November 18, 2025

Market Segment Outlook: US Excess & Surplus Lines Insurance

The outlook for the US E&S lines segment is revised to Stable from Positive, reflecting moderating premium growth and rate softening, balanced by strong underwriting results, favorable market conditions, and adoption of new technology

AM Best's is revising the outlook for the US excess and surplus (E&S) lines segment to Stable from Positive, reflecting emerging headwinds. Key factors supporting this revision include:

- Rate momentum is easing in select classes and loss cost uncertainty (social inflation and catastrophe-based volatility) warrants caution, despite continued underwriting and operating profitability.
- While market conditions support the entrance of new participants, capacity is becoming increasingly more selective on terms and conditions and is raising performance thresholds at renewals.
- The integration of new, complex technologies in numerous industries makes it likely that specifically tailored surplus lines coverage solutions will remain in high demand.
- The efficient use of E&S lines capacity operates as a safety valve for the declining capacity in the commercial lines and some of the personal lines markets.

Admitted carriers continue to tighten their underwriting criteria, leading accounts to seek coverage in the E&S market. Accounts moved to this market are written on their merits, with customized policy conditions and rates commensurate with the risk, the core competencies of surplus lines carriers. This places E&S market participants in a position to take advantage of prevailing market opportunities, given the steady volume of submissions in recent years. Lines finding their way to the E&S segment on a more frequent basis include commercial auto, directors' and officers' liability, cyber liability, and risks from the expanding legal cannabis industry. The continued increased volatility of weather-related catastrophes coupled with the higher cost of raw materials to repair or rebuild homes and supply chain slowdowns has driven more homeowners' business to the surplus lines market.

Surplus lines carriers' financial results reflect the advanced underwriting acumen required to effectively underwrite accounts with moderate to high hazard risks, and to do so while generating underwriting profitability. As AM Best noted in The Need for Specialized Expertise Propels the US Surplus Lines Market (September 9, 2025), E&S participants are posting more favorable underwriting results and greater top-line growth than those in the broader property/casualty industry. Investment income for the E&S segment's carriers has enhanced underwriting results, leading to improved capital positions. Although surplus lines carriers are not immune from general insurance industry headwinds such as social inflation and reinsurance capacity, the impact of these factors is mitigated by the surplus lines carriers' core competencies of risk selection, price, and policy terms.

New participants—both de novo start-ups and new affiliates of established commercial carriers—have entered the E&S market to serve targeted niche, new, and distressed risks. To date, the approach of the new entrants has been measured and judicious. Given current market conditions,

Analytical Contact:
Edin Imsirovic, Oldwick
+1 (908) 882-1903
Edin.Imsirovic@ambest.com

2025-159

as well as the historical viability of E&S providers, especially in light of their financial impairment rates (which are much lower than those of admitted insurers), opportunities for new participants remain, even as capacity has become more selective in some lines.

The use of the E&S lines structure has expanded, particularly with fronting carriers applying the freedom of rate and form to meet their risk needs. At the same time, the desire of managing general agents (delegated underwriting authority enterprises, or DUAEs) to work with carriers to develop customized coverage solutions is also providing a boost for E&S structured carriers. The global reinsurance market (including the London market) is a major participant in the E&S segment, with stability and predictability in their casualty books amid the search for exposures subject to minimal natural catastrophe risks.

At the same time, collateral requirements and oversight for fronted programs are tightening, and data and reporting expectations, particularly at Lloyd's and in the UK, are rising, adding operational complexity. Coupled with slowing premium growth, early rate softening in select classes such as commercial property, more selective capacity deployment, and persistent loss cost uncertainty, these dynamics now warrant a Stable outlook.

AM Best believes that, given the overall dynamics of the insurance industry, the tailwind conditions for US E&S lines carriers will remain in place, albeit in a more measured form.

GUIDE TO BEST'S MARKET SEGMENT OUTLOOKS

Our market segment outlooks examine the impact of current trends on companies operating in particular segments of the insurance industry over the next 12 months. Typical factors we would consider include current and forecast economic conditions; the regulatory environment and potential changes; emerging product developments; and competitive issues that could impact the success of these companies.

A Best's Market Segment Outlook can be Positive, Negative, or Stable.

Best's Market Segment Outlook	
Positive	A Positive market segment outlook indicates that AM Best expects market trends to have a positive influence on companies operating in the market over the next 12 months. However, a Positive outlook for a particular market segment does not mean that the outlook for all the companies operating in that market segment will be Positive.
Negative	A Negative market segment outlook indicates that AM Best expects market trends to have a negative influence on companies operating in the market over the next 12 months. However, a Negative outlook for a particular market segment does not mean that the outlook for all the companies operating in that market segment will be Negative.
Stable	A Stable market segment outlook indicates that AM Best expects market trends to have a neutral influence on companies operating in that market segment over the next 12 months.

We update our market segment outlooks annually but may revisit them at any time during the year if regulatory, financial, or market conditions warrant.

Published by AM Best

BEST'S MARKET SEGMENT REPORT

A.M. Best Company Inc.
Oldwick, NJ
CHAIRMAN, PRESIDENT & CEO **Arthur Snyder III**
SENIOR VICE PRESIDENT & TREASURER **Cynthia Young**
SENIOR VICE PRESIDENT **Lee McDonald**

A.M. Best Rating Services Inc.
Oldwick, NJ
PRESIDENT **James Gillard**
EXECUTIVE VICE PRESIDENT & COO **Stefan W. Holzberger**
EXECUTIVE VICE PRESIDENT & CSO **Andrea Keenan**
EXECUTIVE VICE PRESIDENT & CIO **James F. Snee**
SENIOR MANAGING DIRECTOR & CRO **Kenneth Johnson**
SENIOR MANAGING DIRECTOR & CCO **Edward H. Easop**

AMERICAS

WORLD HEADQUARTERS
A.M. Best Company, Inc.
A.M. Best Rating Services, Inc.
1 Ambest Road, Oldwick, NJ 08858
Phone: +1 908 439 2200

MEXICO CITY
A.M. Best América Latina, S.A. de C.V.
Av. Paseo de la Reforma 412, Piso 23,
Col. Juárez, Alcadía Cuauhtémoc, C.P. 06600, México, D.F.
Phone: +52 55 1102 2720

EUROPE, MIDDLE EAST & AFRICA (EMEA)

LONDON
A.M. Best Europe - Information Services Ltd.
A.M. Best Europe - Rating Services Ltd.
12 Arthur Street, 8th Floor, London, UK EC4R 9AB
Phone: +44 20 7626 6264

AMSTERDAM
A.M. Best (EU) Rating Services B.V.
NoMA House, Gustav Mahlerlaan 1212, 1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420

DUBAI*
A.M. Best Europe - Rating Services Ltd. - DIFC Branch*
Office 102, Tower 2, Currency House, DIFC
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780
*Regulated by the DFSA as a Credit Rating Agency

ASIA-PACIFIC

HONG KONG
A.M. Best Asia-Pacific Ltd
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400

SINGAPORE
A.M. Best Asia-Pacific (Singapore) Pte. Ltd
8 Cross Street, #21-03 Manulife Tower
Singapore 048424
Phone: +65 6303 5000

Best's Financial Strength Rating (FSR): an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts.

Best's Issuer Credit Rating (ICR): an independent opinion of an entity's ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis.

Best's Issue Credit Rating (IR): an independent opinion of credit quality assigned to issues that gauges the ability to meet the terms of the obligation and can be issued on a long- or short-term basis (obligations with original maturities generally less than one year).

Best's National Scale Rating (NSR): a relative measure of creditworthiness in a specific local jurisdiction that is issued on a long-term basis and derived exclusively by mapping the NSR from a corresponding global ICR using a transition chart.

Rating Disclosure: Use and Limitations

A Best's Credit Rating (BCR) is a forward-looking independent and objective opinion regarding an insurer's, issuer's or financial obligation's relative creditworthiness. The opinion represents a comprehensive analysis consisting of a quantitative and qualitative evaluation of balance sheet strength, operating performance, business profile, and enterprise risk management or, where appropriate, the specific nature and details of a security. Because a BCR is a forward-looking opinion as of the date it is released, it cannot be considered as a fact or guarantee of future credit quality and therefore cannot be described as accurate or inaccurate. A BCR is a relative measure of risk that implies credit quality and is assigned using a scale with a defined population of categories and notches. Entities or obligations assigned the same BCR symbol developed using the same scale, should not be viewed as completely identical in terms of credit quality. Alternatively, they are alike in category (or notches within a category), but given there is a prescribed progression of categories (and notches) used in assigning the ratings of a much larger population of entities or obligations, the categories (notches) cannot mirror the precise subtleties of risk that are inherent within similarly rated entities or obligations. While a BCR reflects the opinion of A.M. Best Rating Services, Inc. (AM Best) of relative creditworthiness, it is not an indicator or predictor of defined impairment or default probability with respect to any specific insurer, issuer or financial obligation. A BCR is not investment advice, nor should it be construed as a consulting or advisory service, as such; it is not intended to be utilized as a recommendation to purchase, hold or terminate any insurance policy, contract, security or any other financial obligation, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. Users of a BCR should not rely on it in making any investment decision; however, if used, the BCR must be considered as only one factor. Users must make their own evaluation of each investment decision. A BCR opinion is provided on an "as is" basis without any expressed or implied warranty. In addition, a BCR may be changed, suspended or withdrawn at any time for any reason at the sole discretion of AM Best.

Version 011624