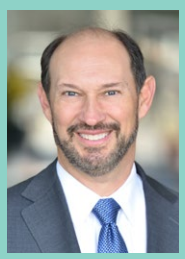
BEST'S REVIEW® ISSUES & ANSWERS:

Specialty Coverage

Interviewed Inside:



Phillip McCrorie
WSIA

Eric Werkheiser
Nationwide

View past Issues & Answers sections at
https://bestsreview.ambest.com/issuesanswersarchive.html

GOT
RISK?
LOW
MEDIUM
HIGH
YIKES
RISK
LET A WSIA MEMBER
HELP YOU MANAGE IT.
Some decisions are too precarious to take on alone; you need a partner to help you create the right solution for your client's risk, while minimizing yours. And, it's cost-effective. A Conning, Inc. analysis concludes that wholesale distribution does not increase the cost to the insured. That's a safe decision.
WSIA
WHOLESALE &
SPECIALTY INSURANCE
ASSOCIATION
wsia.org/findamember

Continuous Strong Growth

Phillip McCrorie, WSIA Chair and RSUI Chief Executive Officer and Chairman, said the surplus lines market has grown to record levels and continues to increase as a percentage of the overall property/casualty market. Following are excerpts from an interview.

What makes the wholesale, specialty and surplus lines insurance segment stand apart and how does that benefit insureds?

The wholesale distribution system delivers value to both retail agents and their insurance clients. WSIA members can help retail agents gain access to markets, coverages and targeted options they might not be able to find in the standard market, and they specialize in underwriting complex, nonstandard risks and crafting innovative coverage options tailored to the unique needs of each insured. This specialization means that risks typically deemed too challenging for the standard market can be expertly managed with flexible, competitive solutions. A major advantage for insureds is that engaging a wholesale expert comes at no additional cost. Analyses by Conning Inc. (2016 and 2021) have confirmed that wholesale distribution does not increase the transaction cost for the insured. As a result, retail agents can confidently recommend wholesale solutions knowing that their clients can purchase innovative, customized solutions for complex risks that are also cost-effective.

How much is surplus lines growing?

According to an AM Best 2024 Market Segment Report, direct written surplus lines premium was $115.6 billion in 2023, boasting 17.4% growth over the prior year. That represents 12.0% of the overall property/casualty market and 23.8% of the commercial lines market, and surplus lines insurers' market share has more than tripled since 2000.

The 15 states with surplus lines stamping offices, which account for approximately 64% of all U.S. surplus lines premium, reported an increase of 12.1% in surplus lines premium for 2024 over the prior year, with a 9% increase in items. Those 15 states represent 63% of all surplus lines premium volume, which makes that report a valuable indicator of the overall U.S. surplus lines market. The stamping office report also offers insights into the performance of specific lines of business and indicates which are driving growth. Together, these two reports offer valuable insights into the current state of the market, which remains strong halfway into 2025.

About WSIA

- A nonprofit association of insurance professionals and specialty market leaders dedicated to the wholesale distribution system.
- Serves more than 760 member firms representing nearly 1,600 offices and tens of thousands of industry professionals.
- Provides world-class member services including networking, education, talent development, legislative advocacy and promotion of the value of wholesale distribution.

Phillip McCrorie

WSIA Chair and RSUI Chief Executive Officer and Chairman

"Commercial liability and commercial property coverage remain dominant segments."

How does WSIA serve the needs of program managers?

WSIA is the only industry trade association that serves the entirety of the wholesale, specialty and surplus lines insurance industry, with domestic and international wholesalers, wholesale-dedicated insurance markets and service provider members comprising the U.S. wholesale insurance distribution system. WSIA offers dedicated business networking opportunities at Annual Marketplace and Underwriting Summit and provides a venue for open interaction between program specialists, program administrators and program carriers at these events.

Specialized protection from a programs powerhouse

Nationwide® offers a specialized team to partner with program managers to deliver tailored solutions. With strong ratings and more than $1 billion in programs business, Nationwide is ready to help build your success together.

Explore more about our programs business at nationwide.com/programs

A+ STANDARD & POOR'S[1] | A AM BEST[2] | FORTUNE 100 COMPANY

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SPECIALIZED PROTECTION. WITH CONFIDENCE.™

[1] Rating received December 22, 2008, and affirmed April 30, 2024. Fifth highest of 21 ratings. [2] Rating received December 7, 2023, and affirmed November 7, 2024. Third highest of 16 ratings.

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Nationwide E&S/Specialty Programs

Innovation in E&S

Eric Werkheiser, VP of Professional Liability and Specialty Programs at Nationwide E&S and Specialty, said that when it comes to specialty insurance, the company will stay open-minded and explore opportunities as they come. "At Nationwide E&S, we're doubling down on specialization—building deep expertise and tailored solutions to meet the unique risks our partners face every day," he said. Following are excerpts from an interview.

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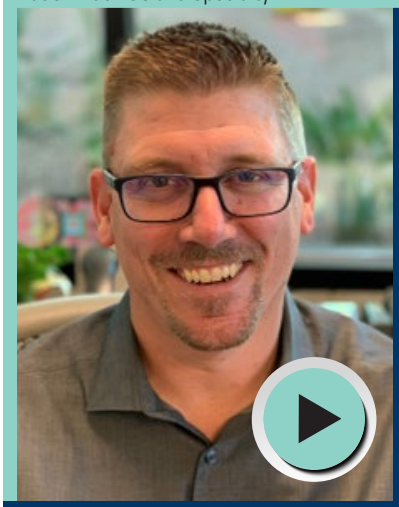
Eric Werkheiser

VP of Professional Liability and Specialty Programs
Nationwide E&S and Specialty



"We look for program managers with strong expertise and a differentiator—something that sets them apart and positions them to be a market leader."

Visit the Issues & Answers section at *bestsreview.ambest.com* to watch an interview with Eric Werkheiser.

What shifts or trends is Nationwide seeing today in the professional liability and specialty space?

One of the main shifts we've seen over the past several years is a move away from the traditional professional E&S classes—like accountants, architects and engineers, and lawyers—toward the specialty side. We're seeing new, unique, and innovative products that might not even have existed in the insurance market a year ago. Alongside that shift, we're being asked to participate in different arrangements. Instead of just having a program manager with delegated authority, we're now seeing requests for embedded insurance, reinsurance arrangements, or capacity-sharing deals with other carriers.

Are there actions you're taking to address those shifts?

The key action is pretty straightforward—being more open-minded. In the past, we stuck to those traditional E&S classes. Now, our portfolio includes warranty programs, master policy setups, and reinsurance arrangements. We've had to adapt on the fly. This has meant our underwriting team is constantly learning and developing new skill sets to keep pace. At the same time, Nationwide is investing in enhancing our data capabilities and speeding up our go-to-market process so we can track programs more effectively and bring them to market faster.

What's the future of professional liability and specialty programs?

It really comes down to relationships. We place a high value on our partnerships with program managers. Our programs tend to have greater longevity than the industry average, and I think that's due to the strength of those relationships. We want these to be mutually beneficial partnerships—profitable, of course, but also aligned in vision and goals. It might sound a little unconventional, but we like to work with people we genuinely like. If we're in this for the long run, we want to build relationships that last.

Do you foresee any trends—positive or negative—that might impact that strategy?

On the positive side, I'd highlight our strong relationships and the continued evolution of specialty products. On the negative side, two key concerns stand out—social inflation and economic uncertainty. We're seeing more nuclear verdicts, which drive up the cost of claims. On the economic front, things like tariffs could influence claim trends as well. We're trying to stay ahead of these issues—monitoring them, preparing for them, and making sure we're not caught off guard. That means proactively adapting our underwriting strategies and staying closely connected with our partners to respond quickly as conditions shift.