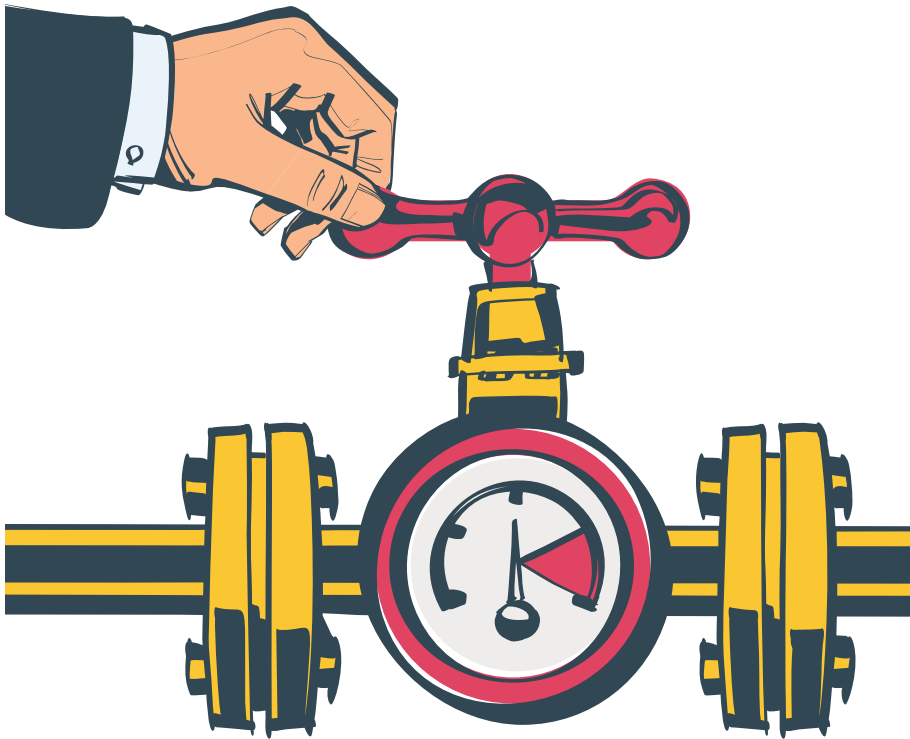


The Non-Standard Market Is Growing: Engage or Experience Declining Sales

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Captive agents are feeling it in real time: more accounts that used to fit neatly in admitted, “standard” markets now come with underwriting wrinkles—loss history, location, construction type, business operations, limits, or emerging exposures—that push carriers to restrict appetite or tighten terms. When that happens, clients don’t stop needing coverage. The business migrates.

That migration, especially in light of recent market conditions, is a major reason the U.S. surplus lines market has expanded so quickly. The NAIC reports that U.S. surplus lines direct premiums written surpassed \$100 billion in 2023 and then grew 12.2% in 2024 to \$131 billion, representing about 12% of the overall U.S. P&C market in 2024.

Excess & Surplus (E&S) is not a niche anymore. It’s becoming a core pressure valve for a standard market that is less willing, or less able, to absorb volatility.

In practice, the non-standard opportunity set is bigger than “distressed risks.” The surplus lines market commonly handles three broad categories of placements:

1. *Non-standard risks* with unusual underwriting characteristics
2. *Unique risks* where admitted carriers don’t offer a filed form or rate
3. *Capacity risks* where higher limits are needed than most carriers will provide

The point for a captive agent isn’t academic definitions; it’s recognizing when a client’s exposure no longer fits a filed-rate, filed-form environment and when speed and flexibility matter more than uniformity.

Surplus lines carriers can often move faster on form language, pricing, and tailored terms precisely because they are non-admitted and aren’t operating under the same form-and-rate filing structure as admitted insurers. (https://www.wsia.org/wcm/wcm/About/What_is_Surplus_Lines.aspx)

Market growth isn’t happening in a vacuum. AM Best’s analysis frames recent expansion as closely tied to “troubled” P&C lines and challenging risk classes, where standard carriers are more reticent based on risk appetite, and where the need for “creative coverage solutions” is higher. (AM Best Market Segment Report, 9/9/2025)

In other words, as volatility rises and underwriting gets sharper, more accounts fall outside the “comfortable middle.” And once an account moves, it often stays in specialty/wholesale channels longer than you’d expect, because the E&S ecosystem becomes part of the client’s risk-financing strategy, not just a last resort.

Independent agencies are structurally built for non-standard placement in a way most captive models are not. That doesn’t mean captive agents can’t win business or protect relationships, but it does mean the mechanics of how the business gets placed favor a model built on market access.

Independent agents aren’t constrained to a single carrier’s underwriting posture. When one market tightens guidelines, the agent pivots, often without the client experiencing a “start over” moment.

Much of E&S distribution runs through wholesale brokers, MGAs, and program administrators. AM Best notes that capacity expansion and growth strategies have been shaped in part by insurers partnering with those same players, a reminder that specialty capacity is deeply intertwined with wholesale distribution.

Independent agencies that already work these channels (or have internal specialty units) can move a submission to the right underwriter faster, with cleaner packaging and fewer dead ends.

Surplus lines is regulated differently than admitted insurance, and the transaction is regulated through the licensed surplus lines broker. The NAIC emphasizes that the licensed surplus lines broker is responsible for ensuring insurer eligibility and remitting surplus lines premium tax to the home state; surplus lines brokers and producers must be properly licensed.

The Wholesale & Specialty Insurance Association (WSIA) also highlights common state requirements such as the diligent search process (often requiring declinations from admitted insurers before moving to E&S) and the mandatory insured notice that surplus lines policies are generally not covered by state guaranty funds.

Independent agencies that routinely place E&S business tend to have these workflows well established - forms, disclosures, stamping-office reporting (where applicable), and wholesaler relationships, so the placement is operationally smoother. Now, with advancing technology and AI, the workflows are becoming even easier and more automated. For those independent agencies that don't have the workflows institutionalized, SIAA – The Agent Alliance has introduced Xchange, a business unit that provides its members with easy access to non-standard markets through a seamless process facilitated by technology and AI. Although most networks don't have the same capability, SIAA's approach does reflect a recognition that non-standard business is becoming more significant for P&C agents.

For captive agents, the strategic risk isn't that E&S exists; it's that your client's needs evolve faster than your market access. When you can't deliver a credible solution path, clients assume you can't deliver in other moments that matter as well.

The current reality is that non-standard placement can be an inflection point where relationships are won or lost:

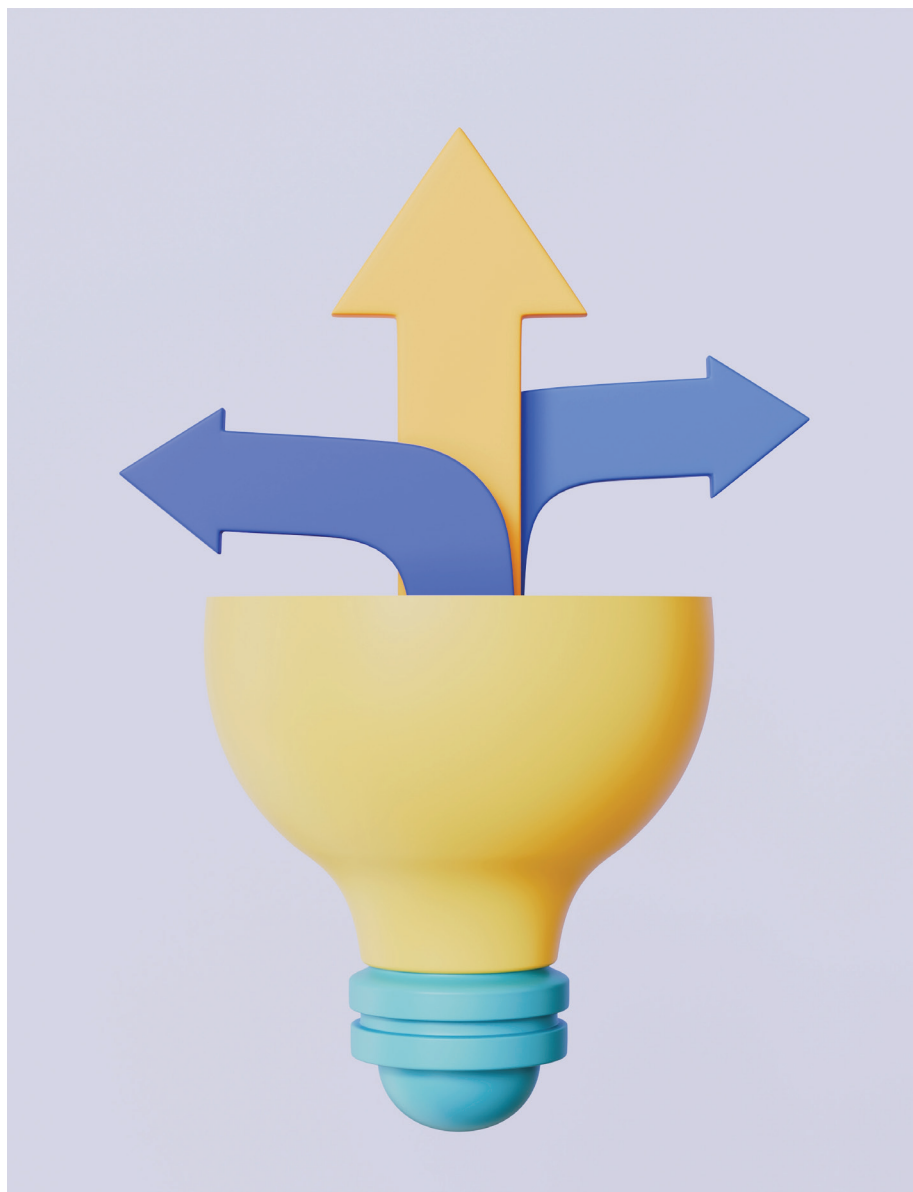
- A contractor gets nonrenewed and has 10 days to provide certificates.
- A property client needs higher wind/hail deductibles, different terms, or layered capacity.
- A small manufacturer adds a new operation that triggers exclusions in standard forms.
- A hospitality account has an adverse loss trend and needs a specialized GL approach.

If the client experiences you as a dead end, the “agent of record” conversation might very well come next.

You don't need to become a wholesale specialist to protect your book. You need a repeatable non-standard playbook.

Identify two or three high-performing independent agencies (or specialty brokerages) in your region that actively place E&S. Establish a referral understanding that protects the client relationship and clarifies scope.

Define what immediately signals “specialty channel” in your office: coastal property, severe loss history, high limits, emerging tech exposures, adverse inspections, etc. The ear-



lier you route it, the more control you retain.

Clients don't care about admitted vs. non-admitted until something goes wrong. Be ready to explain, in plain language: why the standard market may not offer terms; what E&S is designed to do (flexibility/capacity); and what key differences exist (including guaranty fund disclosures).

Even if you can't directly access E&S markets, wholesalers can provide submission guidance, appetite direction, and program options that improve outcomes and speed.

The growth of E&S and wholesale markets is not just a “hard market” story. It's a structural story about risk complexity, underwriting discipline, and the need for flexible capacity. The data shows the surplus lines market has become a significant and still-growing share of U.S. P&C premium.

Independent agents are advantaged because their model is built around optionality:

multiple markets, wholesale pathways, and institutional surplus lines workflows. Captive agents can still win in this environment, but it requires a focused strategy: recognizing risk migration early, building specialty partnerships, and communicating clearly so clients experience you as the person who gets things solved even when your primary carrier can't.

Of course, there may be a tipping point at which it just makes more sense to take the path to independence.

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