

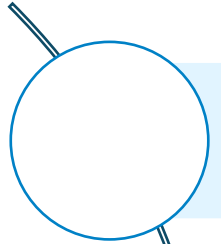
AM BEST

Surplus Lines & DUAEs

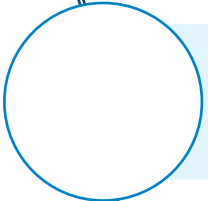
Jacqalene Lentz – Senior Director, AM Best

APCIA
Monday, October 6th, 2025

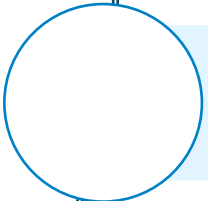
Agenda



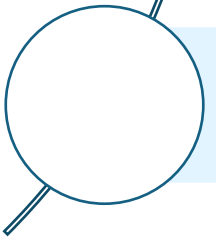
2025 Surplus Report



US Surplus Lines



Evolution of Insurance Distribution



Growth of DUAEs/MGAs in the Value Chain

2025 Report: Key Takeaways

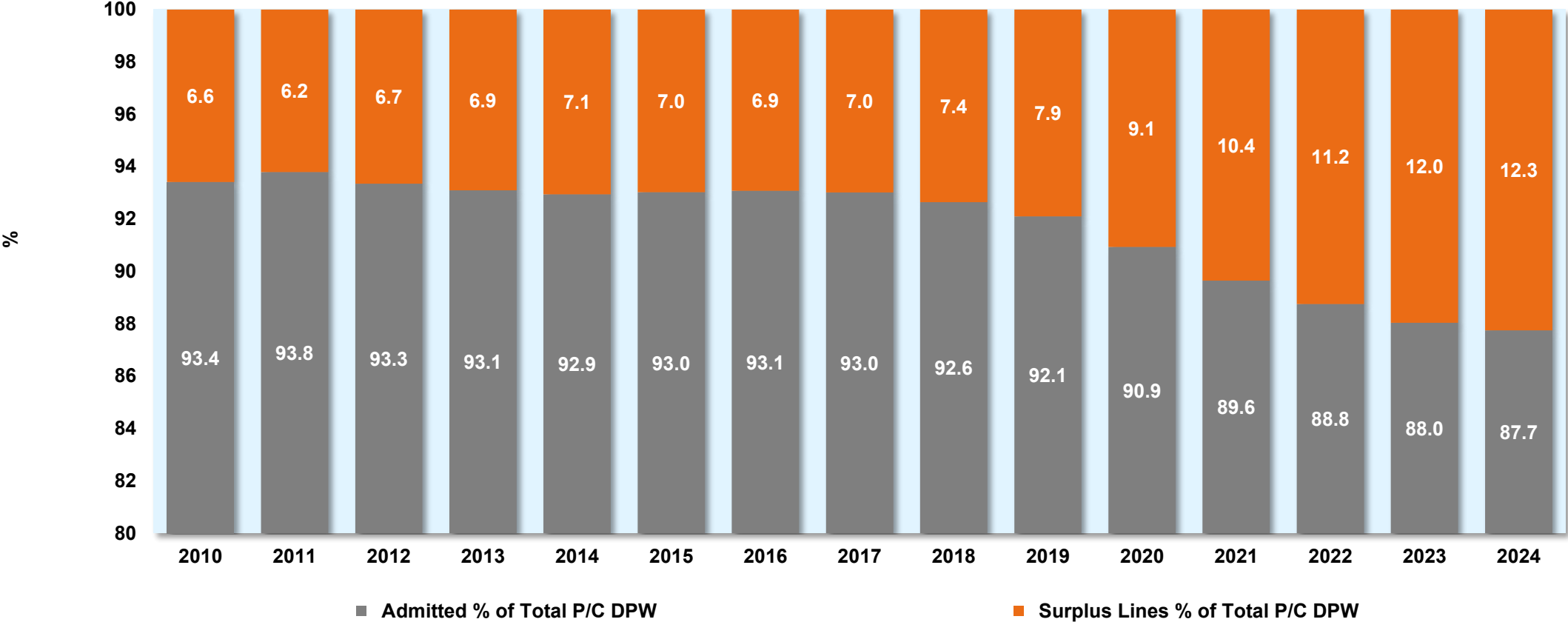
- The surplus lines market has enjoyed double-digit growth from 2018-2024.
- After surpassing the \$100 billion threshold for the first time in 2023, the Surplus Lines Market premium reached almost \$130 billion in 2024.
- The key driver of premium growth for insurers is the wealth of opportunities being sourced through their distribution partners, increasingly so by DUAEs.
- Troubled P/C lines of coverage (such as commercial auto and trucking, litigation-related liability exposures, commercial property and homeowners' insurance) have provided growth opportunities for surplus lines insurers.
- Demand for creative coverage options to cover emerging and evolving risks has heightened the role of surplus lines intermediaries and insurers.

2025 Report: Key Takeaways

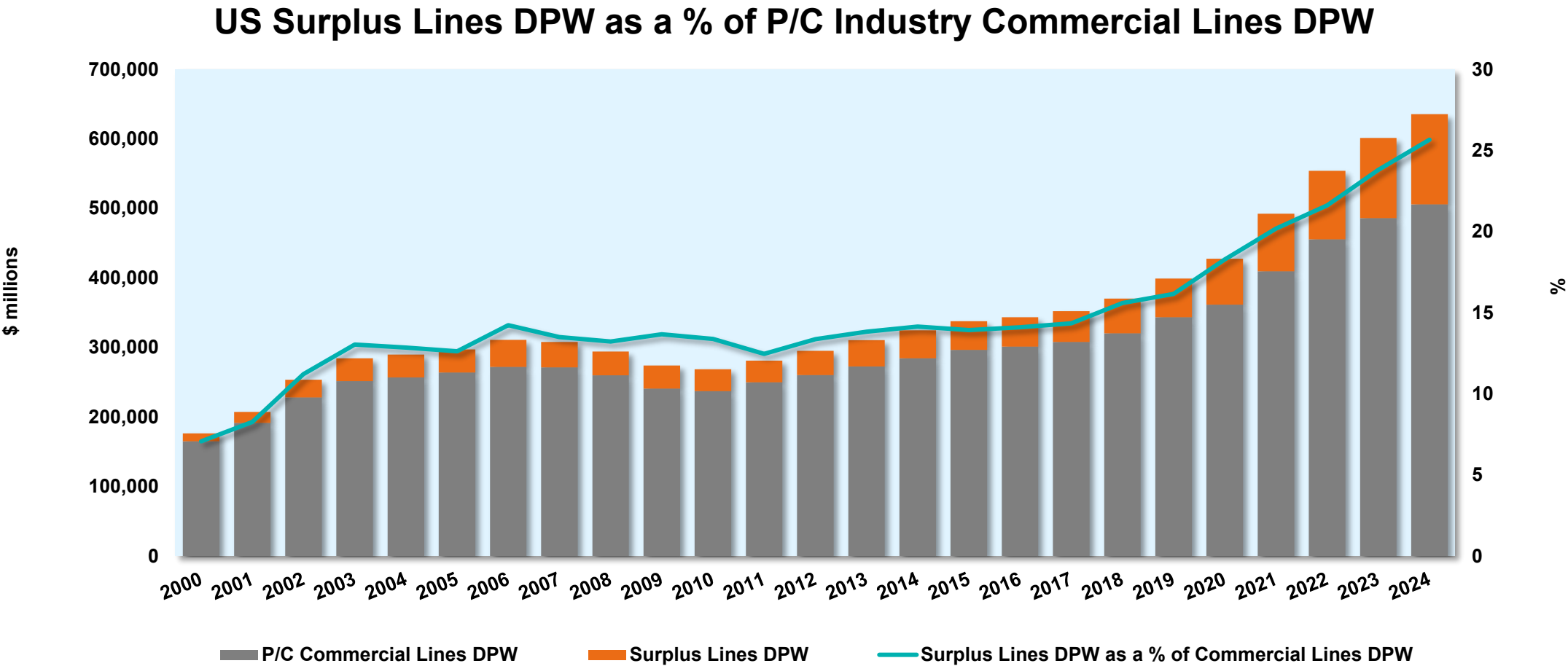
- Key underwriting ratios for AM Best's special composite of surplus lines companies – the net loss and LAE ratio, and combined ratio – have been superior to those of the total P/C industry in each of the last four years (2021-2024).
- The pretax operating profit of AM Best's special composite increased by 22% in 2024. Both the pretax ROR (23.2) and total ROR (27.4) compared favorably to the returns for the total P/C industry (17.7 and 14.6, respectively).
- 97.9% of surplus lines rating units are in the Excellent to Exceptional rating levels (issuer credit ratings from “a-” to “aaa”) compared to 85.4% of all P/C rating units being in the same categories.
- There were no surplus lines impairments in 2024 nor during the first half of 2025.

US Surplus Lines

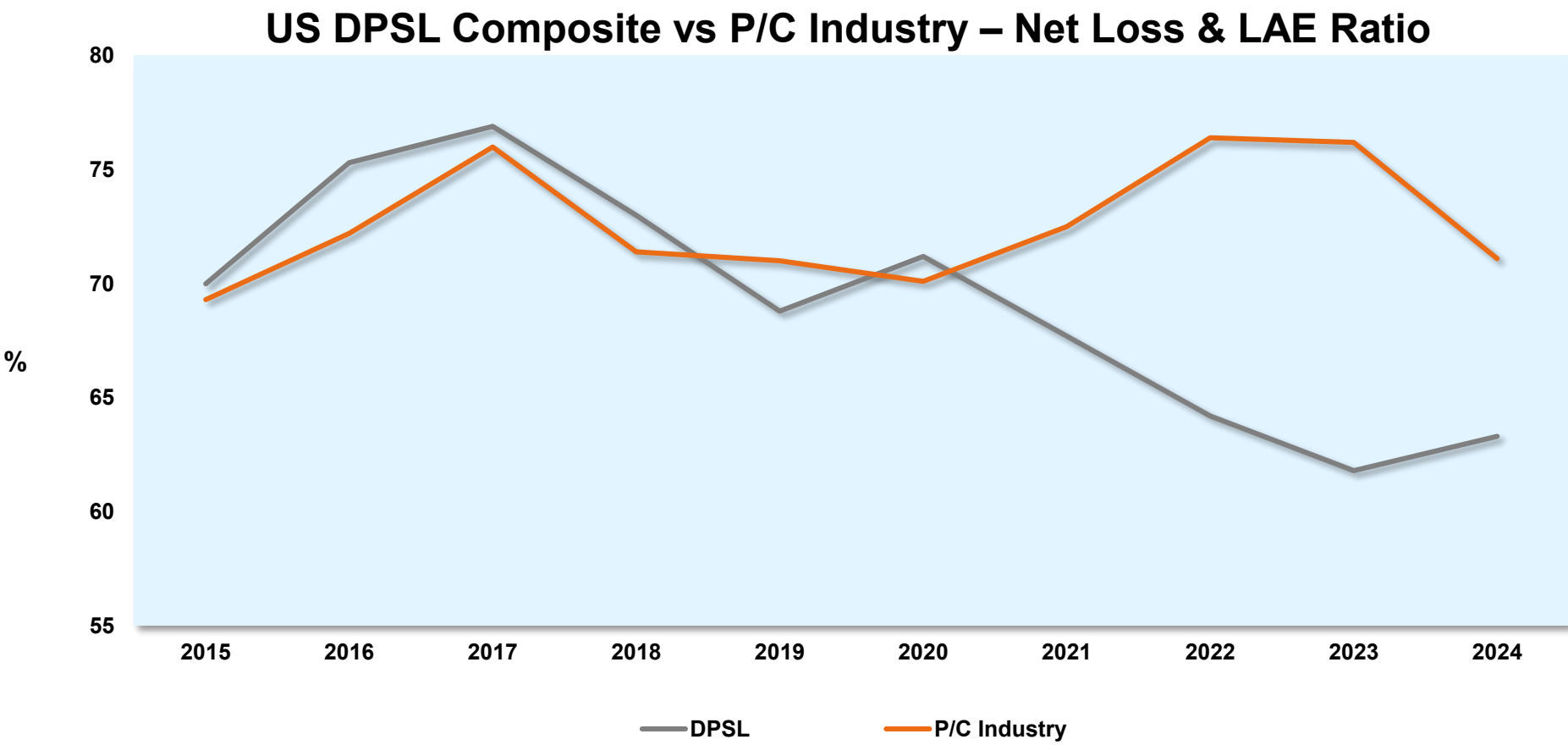
US P/C Industry – Admitted vs. Surplus Lines, Proportion of DPW



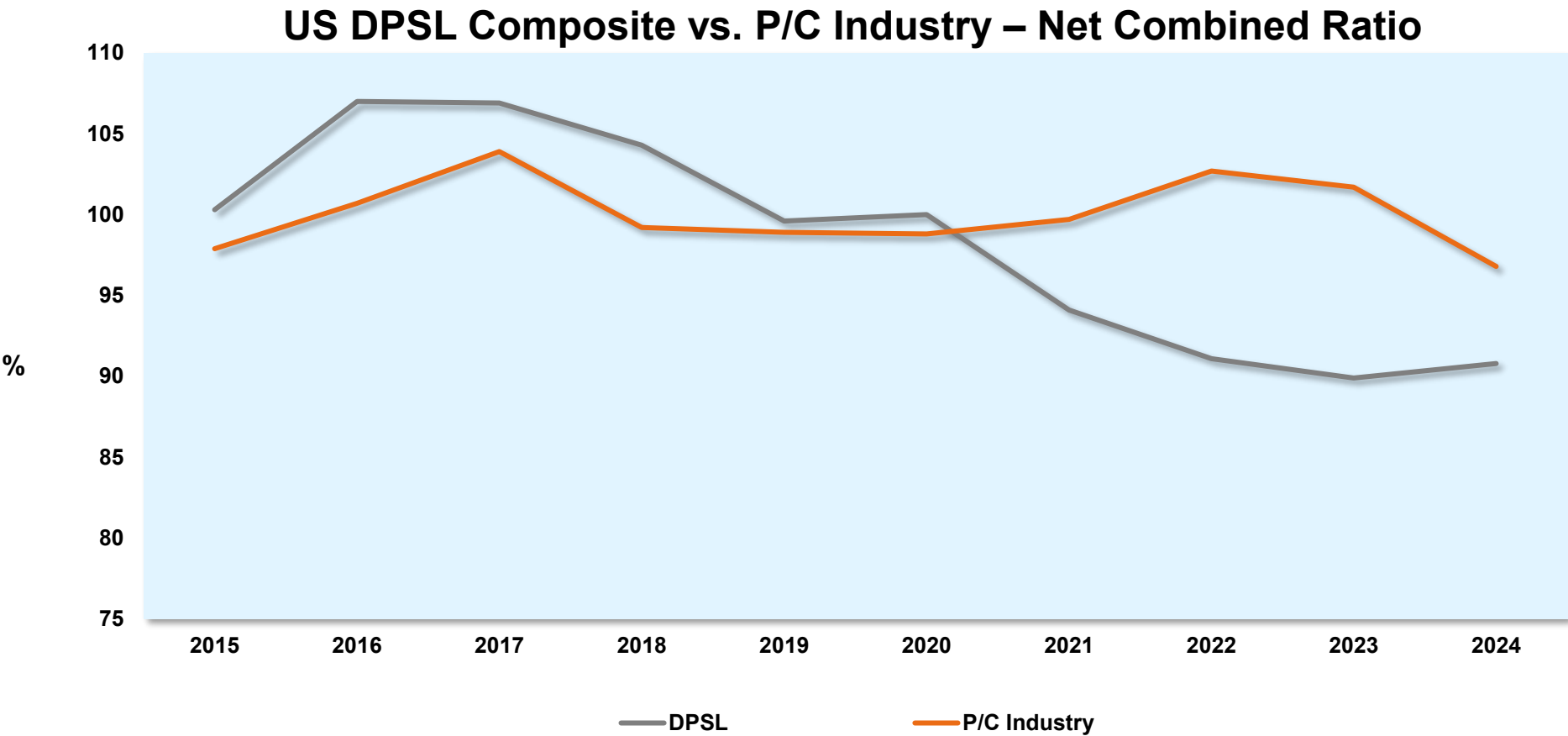
US Surplus Lines



US Surplus Lines

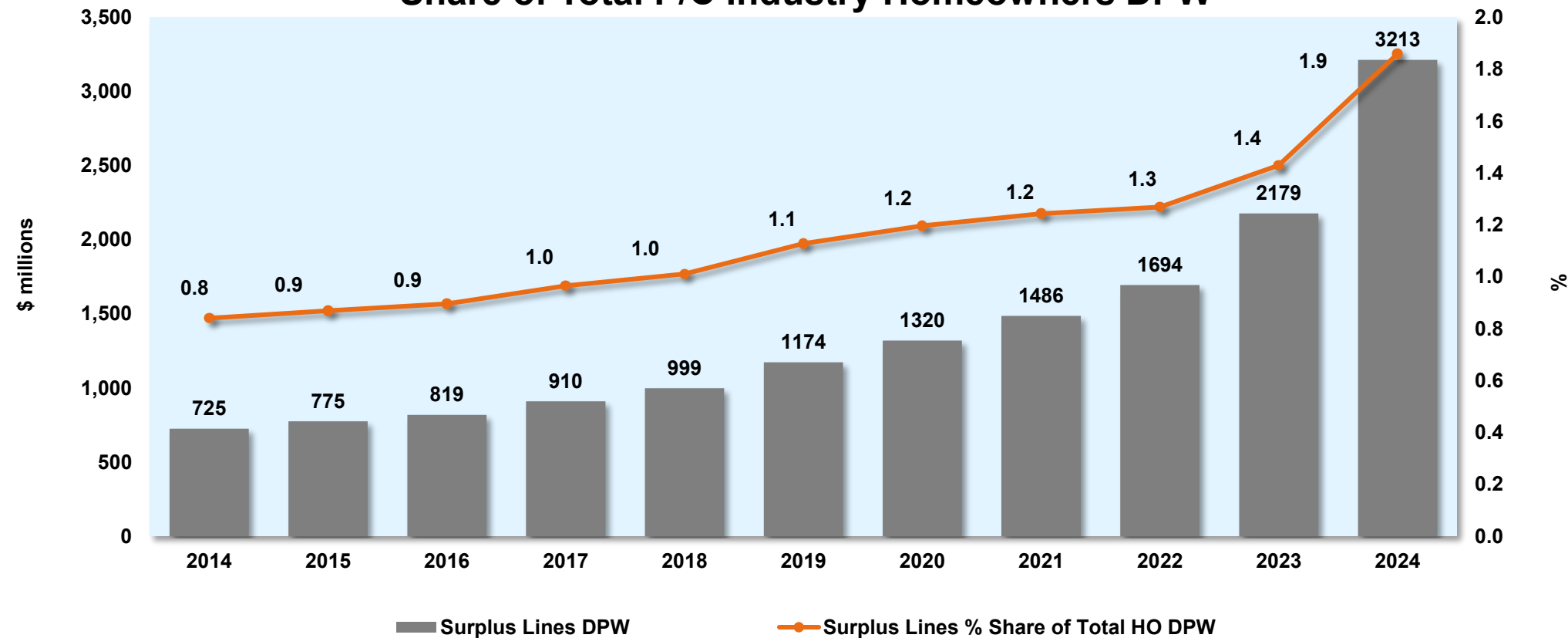


US Surplus Lines



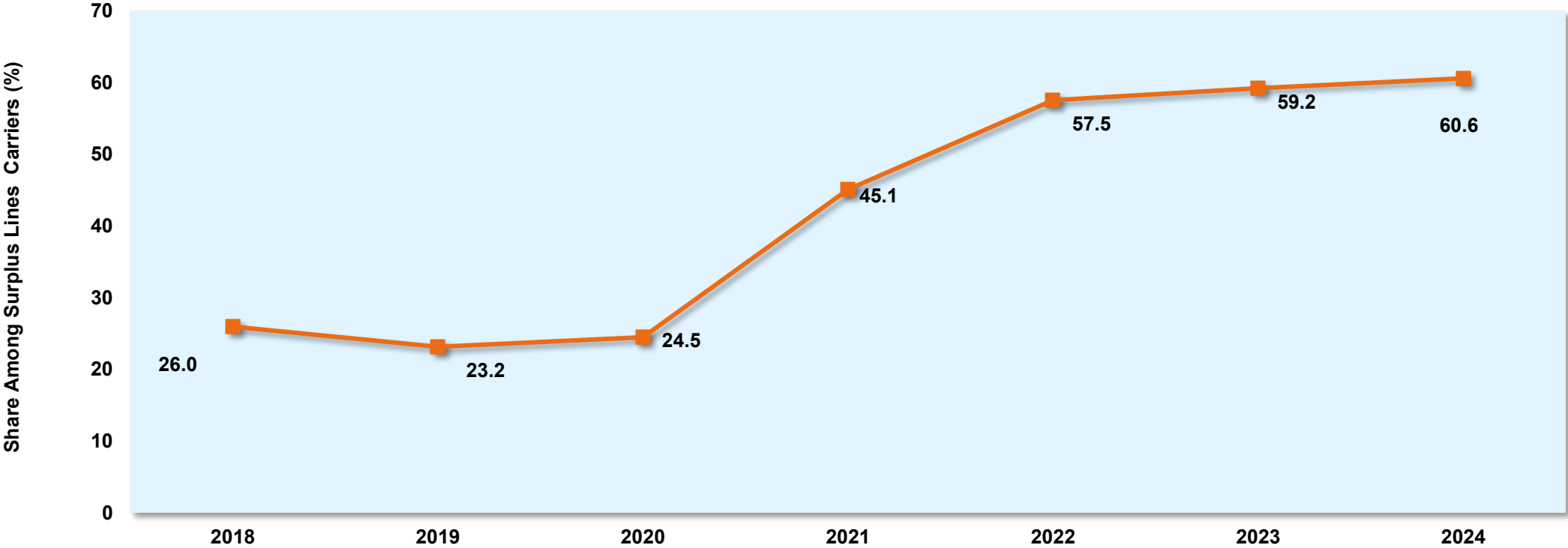
US Surplus Lines

US Surplus Lines – Homeowners Direct Premiums Written
Share of Total P/C Industry Homeowners DPW



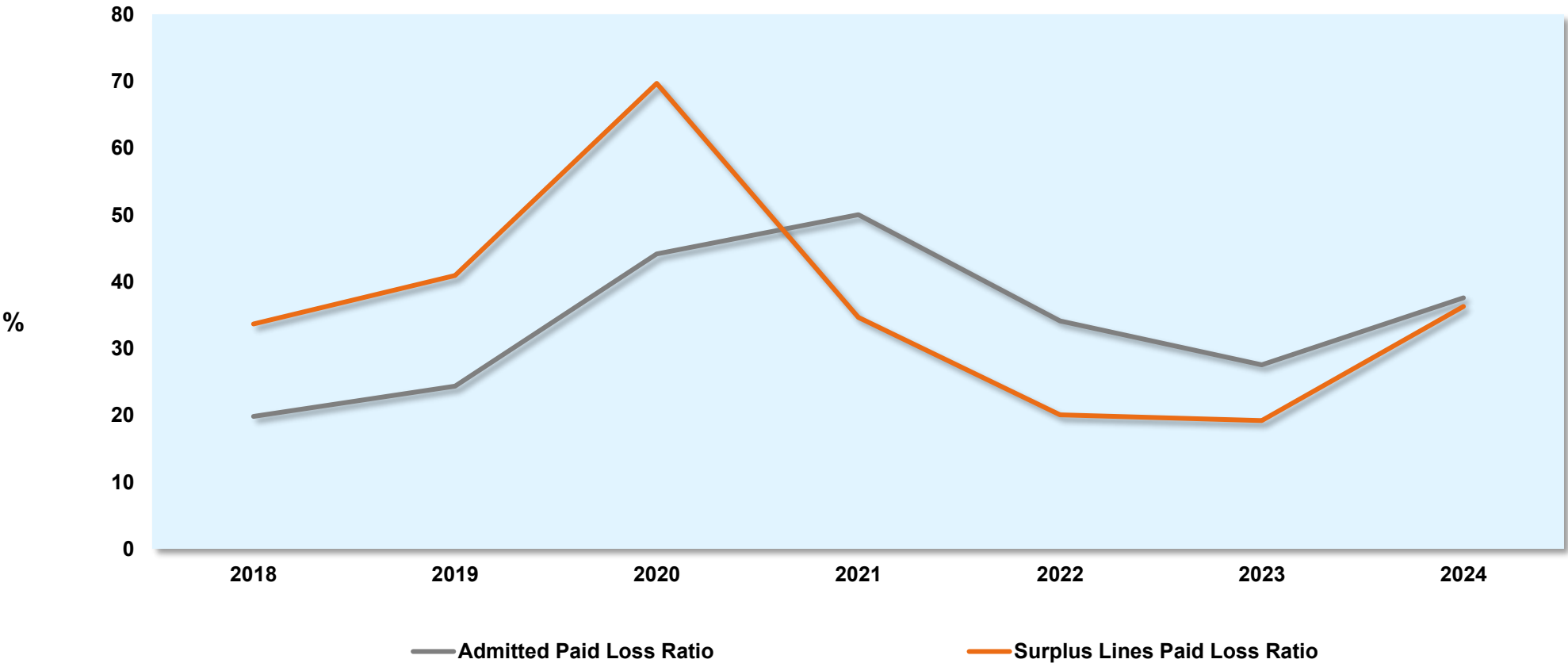
US Surplus Lines

Surplus Lines as Share of all Cyber DPW



US Surplus Lines

Admitted vs. Surplus Cyber Paid Loss and DCC Ratio



US Surplus Lines

US DPSL vs. US PC Industry – AM Best Ratings by Rating Unit

Category	Rating Level	DPSL		PC Industry	
		Rating Units	%	Rating Units	%
Exceptional	aaa	1	1.0	3	0.5
	Subtotal	1	1.0	3	0.5
Superior	aa+	10	10.1	16	2.5
	aa	9	9.1	12	1.8
	aa-	14	14.1	44	6.7
	Subtotal	33	33.3	72	11.0
Excellent	a+	17	17.2	94	14.4
	a	18	18.2	166	25.5
	a-	28	28.3	222	34.0
	Subtotal	63	63.6	482	73.9
Good	bbb+	1	1.0	35	5.4
	bbb	1	1.0	22	3.4
	bbb-	0	0.0	14	2.1
	Subtotal	2	2.0	71	10.9
Fair	bb+, bb, bb-	0	0.0	20	3.1
Marginal	b+, b, b-	0	0.0	3	0.5
Weak/Very Weak	ccc+, ccc, ccc-, cc	0	0.0	1	0.2
Poor	c	0	0.0	0	0.0
	Subtotal	0	0.0	24	3.7
Total Issuer Credit Ratings		99	100.0	652	100.0

Note: Numbers may not add up due to rounding. Domestic professional surplus lines ratings are as of July 22, 2025. US P/C industry ratings data is as of June 30, 2025.



US Surplus Lines

- **Evolving Lines/Risk Classes**

- Catastrophe-exposed property
- Evolving cyber liability threats
- Coverage for cannabis-related businesses
- Specialty risks shifting to surplus lines like event cancellation, and active assailant coverage

- **Emerging Lines/Risk Classes**

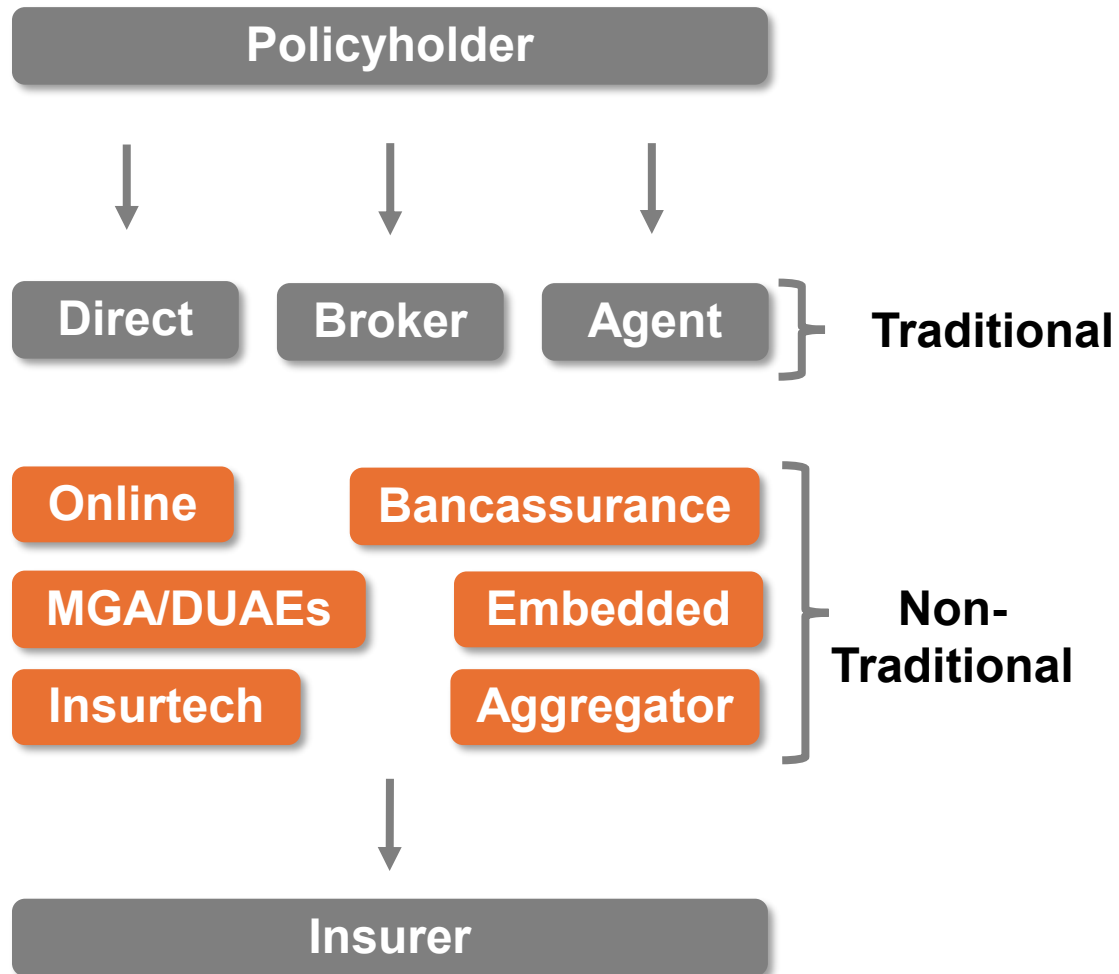
- Artificial intelligence-related exposures
- Autonomous transportation
- Electric vehicles / lithium battery risks
- Emerging health, biotech, and life science exposures (gene therapies, clinical trials, etc.)
- Environmental liabilities (PFAS contamination)
- Parametric covers

US Surplus Lines

- **Key Topics Concerning Surplus Lines Distribution**

- Acquisition and consolidation trends continue, driven by:
 - Strategic considerations
 - Financial considerations
- Continued shift of complex and emerging risks into the E&S space
- Progress made in attracting and retaining young talent.
- Digital transformation being furthered via artificial intelligence
 - AI will help reshape how insurance products are evaluated, sold and serviced.
 - Risk assessment, negotiation and constructing bespoke coverage solutions still demand efforts led by individuals

Evolution of Insurance Distribution



Distribution Trends

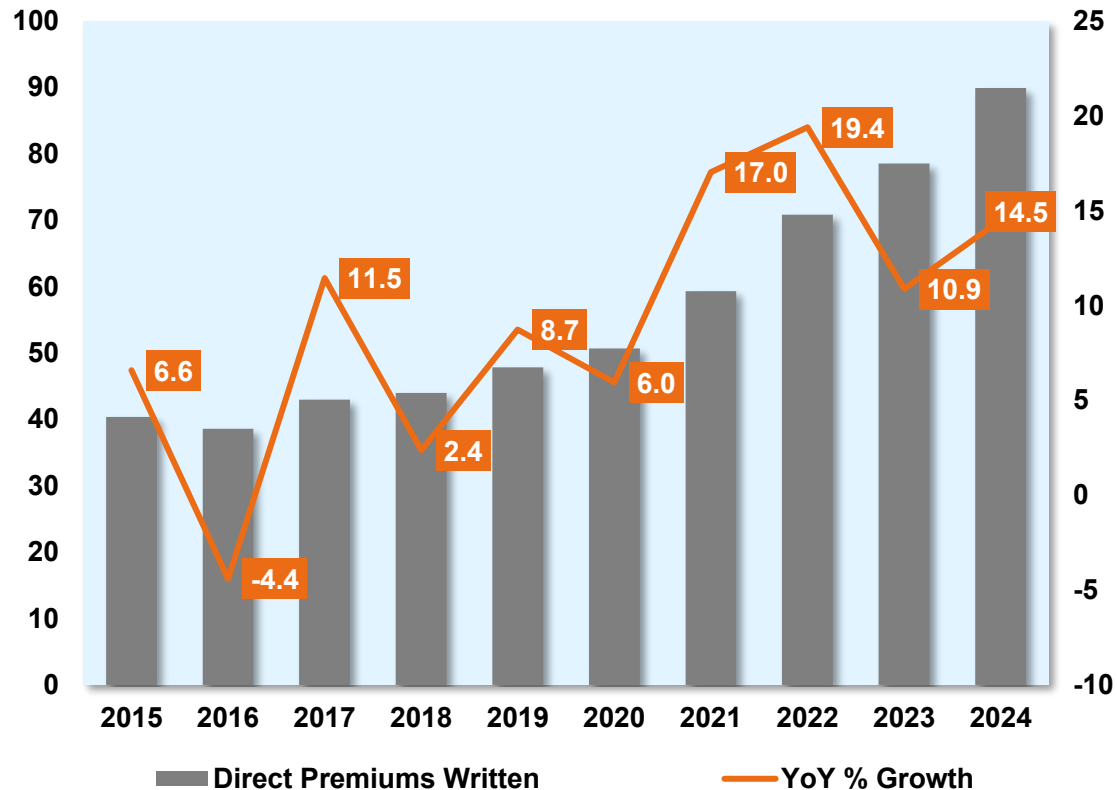
- Multi-channel
- Non-traditional channels
- Technology
- Delegated authority

Channel Considerations

- Growth & access
- Cost
- Segment
- Competition

Growth of DUAEs/MGAs in the Value Chain

US Property/Casualty MGA Direct Premiums Written (USD billions)



- **AM Best currently maintains a positive outlook on the global DUAЕ market**

- Growth will continue to be supported by demand for specialty products
- Tech edge
- Talent migration
- Capacity remains robust
- Increasing alignment of incentives

- **Emerging headwinds**

- Pricing tailwinds are moderating
- Regulatory/compliance obligations are increasing
- Profit-share economics under pressure
- Capacity providers becoming more selective

Published Performance Assessments

AMB#	Company	Assessment (Category)	Outlook	Effective Date	Description
41014	Amwins Access Insurance Services, LLC	PA-1 (Exceptional)	Stable	04-Nov-24	Update
41015	Amwins Digital Insurance Services, LLC	PA-1 (Exceptional)	Stable	04-Nov-24	Update
41016	American Equity Underwriters, Inc.	PA-1 (Exceptional)	Stable	04-Nov-24	Update
41017	Amwins Program Underwriters, Inc.	PA-1 (Exceptional)	Stable	04-Nov-24	Update
41018	Amwins Special Risk Underwriters, LLC	PA-1 (Exceptional)	Stable	04-Nov-24	Update
41019	Amwins Natl Transportation Underwriters	PA-1 (Exceptional)	Stable	04-Nov-24	Update
41020	Amwins Specialty Casualty Solutions, LLC	PA-1 (Exceptional)	Stable	04-Nov-24	Update
41001	Ryan Specialty Underwriting Mgrs Intl	PA-1 (Exceptional)	Stable	27-May-25	Initial Assessment
41009	Ryan Specialty Netherlands B.V.	PA-1 (Exceptional)	Stable	27-May-25	Initial Assessment
41012	Velocity Risk Underwriters, LLC	PA-1 (Exceptional)	Stable	27-May-25	Initial Assessment
41035	RSG Underwriting Managers, LLC	PA-1 (Exceptional)	Stable	27-May-25	Initial Assessment
41036	RSG Specialty, LLC	PA-1 (Exceptional)	Stable	27-May-25	Initial Assessment
41037	Ryan Re Underwriting Managers, LLC	PA-1 (Exceptional)	Stable	27-May-25	Initial Assessment
41041	Ryan Specialty International Limited	PA-1 (Exceptional)	Stable	27-May-25	Initial Assessment
41043	Ryan Specialty Nordics AB	PA-1 (Exceptional)	Stable	27-May-25	Initial Assessment
41046	Freberg Environmental. LLC	PA-1 (Exceptional)	Stable	27-May-25	Initial Assessment
41048	US Assure Ins Services of Florida, LLC	PA-1 (Exceptional)	Stable	27-May-25	Initial Assessment
41056	Ryan Specialty Europe GmbH	PA-1 (Exceptional)	Stable	27-May-25	Initial Assessment

Published Performance Assessments (Cont'd)

AMB#	Company	Assessment (Category)	Outlook	Effective Date	Description
41006	Delta Insurance New Zealand Limited	PA-2 (Excellent)	Stable	10-Sep-24	Update
41007	Delta Underwriting Private Limited	PA-2 (Excellent)	Stable	10-Sep-24	Update
41025	Excess Reinsurance Underwriters Inc.	PA-2 (Excellent)	Stable	04-Oct-24	Update
41034	Dynamic Reinsurance, LLC	PA-2 (Excellent)	Stable	30-Jun-25	Initial Assessment
41000	CargoCorp Underwriters Inc.	PA-3 (Strong)	Positive	17-Jul-25	Update
41022	Corin Underwriting Limited	PA-3 (Strong)	Stable	11-Oct-24	Update
41023	Corin Unwriting (Europe) GmbH	PA-3 (Strong)	Stable	11-Oct-24	Update
41002	First Indemnity Insurance Agency, Inc.	PA-3 (Strong)	Stable	29-Sep-25	Update
41024	Redbridge Group, LLC	PA-3 (Strong)	Stable	20-Feb-25	Update
41033	Kay International AMEA Limited	PA-3 (Strong)	Stable	04-Apr-25	Initial Assessment
41027	Keane Specialty Insurance LLC	PA-4 (Fair)	Stable	10-Jul-25	Update

US Surplus Lines

- **AM Best's Surplus Lines Market Segment Outlook remains at Positive owing to the following key factors:**
 - The efficient use of capacity operating as the safety valve for specific lines of commercial or personal lines of coverage where capacity is limited or has been declining.
 - Operating profitability and strengthened capital positions driven by strong underwriting results.
 - Market conditions have supported the entrance of new participants, including insurers and different types of surplus lines intermediaries.
 - The integration of new, complex technologies in numerous industries, making it likely that specifically tailored surplus lines coverage solutions will remain in high demand.

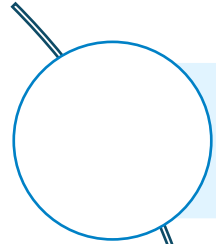
AM BEST

Global Reinsurance Perspectives

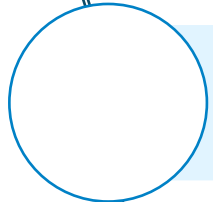
Carlos Wong-Fupuy – Senior Director, AM Best

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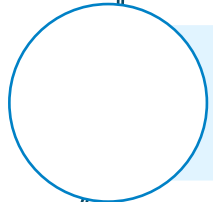
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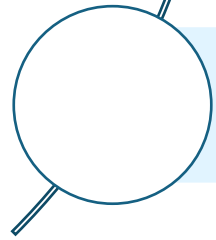
Outlook: Positive – Sustainable Results for Longer



Robust Operating Results – Despite Heightened Cat Activity, Casualty Challenges



Available Capital – Internal Capital Generation, ILS Growth Continues



Expectations and Key Themes – What Challenges Lie Ahead?

Outlook – Positive Sustainable Results for Longer

AM Best's Market Segment Outlook – Global Reinsurance

Positive Outlook

Not just re-pricing but de-risking

Sustainable underwriting margins

Capital protection instead of earnings stabilizers

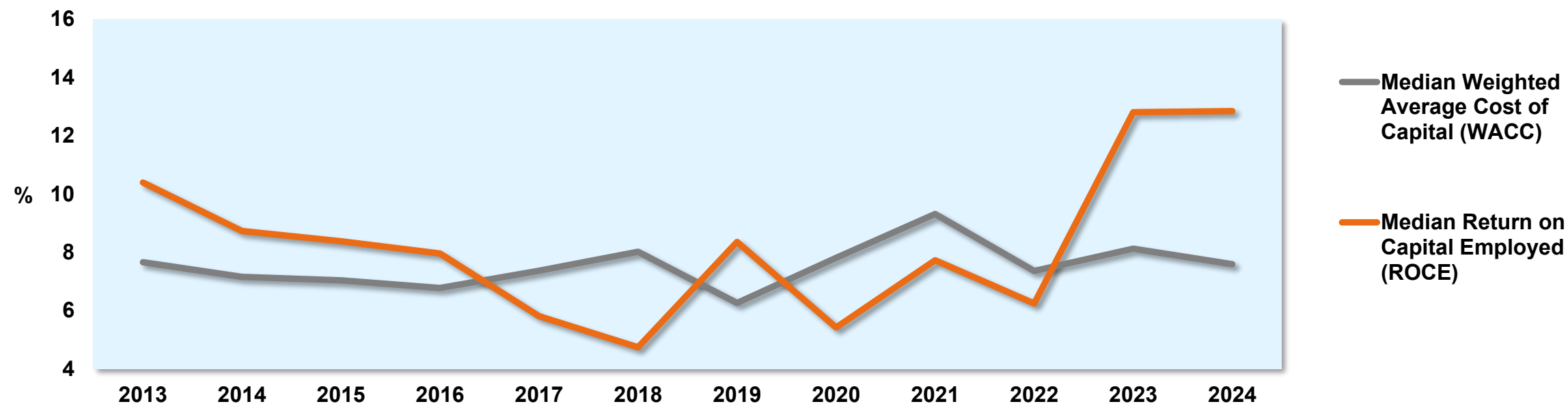
No capital depletion

Strong demand

Investor pressure

Robust Operating Results – Despite Heightened Cat Activity

Cost of Capital and Realignment of Risk

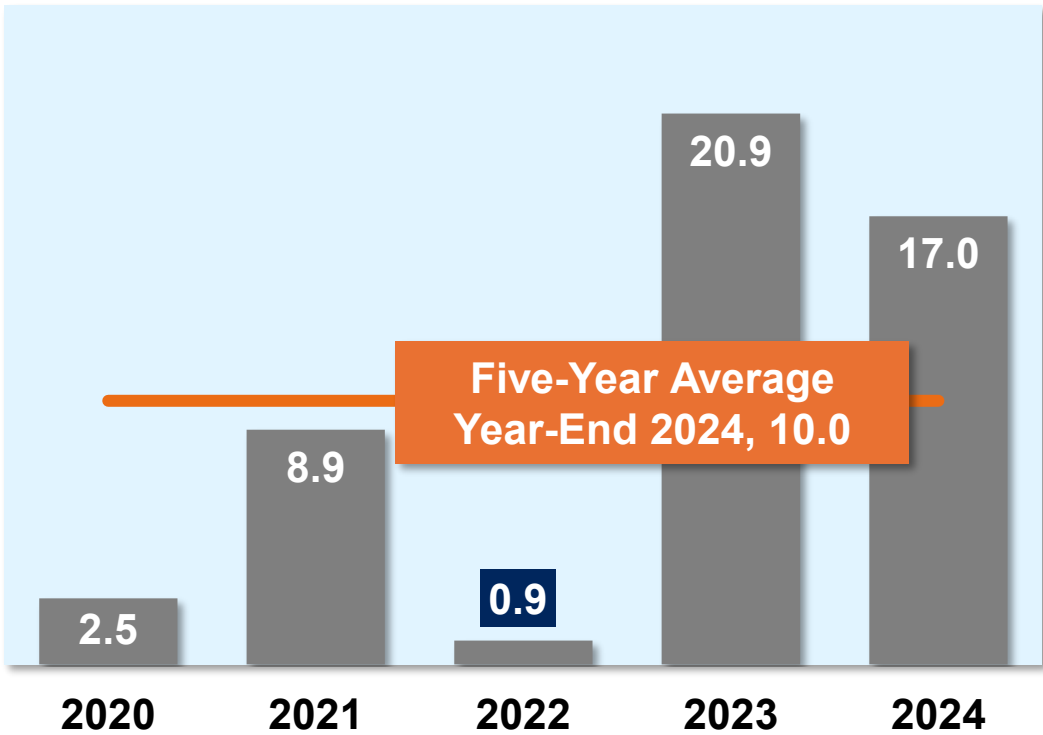


Reinsurers Meeting Cost of Capital

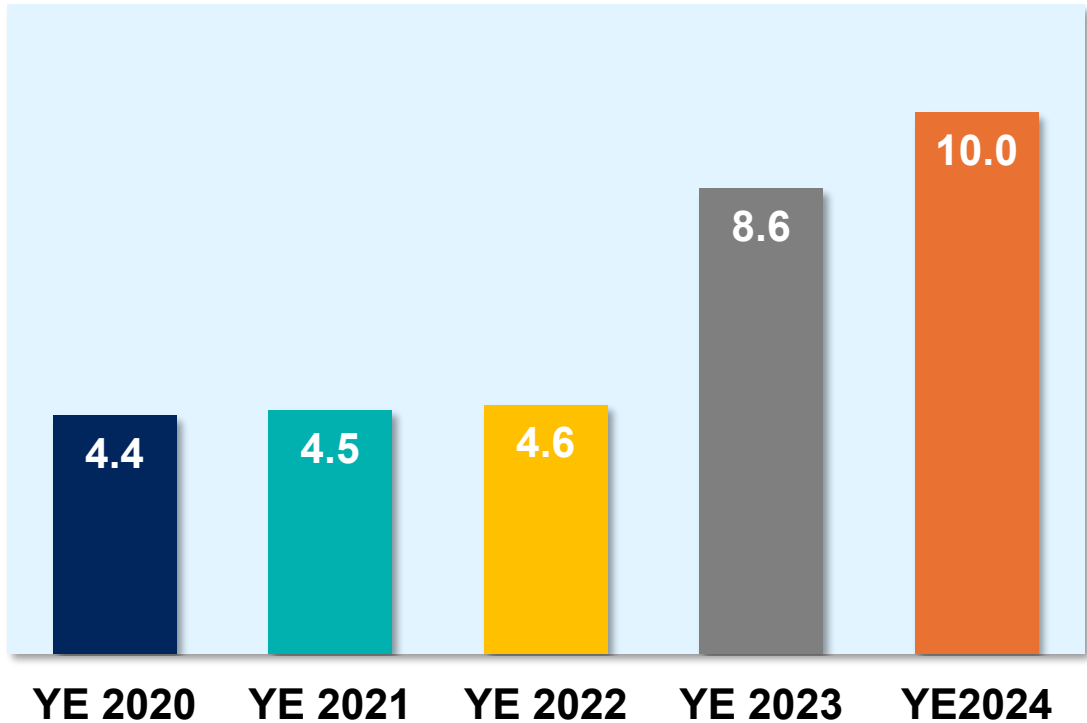


Global Reinsurance Market Performance

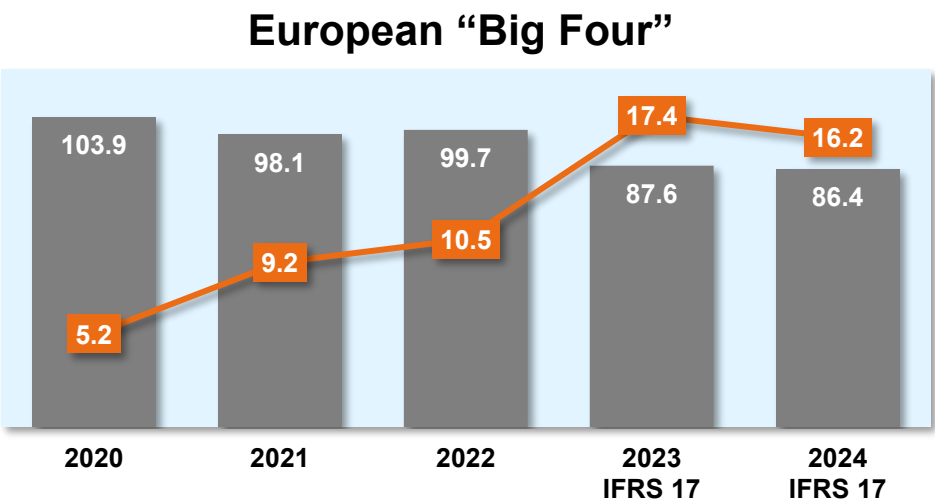
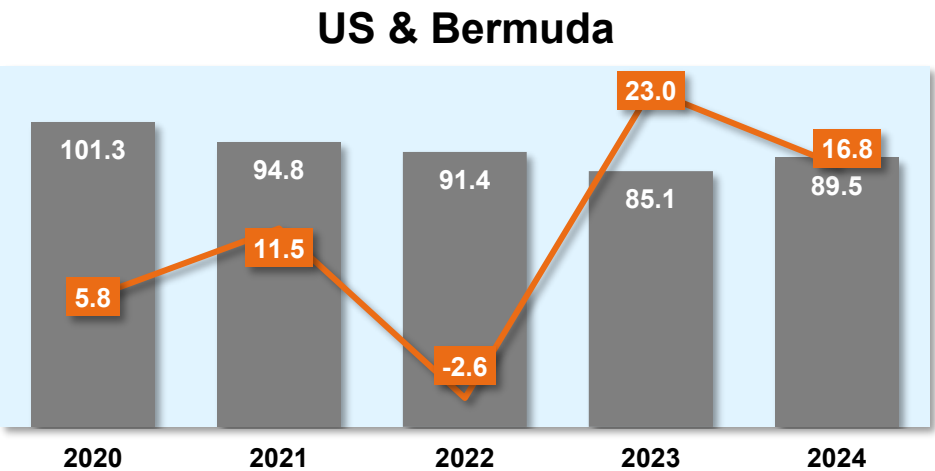
Return on Equity (%)



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

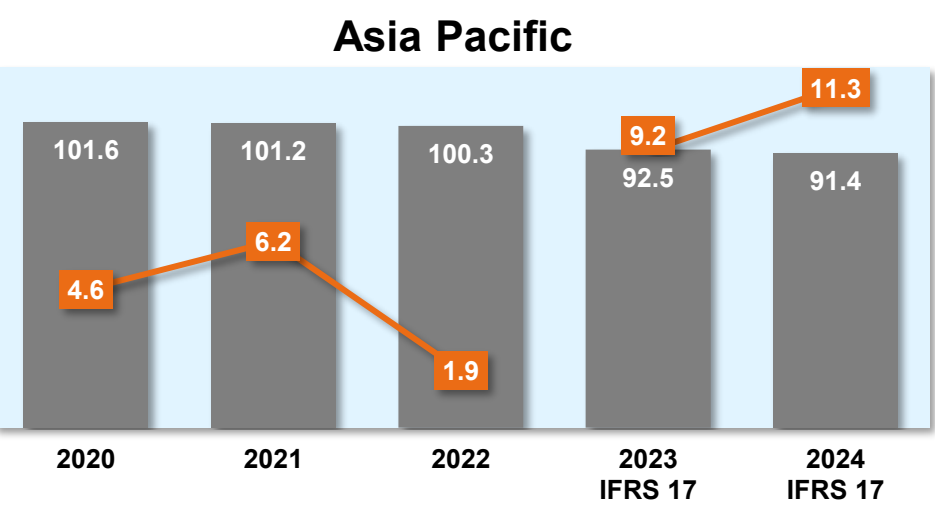
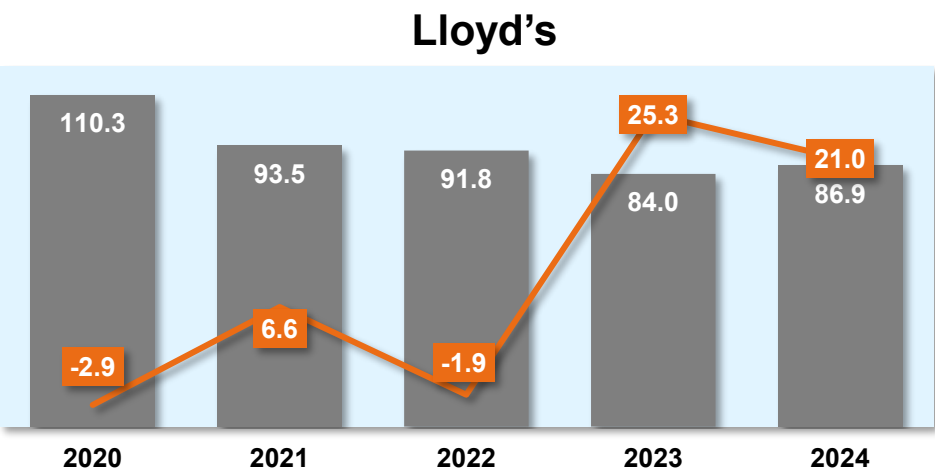


Global Reinsurance Market Performance



Combined Ratio

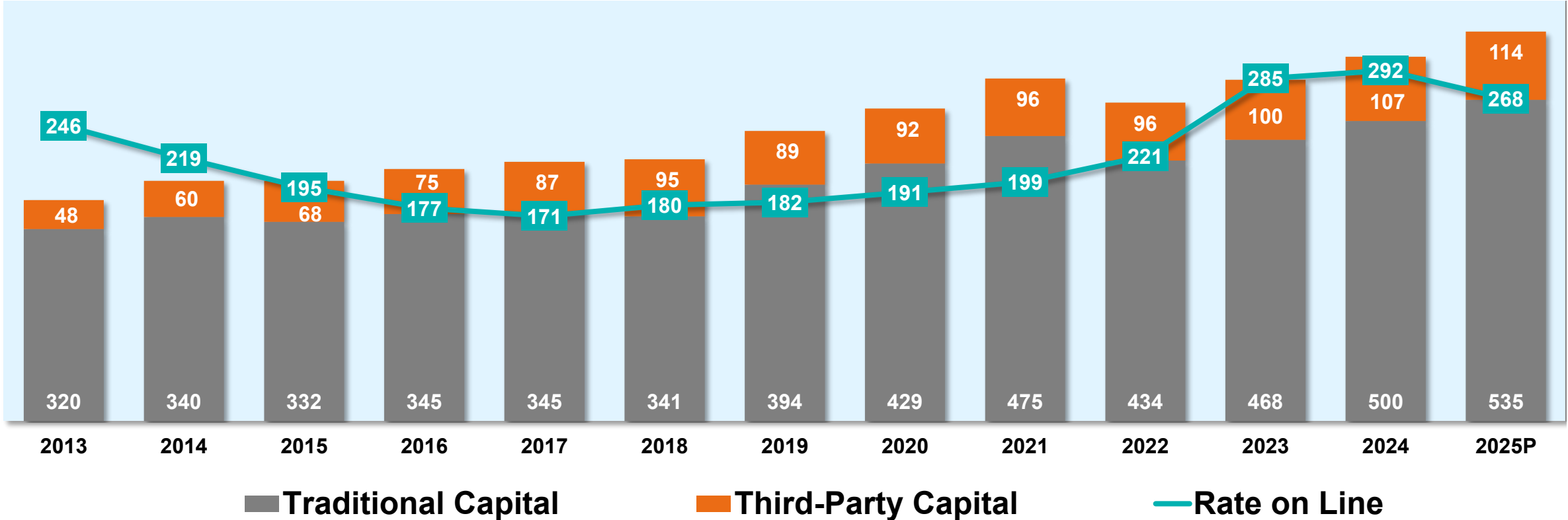
Return on Equity



Available Capital – Internal Capital Generation, ILS Growth

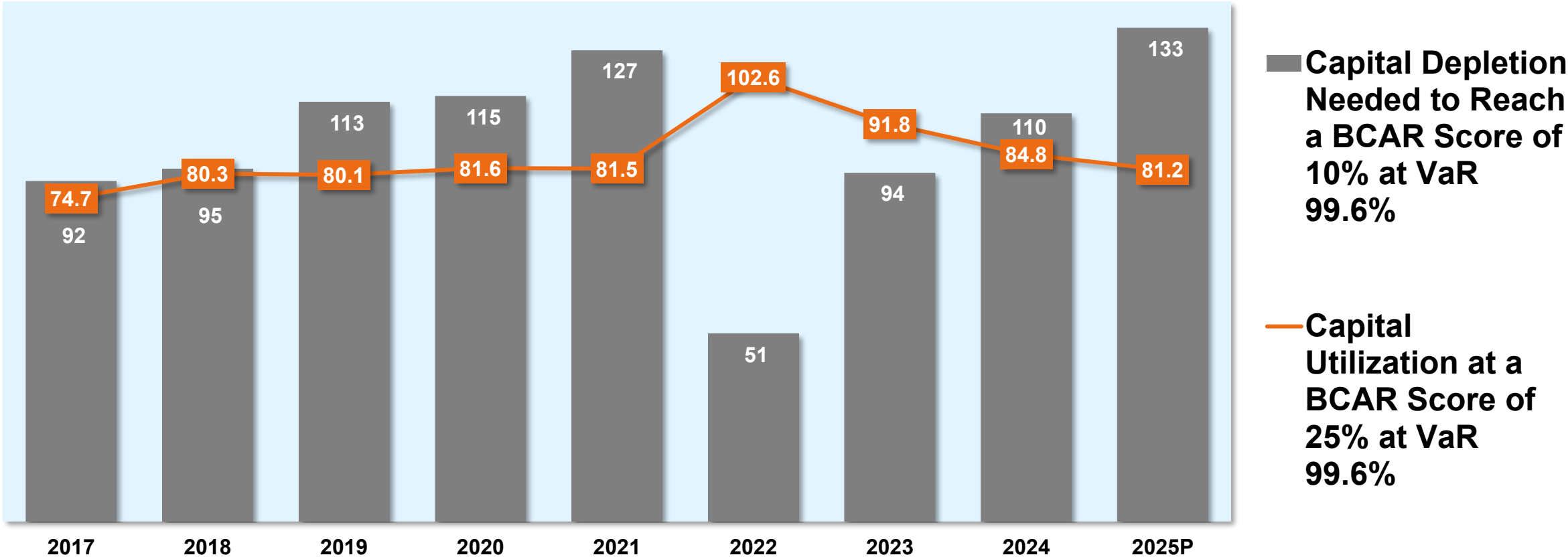
Global Reinsurance – Dedicated Capital

Estimated Dedicated Reinsurance Capital (USD billions)



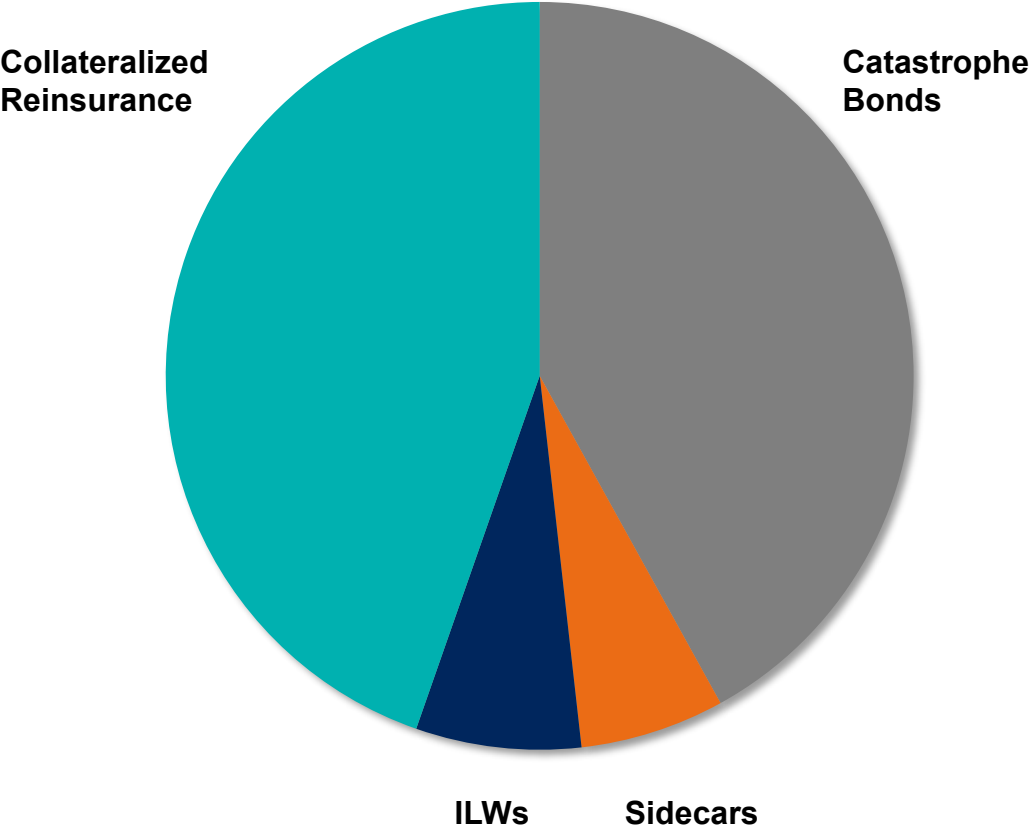
Global Reinsurance – Capital Utilization

Global Reinsurance – Capital Utilization (USD billions)

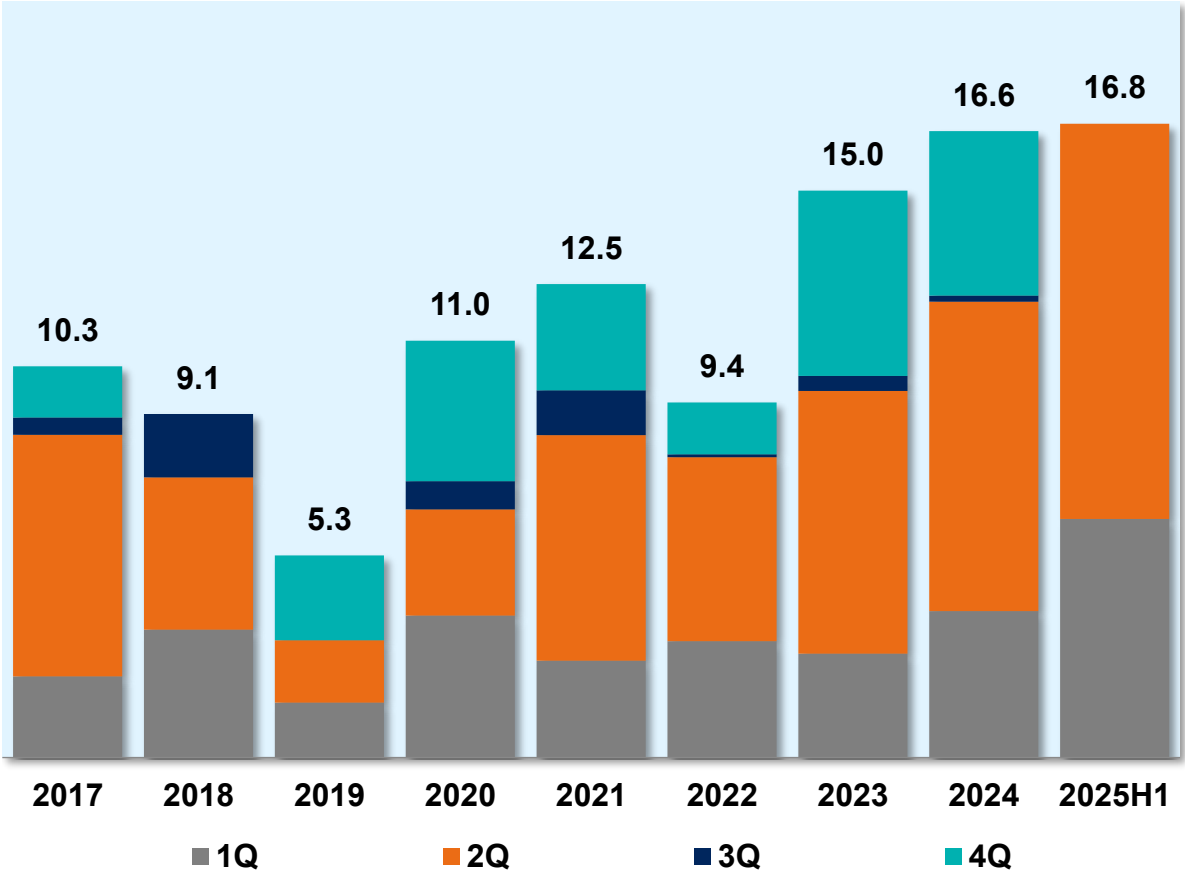


ILS Trends

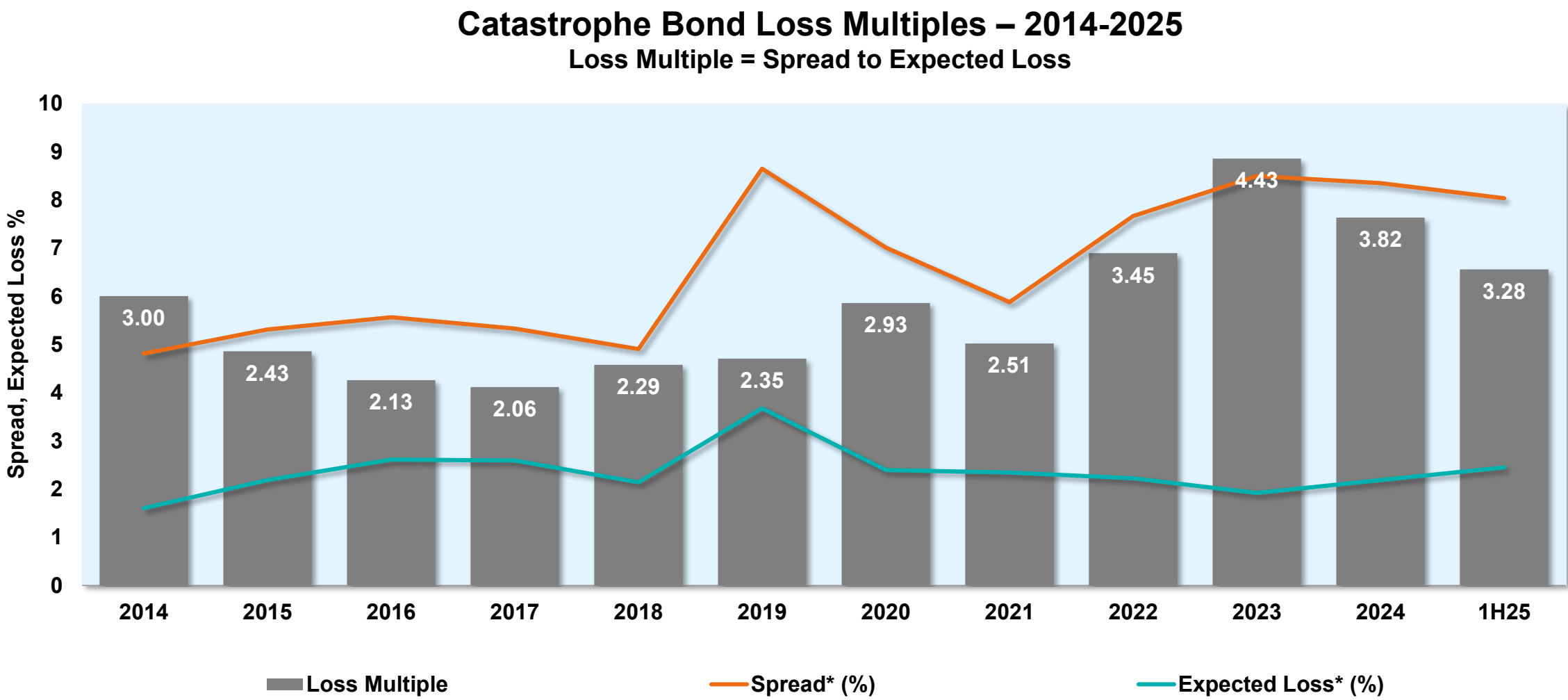
ILS Composition
(Approximated 2024)



144A Property Cat Bond Issuance by Quarter –
2017-2025 H1 (USD billions)



ILS Trends



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



Expectations and Key Themes

AM Best's Market Segment Outlook – Global Reinsurance

**What might
change our
outlook?**

Broad and significant rate reductions

Looser terms and conditions

Lower attachment points, into 'working layers'

Expected RoE over cost of capital margin

Combination of the above

AM Best's Key Themes

Reinsurers remain disciplined

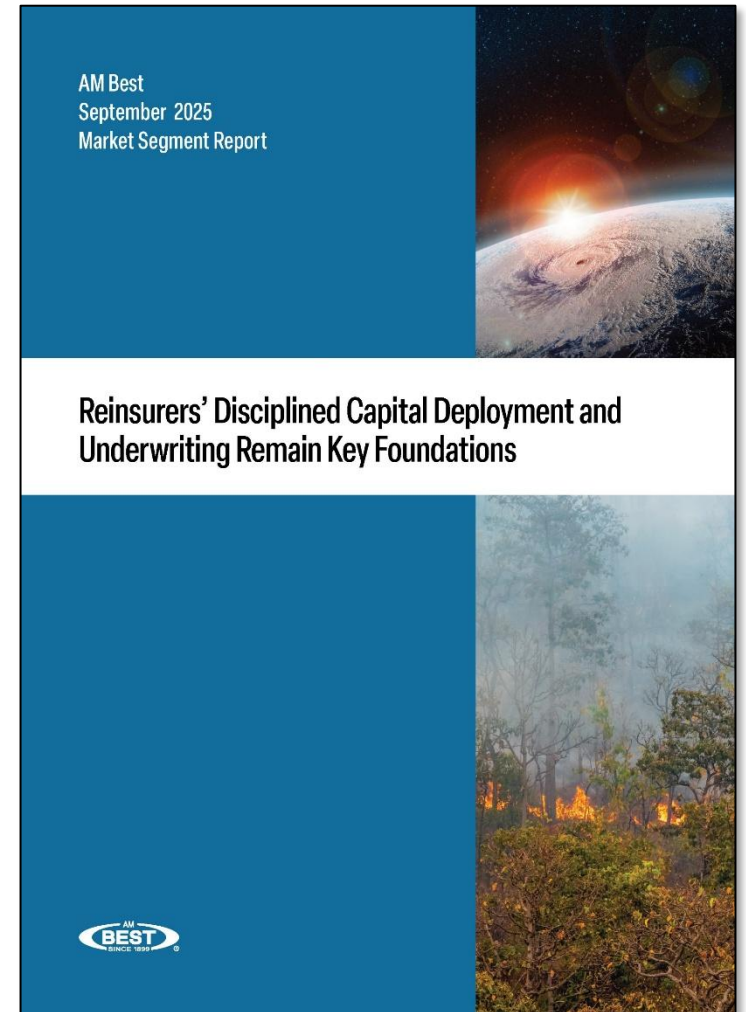
Payback to investors continues

Supply/demand equilibrium

Maintaining disciplined allocation

Positive outlook

Sustainable profitability



Q&A

AM Best's Upcoming Events – Autumn 2025



November 4

AM Best's Insurance Market Briefing – SIRC

Marina Bay Sands Expo & Convention
Centre, Singapore



November 6

AM Best's Europe Insurance Market & Methodology Briefings – London

Convene 200 Aldersgate, St. Paul's, London



November 25

AM Best's Insurance Market Briefing – MENA

Kempinski Central Avenue Dubai

**Click on an event for more details and to register,
or visit AM Best's events pages**

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