

STATE OF THE INDUSTRY:

Hardening of the E&S Insurance Marketplace





ELITE SPECIALTY & WHOLESALE

Insurance Services

CA Insurance License 6000032

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STATE OF THE INDUSTRY:

HARDENING OF THE E&S INSURANCE MARKETPLACE

- Understanding the Hard Market (Insurance 101 version)*
- What caused the E&S insurance marketplace to harden?*
- What sectors of the E&S insurance industry are effected by the marketplace hardening?*
- What can we expect as surplus lines brokers and producers in the hard market?*
- How do we navigate the hard market while continuing to do what is best for our clients?*



DEFINING THE HARD MARKETPLACE

- Hard (Seller's) Market vs Soft (Buyer's) Market
- The surplus lines insurance marketplace is experiencing high demand with limited carrier supply
- Lack in quantity of insurers who are willing to meet the nation's insurance demands
- Some Insurance carriers once profitable in certain lines of business have exited or are currently pulling back on those lines, in some cases even trying different lines to regain capital/solvency
- Gradual hardening over a period time, which historically comes in waves
- The E&S market is expected to be in a hardened state for at least the next 12-18 months



WHAT CAUSED THE HARDENING OF THE E&S MARKETPLACE?

- General Economic Conditions
- Poor loss development due to social inflation
- Catastrophic losses/claims outweigh UW profit and investment income
- Providing rates and premiums far below ISO recommended rates for far too long
- COVID – 19 global pandemic causing rise in insurance claims and development.

WHAT SECTORS OF THE E&S INSURANCE INDUSTRY DO WE SEE EFFECTED BY THE HARD MARKET?

-Excess/Umbrella

- a. Insurers are offering less individual capacity
- b. Insurers are shying away from offering higher lead positions

-Business Auto Liability

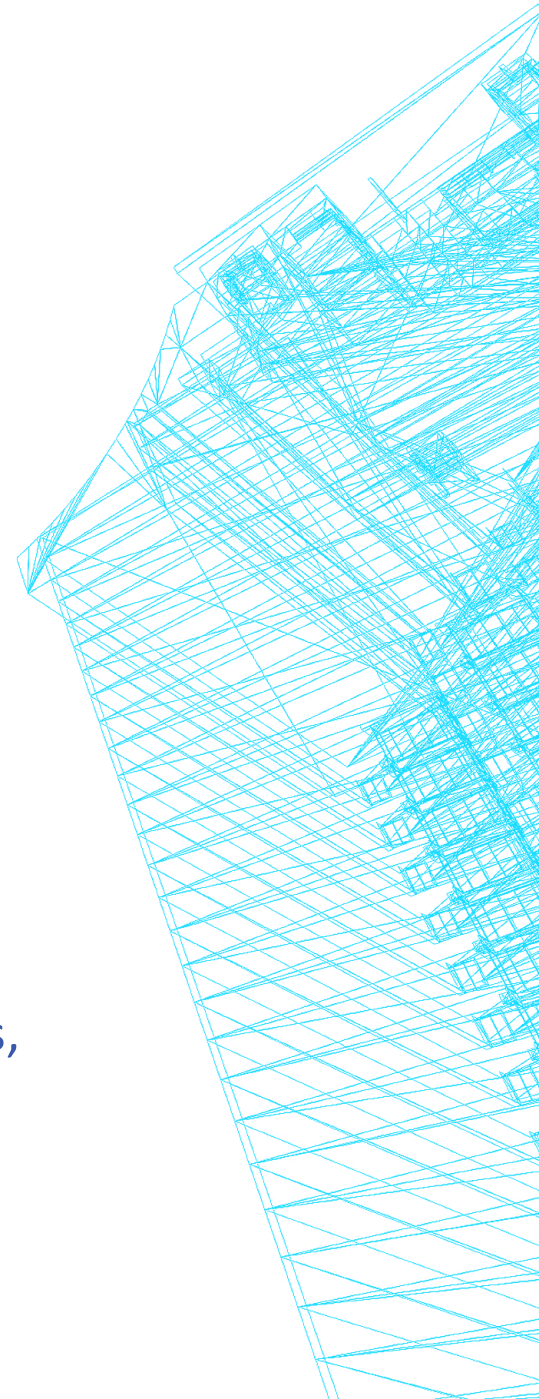
- a. Fleet heavy and transportation-oriented companies
- b. Some insurers are non-renewing or hiking up rates

-Commercial General Liability

- a. Large construction projects are seeing rate increases
- b. Commercial companies with wildfire and wind/hail exposures are harder to place competitively

-Management & Professional Lines

- a. Classes previously considered low risk are now hard to place (restaurants, hospitality, assisted living facilities, airlines)
- b. D&O/EPLI carriers are reducing capacity and increasing rates





WHAT CAN WE EXPECT AS PRODUCERS & BROKERS DURING THE HARD MARKETPLACE?

- Stricter terms and conditions for new business and renewals
- Increased rates and premiums on new business AND renewal business
- Conditional renewals and in some cases non-renewal notices
- Less insurers and options available to choose from
- Well known insurers pulling out of products they have written for a long time and in some cases, trying new lines to recoup capital
- When one door closes, another door usually opens so we should start to see new insurance companies emerging, offering lines of coverage that others have left.

HOW DO WE NAVIGATE THE HARD MARKET AND PROTECT OUR CLIENTS?

- Be informed and aware of the current state of the E&S market (ALREADY DONE!)
- Start your renewal processes early and be prepared to explain to your existing and new clients the current state of the market so they may better understand differences in pricing and coverage
- Carefully review renewal terms and new business terms, as markets you may have worked with in the past could have changed their terms and conditions
- Take a more active and strategic approach when having discussions with underwriters/insurers during the negotiating of pricing, terms and conditions. FIGHT for your clients!!
- Make the effort to approach wholesale brokers that have concrete knowledge of their carrier partners who can confidently provide you with various quote options and who will take the time to explain to you the differences in coverage between quoted options.





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THANK YOU!



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