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Solutions

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What is Excess & Surplus Lines Insurance?

Insurance is regulated at the state level. Most insurers, known as admitted insurers, receive approval from the state's Insurance Department for having fair policy language and rates. Other insurers are known as excess & surplus (E&S) lines insurers. Specific laws permit these insurers to bypass the approval process. E&S insurers must still be approved by the state, but undergo less scrutiny on both coverage and price.

What are Excess & Surplus Lines insurers?

Excess & Surplus (E&S) insurers are not required to go through the same rigorous process as admitted insurers. The forms they use and the premiums they charge are not subject to prior approval by the state. This generally allows E&S insurers to be more flexible and quicker to react to market changes or needs.

What do E&S insurers do?

E&S insurers typically specialize in hard-to-place risks or exposures that are less common or more difficult to insure. E&S insurers are often the first to provide insurance solutions to new trends.

What if I am one of those hard-to-place risks?

If the coverage you are seeking is mandated by law, the state generally provides an alternative plan to guarantee you will have insurance.

If the coverage you are seeking is necessary but not mandated by law, your independent agent may be able to provide an offer from an E&S insurer.

Can you give examples?

An admitted insurer has small commercial clients like flower shops, bakeries, and accounting offices. You are a new client that manufactures fireworks. The insurer may be unfamiliar with determining the right coverage and price for your exposure. If the admitted insurer declines your application, you may have to find an E&S insurer willing to provide coverage.

If you have had a fair amount of losses, you may struggle to find an insurer willing to offer a quote. This may require you to seek a proposal from an E&S insurer.

What can I do if this is my only option for coverage?

You can check into the financial rating for the E&S insurer to see if their financials appear sound. As with any insurance program, review the policy to understand what's covered and what isn't, and contact your independent agent if you have any questions.

'PROS' OF E&S INSURANCE

- Insurance becomes available.
- Programs are more tailored to the risk.
- Coverage or pricing may actually be better than they would with an admitted insurer.

'CONS' OF E&S INSURANCE

- E&S insurers are not subject to the same licensing requirements as admitted insurers.
- Since they have limited regulation, you get less protection from the state.
- There is no state-funded protection program if the insurer becomes insolvent.
- The policy coverage form is not standard, making it difficult to compare with traditional policies.
- It *may* be expensive.