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SPECIAL FOCUS ON SMALL BUSINESS COVERAGES PAGE 8

Standard or E&S Market? How Agents Can Best Direct Small-Business Clients

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The upward trend in the number of small businesses nationwide shows no signs of slowing down. Applications for new businesses rose 8.1% month over month from June 2026 to July 2026, according to Census Bureau data, and 79% of established small businesses expect an average revenue increase of 7.9% this year, according to Comerica Bank's Small Business Pulse Index.

As businesses expand, they often outgrow their existing insurance coverage. That is where an independent agent's judgment matters most. Agents who stay on top of market trends and explain the differences between traditional standard markets and excess and surplus (E&S) lines can help business owners make the best choices based on their unique exposures.

Options Expand

Some pockets of the commercial market, such as property, cyber, certain professional lines and employment practices and liability insurance, are softening, creating more capacity. Others, such as commercial auto and umbrella, remain stubbornly entrenched in hard market conditions, driven in part by an increase in nuclear verdicts nationwide.

These unique market conditions make the agent's role as an advisor to small-business clients paramount. In softening lines, standard markets offer increased carrier competition, along with familiar forms, pricing and the backing of state guaranty funds. In hardening lines, the E&S market allows agents to customize coverage and place risks that standard carriers will not touch. Having access to both gives small-business owners access to a broader marketplace of insurance options.

Perceptions Change

When I started in insurance in the early 2000s, E&S was seen as a last resort, but that perception no longer reflects reality. In fact, many younger producers are gravitating toward working for E&S carriers out of college.

When weighing standard versus E&S lines for their small-business clients, agents should look beyond the traditional view that standard carriers are more stable because of state guaranty funds. The reality is that we have seen both standard and E&S carriers go out of business in recent years. A more objective, modern approach is to evaluate each carrier's financial strength, coverage, claims service, pricing and understanding of a particular niche independently.

The right market for a small-business client will depend on the company's risk characteristics rather than their line of business. E&S is emerging as a preferred choice for businesses experiencing rapid growth to accompany shifting risk exposures, such as a landscaping company that offered lawn mowing at startup but has now expanded into tree service. Small businesses that operate in new or emerging industries, such as drone operators or cannabis dispensaries, may also benefit from E&S because the line of business may not yet have established a credible loss history to meet a standard carrier's appetite.

Other crucial considerations include property condition and location. Even with additional capacity entering the market, standard carriers favor newer, nicer, larger buildings and properties located in moderate-to-low-risk areas. Business owners seeking coverage for older, vacant or distressed buildings may need E&S coverage. So might businesses with properties located in regions at higher risk of significant wind,

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hailstorms, wildfires, flooding or other catastrophe exposures. Business owners may also find better terms in E&S markets for commercial auto and umbrella policies, as well as hard-to-place risks such as high-hazard environmental contractors.

For business owners who want to remain with standard carriers, agents should offer ways to improve their risk profile, such as implementing loss control programs to improve loss history or correcting property issues to establish a building as a higher-quality risk.

Know the Signs

Any material change in a business's facilities, equipment or operations could indicate an opportunity to switch markets. The deciding factor is when agents identify mismatches among the business, the risk and the coverage.

Consider the owner of a special event venue who expands from 25 to 100 events a year and triples the company's annual revenue. That client will likely need new contracts with higher limits and broader coverage. If the client has a positive loss history, agents may be able to shop policies and find options that balance higher limits with a modest increase in premiums.

Sometimes scaling businesses may even outgrow their initial classification. If the person who runs the special event business was a caterer at the time of incorporation, insurance coverage geared toward the catering business will no longer be sufficient.

Be a Proactive Advisor

The key to helping small-business owners choose between standard and E&S lines is to stay connected with them throughout the policy lifecycle. Seek to become a trusted advisor who can guide clients through each phase of their company's journey and make the right decisions to ensure their coverage matches their growth. Follow these best practices.

Encourage clients to focus on cost versus price. Small-business owners are historically price-conscious, but savvy agents will help them understand that shopping on premium alone is a mistake.

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Sit down with clients and review exclusions, deductibles and defense costs. Walk through a few scenarios showing the real-world costs their business will need to absorb in the event of a claim. Also, get to know their motivations — what keeps them up at night — then tailor coverage to their biggest needs.

Meet with clients on at least a quarterly basis. Reach out to your top accounts proactively. Request updated payroll and revenue figures, driver schedules and other pertinent documentation. Ask clients if they are contemplating any major changes to their business over the next five to 10 years. If they mention any revenue spikes, new equipment or other signs of growth, advise them on what that might mean for their insurance program.

Start renewal conversations early. Give business owners ample time to explain their growth plans and current risks. Doing so allows agents to assemble a complete picture of the company's risk profile and create a higher-quality submission for carriers.

Review the fine print. Encourage clients to read their contracts in detail before signing, because the worst time to learn what is inside a business policy is after a claim happens. When recommending E&S coverage, explain how minimum premiums work so business owners understand the financial risks related to early cancellation.

Go Deeper Than a Quote

Small-business owners do not have time to become experts in insurance. That is why an agent's role as an advisor is essential. It is our responsibility to go beyond providing a quote.

Agents who understand a client's business, explain the trade-offs between deductibles and premiums and help them identify the right market, whether it is standard or E&S, will offer protection now and as their business transforms. ■

Jerry Thacker is the director of business development, commercial lines for SIAA, where he supports the organization's ongoing commitment to strengthen commercial lines capabilities across the national alliance. SIAA is the nation's leading network for starting, growing and evolving independent insurance agencies with more than 5,200 member agencies writing more than $18 billion in total written premium. Learn more at siaa.com.