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THE EXCESS AND SURPLUS MARKET

Why It's an Untapped Book of
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Insurance agents looking to grow their businesses often overlook the excess and surplus (E&S) insurance market. This sector of the market includes customers who are typically turned away from traditional policies, such as standard property and casualty or business owner's coverage. **In 2021, total U.S. surplus lines direct premiums reached a record \$82.6 billion**, with momentum continuing through mid-year 2022. In the first six months of 2022, premiums in the E&S sector rose 32.4% and transactions were up 9.4% over numbers reported through the same period in 2021.

Customers who can't get access to traditional coverage may be required to self-insure or go without insurance – greatly increasing potential exposure. The E&S market fills this void, allowing agents and brokers to grow their capacity and revenue and capture more of the insurance market.

\$82.6

Total U.S. surplus lines direct
premiums in 2021

32.4%

Rise of premiums in the E&S sector
in the first six months of 2022

9.4%

Rise of transactions in the first six
months of 2022



AGENTS ARE NAVIGATING A FAST-CHANGING AND TURBULENT ENVIRONMENT

The insurance market has experienced a variety of changes recently, including social inflation (see sidebar), an increase in loss activity, more catastrophic losses and lower interest rates.

Rising insurance premiums are a challenge for carriers and insureds. The composite rate for US commercial insurance rates rose [5.1% in the fourth quarter](#) of 2022. Annualized, the composite rate for 2022 is 5.7%, driving commercial rate increases for the sixth straight year. By industry classification, contractors and trucking risks saw the steepest rate increases at 6% and 7.3%, respectively. By coverage class, commercial property increased by 9.3%, general liability up 6.7%, umbrella/excess up 7.7%, commercial auto up 7%, and professional liability up 5.3%. A few trends fueling the need for E&S policies include:

- **Big carriers shedding business**

The E&S lines sector grew [11%](#) due in part to standard carriers shedding business. During 2019, many of the large carriers, such as AIG, Travelers and The Hartford began getting rid of unprofitable business, further fueling this trend.

- **Reduced umbrella limits and increased premiums**

Carriers are reducing umbrella limits while raising premiums and increasing deductibles, citing social inflation and the increased frequency of large-dollar-value verdicts. Carriers are increasing their scrutiny of D&O submissions with additional questions on new submissions and renewal accounts, including questions about COVID-19 risk.

- **Rise in claims losses**

The number of claims losses has also increased steadily during recent years. For example, from 2013 to 2018, commercial auto claims losses increased at an annualized rate of [10.9%](#), compared with 1% annualized rate from 2007 to 2013.

- **Retroactive statute changes**

Many state legislatures have extended or attempted to extend statutes of limitations and retroactively applied the new time limits to claims where the statute of limitations had expired.

Social Inflation

The term social inflation refers to the increase in insurance losses caused by multimillion-dollar verdicts resulting from the emergence and growth of litigation financing as well as the proliferation of class action lawsuits, along with jury pools with an anti-corporate sentiment.

5.1%

Increase in US commercial insurance rates in the fourth quarter of 2022

To effectively navigate today's market, agents require a carrier partner committed to transparency, communication, meticulous and flexible underwriting, and robust claims defense.



FORGING STRONGER PARTNERSHIPS ASSISTS WITH SERVING MORE CLIENTS

Agents navigating the current climate need an E&S partner that specializes in collaboration and helping clients reach their goals. Transparency is a cornerstone of accomplishing this and assisting clients with truly understanding their potential risk and exposure.

More transparency also minimizes the real or perceived coverage gray areas and delivers greater insured understanding. The result is improved client satisfaction and agents who are armed with the right tools to help manage client expectations and mitigate the risk of future disputes during the claims process.

A robust claims defense process plays a key role in improving client satisfaction. For example, social inflation has contributed to underwriting deterioration and profitability for many insurance carries, meaning a case that settled for \$50,000 in the past may settle for tens or even hundreds of millions of dollars today. A robust claims defense process helps your clients better protect themselves from potential loss.

THE BENEFITS OF WORKING WITH A TRUSTED PARTNER

Working with the right partner is key to providing your clients with the level of service that they expect. Prime Insurance provides your customers with customized solutions to manage E&S risks, such as new ventures, and operations with unfavorable loss history – or more favorable risks looking for a better partnership.

We've handled difficult risk and issues within the industry for over 30 years and continue to partner with agents to provide exceptional service and accessibility for even the most difficult risks.

Our focus is on helping agents provide us with complete details during the risk application and submission, which enables us to create a more accurate and streamlined quote process. We are committed to helping agents understand our forms, provisions and underwriting flexibility so that together we can develop a successful strategy for the insured.

How does Excess and Surplus Insurance help you cater to hard-to-place risks?

E&S helps you cater to customers who fall “outside the box” and assist hard-to-place risks. It's estimated that these insureds makes up less than 7% of the market; however, serving this segment helps you extend coverage to a valuable group of customers.

Insureds that fall into this category may include:

- High-risk industries, such as explosive manufacturing, firearms makers and more.
- Clients who don't fit the typical underwriting criteria, such as bars and taverns with dance floors.
- Industries that require higher limits than those offered by standard markets, such as a \$10,000,000+ liability umbrella.
- Specialty coverage, such as special events, concerts and other unique situations.
- Businesses that have an excess or otherwise unacceptable loss history.



MOVING INTO THE FUTURE

Offering E&S policies helps you future-proof your business. The number of E&S policies is on the rise, and agents who adapt to this trend can better serve their clients while expanding their book of business and capturing more revenue. But the real benefit is helping hard-to-place risks that would have otherwise needed to self-insure or go without insurance. As a result, your agency can assist those customers with finding the best policy that is “right-sized” to their potential risk.

FILLING THE GAPS: OUR SOLUTIONS-FOCUSED APPROACH

At Prime Insurance Company, we pride ourselves on being not just an insurance provider, but a partner that offers comprehensive solutions, especially in situations where the market falls short in providing coverage or doesn't provide coverage at all. Two stellar examples of such solutions-driven offerings are our Tru Umbrella and Tru Homeowners products.



Tru Umbrella Coverage

Given that primary insurance policies often entail gaps and exclusions, it becomes crucial to look for a solution that bridges these coverage voids, offering wider protection. This unique insurance solution, termed "Tru Umbrella", ensures that your clients are not left exposed due to uncovered risks.

The Tru Umbrella product is formulated to offer a protective canopy over specific risks that may not find coverage under other policies. This means all your clients' unique needs are taken care of, without any gaps or exclusions. Furthermore, Prime is committed as your clients' insurance partner during the resolution of conflicts, offering robust legal support while challenging frivolous charges. We believe that safeguarding against liability risks goes a step beyond mere coverage; it's about ensuring peace of mind.



Tru Homeowners Insurance

Like our Tru Umbrella offering, the Tru Homeowners product is crafted for discerning homeowners looking for customized protection that primary policies can't or won't provide. Our Tru Homeowners policy is designed and tailored to fit unique coverage needs, providing solutions that were unattainable in the past

Prime's Tru Homeowners Insurance is in demand from a wide range of homeowners who may face challenges in obtaining coverage through primary policies, including:

- Homeowners who have been canceled, denied, or non-renewed insurance in the past.
- Homeowners with a history of claims or identified as high-risk individuals.
- Homeowners living on the coast or in areas prone to extreme weather events.
- Homeowners with gaps or exclusions in their current homeowners policies.

With a Tru Homeowners insurance policy from Prime, your clients can have an all-in-one policy that provides coverages for:

- Earthquakes
- Fire
- Flood
- Mudslides
- Wildfires
- Wind
- And more



A SOLUTIONS-BASED APPROACH

As an Excess and Surplus Lines (E&S) insurance company, we specialize in addressing those unique and specialty risks that often elude coverage under primary insurance plans. We step in right where the traditional insurance market steps out - providing coverage solutions for unique liabilities and complex risks that common insurance products do not cater to.

Our in-house team of industry experts work together to ensure an all-round support system to our insureds and producers. From underwriting to risk management,

and from policy services to claims handling, our dedicated teams work robustly to guarantee the most reliable coverage for liability risks.

Driven by a successful business model and committed to delivering our best products and services to you and your clients, we're constantly evolving our insurance solutions, so no risk goes unaddressed. Trust Prime Insurance Company to fill in the gaps and provide an insurance solution that best serves your clients.

LET'S GET TO WORK... *TOGETHER!*

Prime Insurance Company is a bold carrier with commitment to partnership and success. With decades of industry experience, we've learned how to be a good partner and **help producers grow their businesses**. Come join our partnership today and let us be of service to you and your clients.



<p>BECOME A PRIME PRODUCER</p>	<p>Ready to apply? Complete a producer agreement and someone from our Producer Services department will contact you shortly.</p> <p>Questions? Reach out to us at producerservices@primeis.com or call 800.421.8328.</p>	
<p>GET A QUOTE</p>	<p>No need to waste your time on unnecessary upfront paperwork!</p> <p>As a producer, you do NOT need to sign a Prime producer agreement in order to get a free quote; contact quotes@primeis.com or call 800.257.5590.</p>	
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