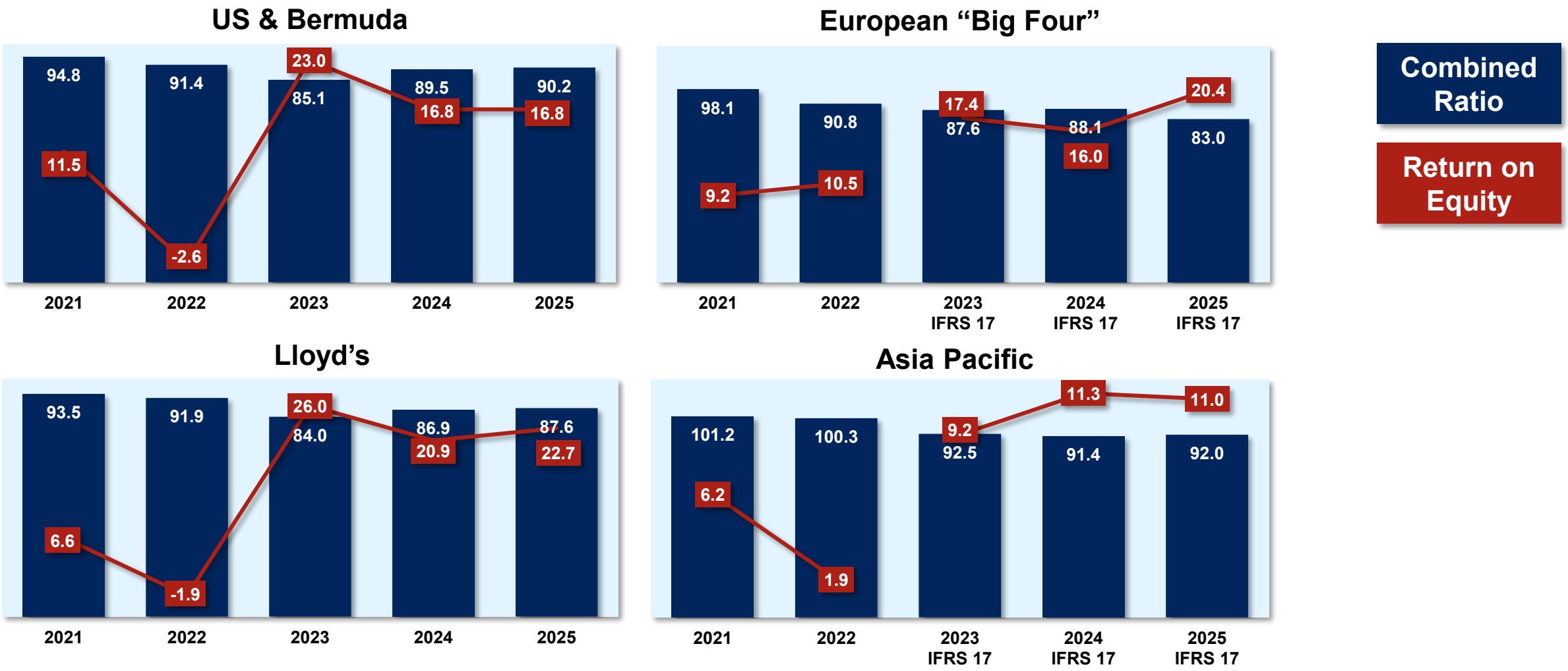


Global Reinsurance Market – Rolling Five-Year Average Return on Equity (%)



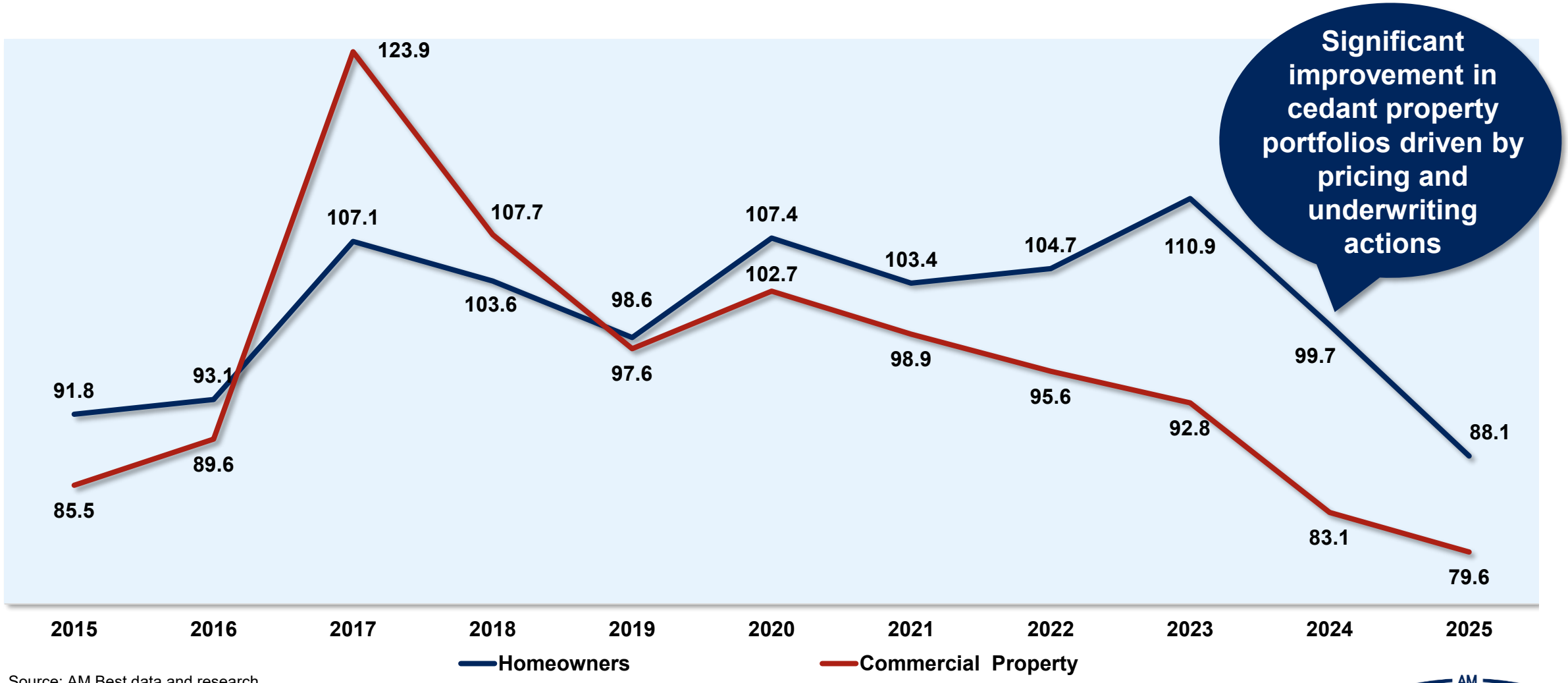
*Projection
Source: AM Best data and research

Robust Operating Performance Across Reinsurance Market Segments



Source: AM Best data and research

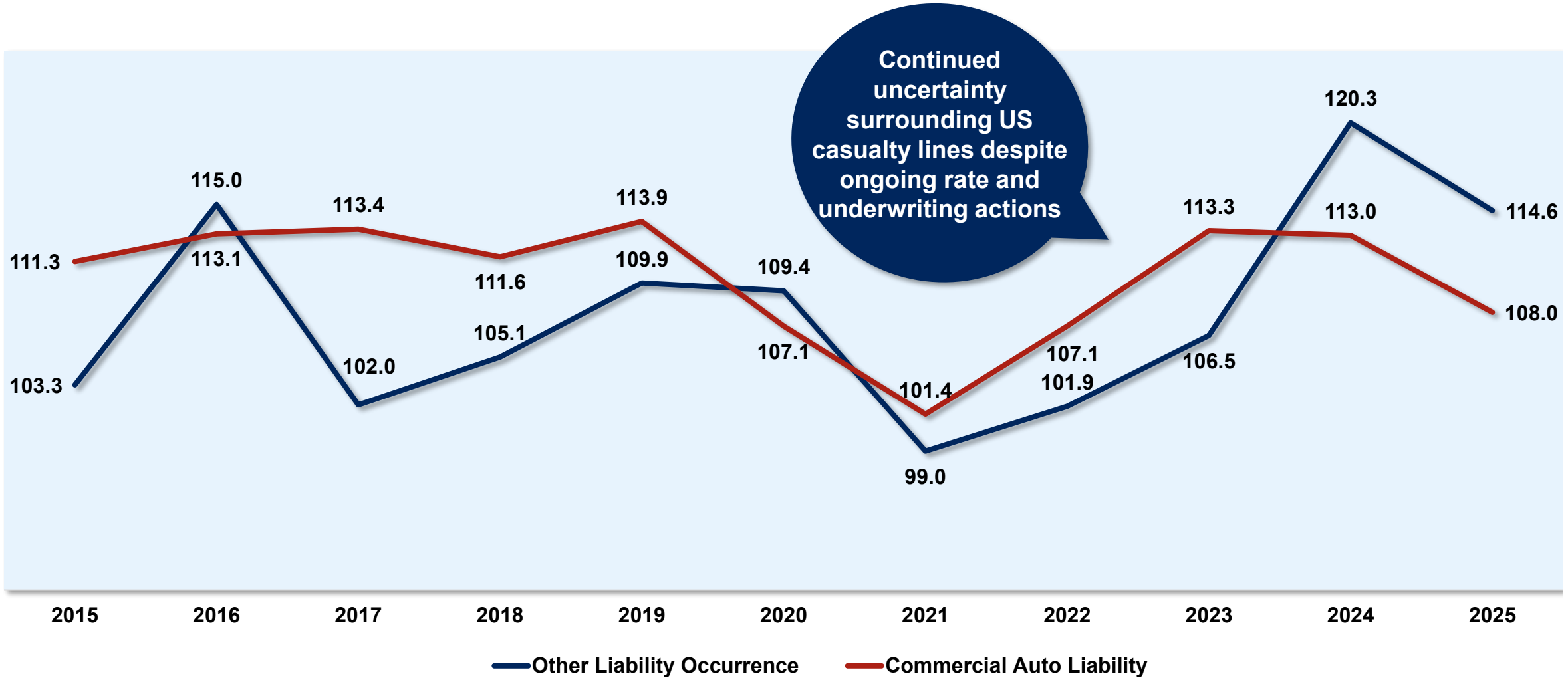
US Property Lines Improving (Net Calendar Year Combined Ratios)



Source: AM Best data and research

US Casualty Lines Still Remain a Concern

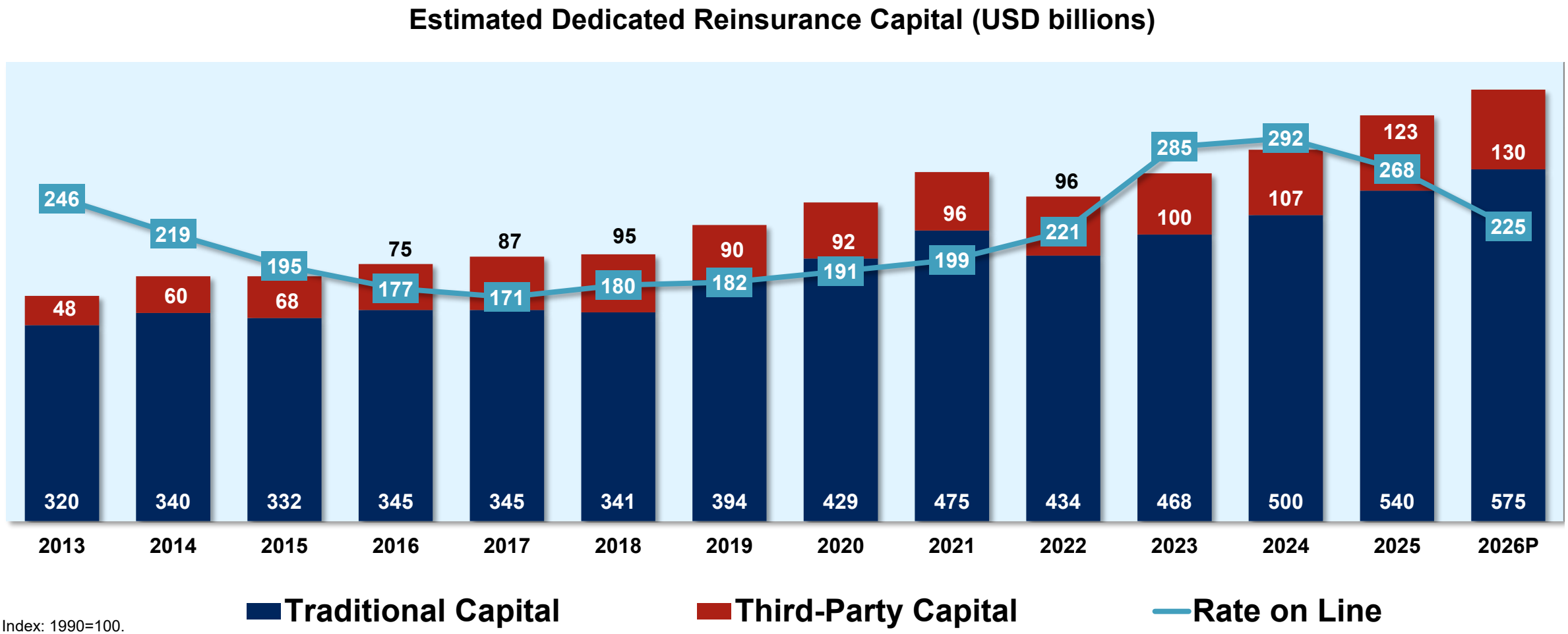
(Net Calendar Year Combined Ratios)



Source: AM Best data and research

Available Capital – Internal Capital Generation, ILS Growth Continues

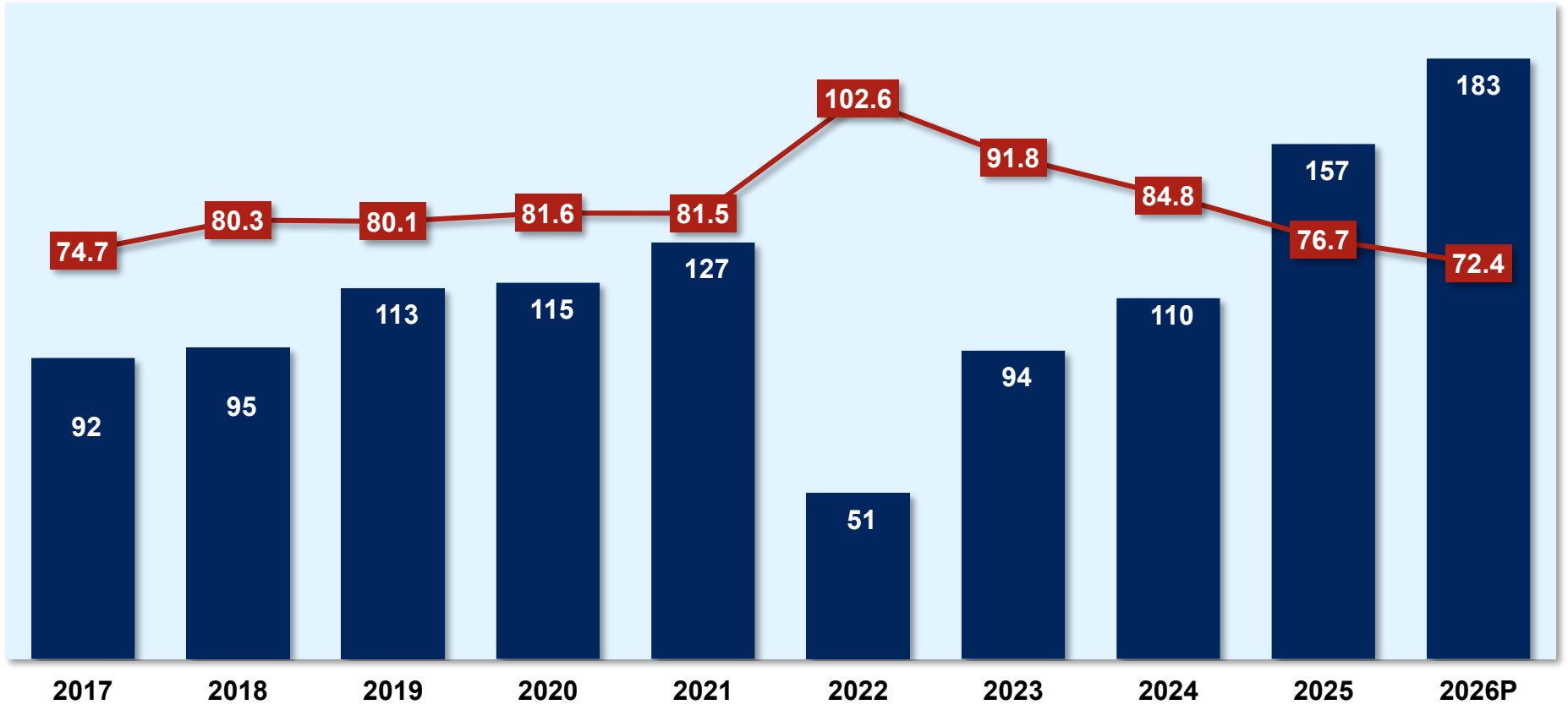
Dedicated Reinsurance Capital at Record Highs



Index: 1990=100.
P: Projected.
Sources: AM Best data and research, Guy Carpenter Global Property Catastrophe Rate-On-Line Index

Risk-Adjusted Capitalization Remains Strong

Global Reinsurance – Capital Utilization (USD billions)

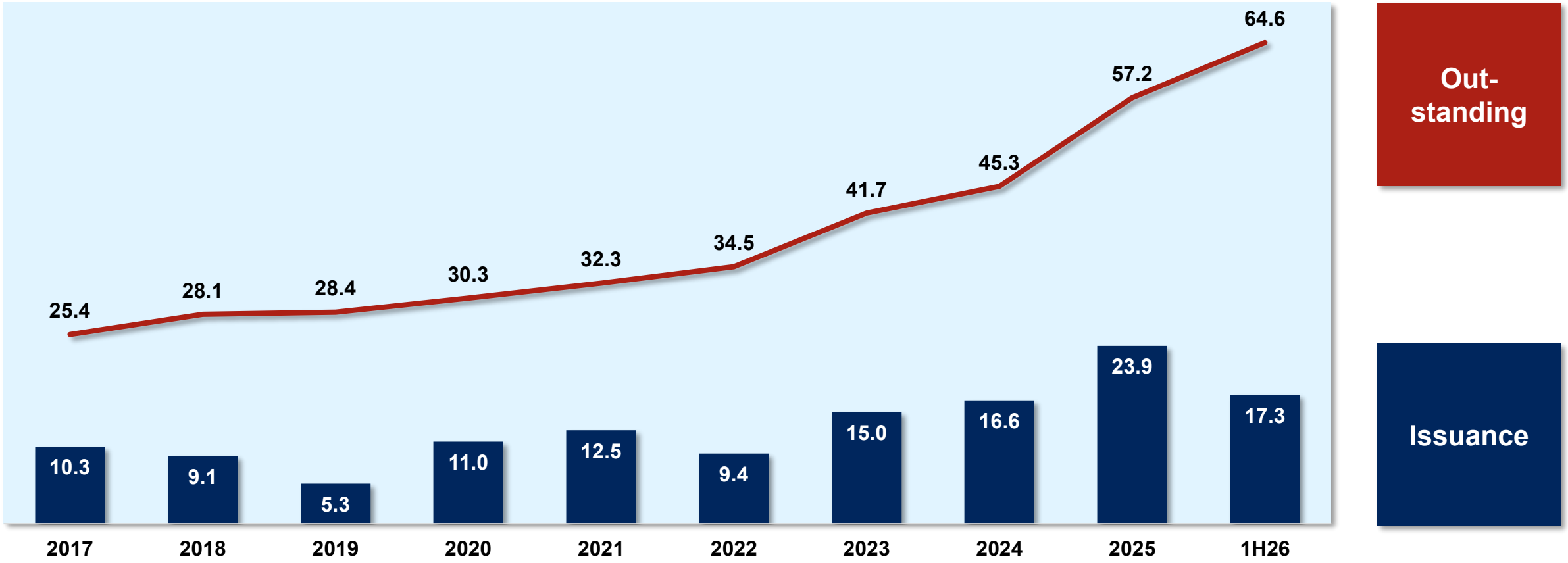


Capital Depletion Needed to Reach a BCAR Score of 10% at VaR 99.6%

Capital Utilization at a BCAR Score of 25% at VaR 99.6%

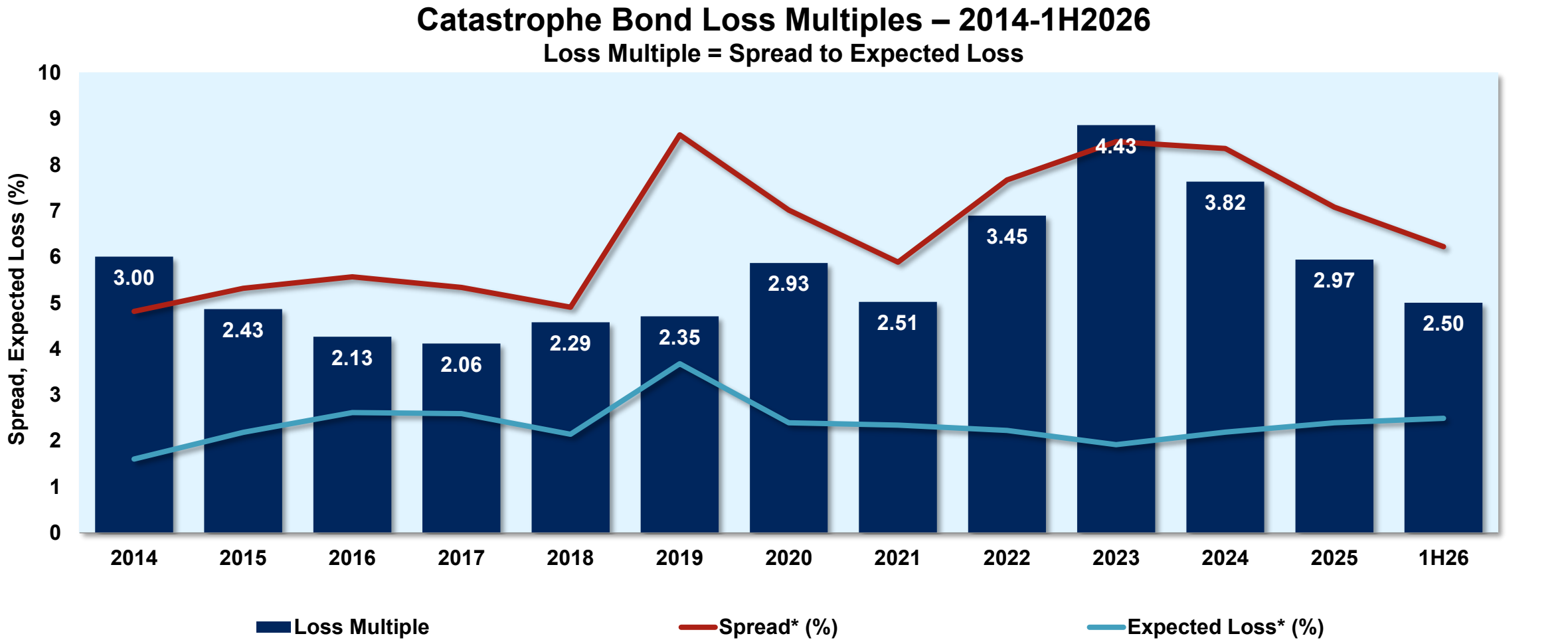
*Projection
Source: AM Best data and research

144A Property Catastrophe Bond Issuance and Outstanding (USD billion)



Sources: Artemis, AM Best data and research

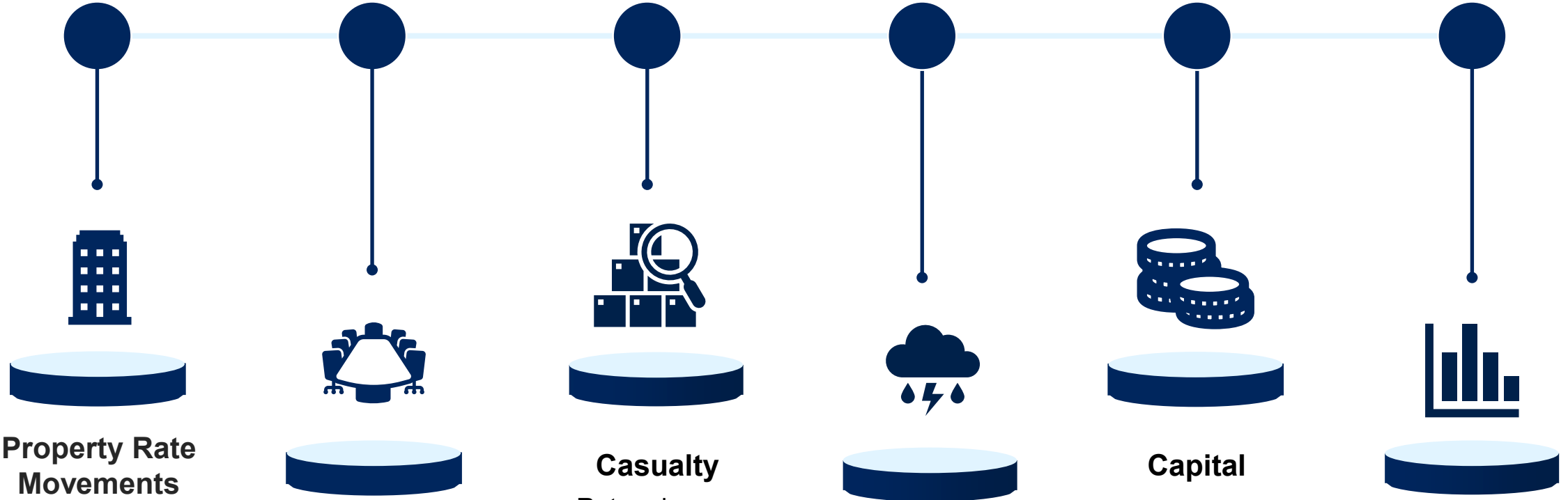
ILS Trends



*Note: Spread and expected loss are dollar-weighted
Sources: Artemis, AM Best data and research

Expectations

AM Best's Expectations – The Next 12 Months



Property Rate Movements

Continued softening off adequate base

Terms & Structures

Broadening but still tighter than pre-2023

Casualty

Rate adequacy unresolved, more strengthening expected

Catastrophe

Normal load assumed, volatility to earnings not capital

Capital

Record levels, disciplined deployment

Operating Results

Solid but moderating

Q&A

Thank You

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