



NEWS BRIEF

E+S MARKET SOARS AS INDUSTRY SEEKS CREATIVE COVERAGE OPTIONS

The U.S. excess and surplus lines market continues to notch solid growth, rising 12.3% to \$130 billion in direct written premium in 2024 after crossing the \$100 billion threshold in 2023, according to a new report from AM Best.

For the first time in 2024, the U.S. E+S market's share of overall industry direct written premium surpassed 25%. AM Best attributed the E+S market's rapid rise to industry demands for "creative coverage options" and specialized expertise.

"The U.S. surplus lines landscape in 2024 and through the first half of 2025 continues to reflect a competitive market characterized by insurers seeking to grow market share in lines of coverage while focusing on risk classes to fit their risk appetite," said AM Best in its report. "In addition to competition and drive for market share, robust capital inflows and an expansion of capacity have shaped strategies spurred by insurers partnering with wholesale brokers, managing general agents (MGAs), and program managers."

In addition to increasing its premium volume at a brisker pace than the admitted market, the E+S market also improved its combined ratio over the last year.

"They have been able to meet market needs by coupling their risk selection and pricing strategies with the ability to craft coverage language to exclude or limit certain loss exposures as the insurers deem necessary, without the need for prior regulatory approval of their coverage forms," said AM Best.

However, the ratings agency warned that new entrants to the E+S space may begin to pressure profit margins for longtime players.

AM Best offered an example of new entrants shifting market concentration for surplus lines, noting that the top 25 E+S writers have traditionally accounted for between 70% and 80% of E+S premiums. However, in 2024, that fell to 65.8%.

"This declining concentration at the top of the market reveals the impact new market entrants and companies with expanded surplus lines-focused strategies have had on the spread of surplus lines premium as these insurers gain traction in the market," said David Blades, associate director of AM Best, in the commentary.

The firm also highlighted the demand for "creative" emerging risks coverage by E+S insurers, including artificial intelligence-related risks (AI), cannabis, cyber, and parametric coverage.

In addition, volatility in the property insurance market has propelled the surplus lines market's share of homeowners premium to 1.9% in 2024 from 0.8% in 2014.

"Few lines of coverage have exhibited the volatility that homeowners' insurers have needed to withstand. This includes surplus lines insurers who traditionally did not wade too far into the homeowners' insurance market, apart from for higher-valued homes, especially in areas susceptible to weather-related disasters," AM Best commented.

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