

BEST'S REVIEW® ISSUES & ANSWERS:

- Surplus Lines
- Mutuals

Interviewed Inside:



Steven Rodriguez
Philadelphia Insurance Companies E&S



Phillip McCrorie
WSIA



Travis MacMillian
Xceedance



David Nelson
Nationwide

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Philadelphia Insurance Companies is the marketing name for the property and casualty insurance operations of Philadelphia Consolidated Holding Corp., a member of Tokio Marine Group. All admitted coverages are written by Philadelphia Indemnity Insurance Company. Coverages are subject to actual policy language.



PHLY E&S Builds Upward

Steven Rodriguez, Vice President of Philadelphia Insurance Companies E&S, said that construction has been a standout and now makes up about 60% of their book of business. “With new projects, increased construction costs, and worsening climate events, we emphasize diligent underwriting and work closely with clients on contract language for effective risk transfer,” he said. Following are excerpts from an interview.



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- Flexible and Prompt Underwriting
- A++ AM Best Rating (Superior)

What trends are you seeing in the E&S marketplace?

E&S has been on the rise, and that growth is clearly reflected in the annual numbers. Early in my career, we used to talk about the hard market and soft market. E&S carriers typically thrived in a hard market and struggled during a soft one. These cycles usually lasted a few years. But that model no longer applies. Since 2018, the E&S marketplace has been growing steadily. I believe we’ll continue to see growth in the E&S space in the coming years. PHLY E&S was created not only to complement the products written by PHLY but also to focus on true E&S placements in casualty, property, environmental, and excess lines.

You mentioned “true E&S placements.” What does that mean?

At PHLY E&S, we focus on unique and high-risk placements that don’t fit within the admitted marketplace. While we consider ourselves generalists and can technically review any type of risk, we follow the successful PHLY model by targeting specific E&S segments—like construction, commercial real estate, manufacturing, and hospitality. We’ve been very successful in tailoring coverage and pricing to align with PHLY’s profitability goals.

How does AI help you place business?

AI will never replace human underwriting, but it’s a valuable tool for pre-qualifying risks. Traditionally, that’s been a very time-consuming process—reviewing websites, social media, and other sources to gather intel on potential risks. AI helps streamline that process, surfacing useful information quickly and helping validate details submitted with the risk. It gives underwriters the data they need to make more informed decisions and allows them to handle more business faster.

Steven Rodriguez

Vice President
Philadelphia Insurance Companies E&S



“Construction activity is rising across the country, and we’re seeing that reflected in our business.”

Scan or click to watch an interview with Steven Rodriguez.

What sets PHLY apart as a leader in the E&S space?

Several things. First, our reputation. PHLY has an A++ rating. We also have a highly experienced and dedicated underwriting team. As an organization, we’ve been proactive in adapting to challenges in the E&S space. One example is our use of technology. We partnered with insurtech company Slice, which built a platform that enables quick and easy placements for smaller contracting risks. We also use AI to help pre-qualify risks more efficiently than traditional methods. That’s helped us grow our book profitably, especially in construction, and we’re now exploring how we can apply those tools to other lines of business.



GOT 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.



The Value Proposition

Phillip McCrorie, WSIA Chair and RSUI Chief Executive Officer and Chairman, said that analyses by Conning Inc., in 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,” he said. Following are excerpts from an interview.

The surplus lines segment continues to experience growth. How much is it growing?

Through midyear 2025, the 15 states with surplus lines stamping offices reported an increase of 13.2% in surplus lines premium over the prior year, with a 12.4% increase in items. Those 15 states represent 63% of all surplus lines premium volume, which makes the 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 which of those are driving growth. Auto liability and residential, homeowners and other personal property continue to grow faster than other lines in the surplus lines segment in those states, but they still comprise a relatively small proportion of the overall surplus lines segment compared to commercial liability and commercial property coverage.

How is surplus lines market share evolving within the broader property/casualty industry?

The surplus lines market continues to increase as a percentage of the overall property/casualty market. 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. We anticipate that the AM Best 2025 Market Segment Report, which will be released in September, will also reflect similar growth through 2024. Together, these two reports offer valuable insights into the current state of the market, which remains strong more than halfway through 2025.

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



About WSIA

- Is a nonprofit association of insurance professionals and specialty market leaders dedicated to the wholesale distribution system.
- Is the only industry trade association that supports the entirety of the wholesale, specialty and surplus lines industry.
- 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



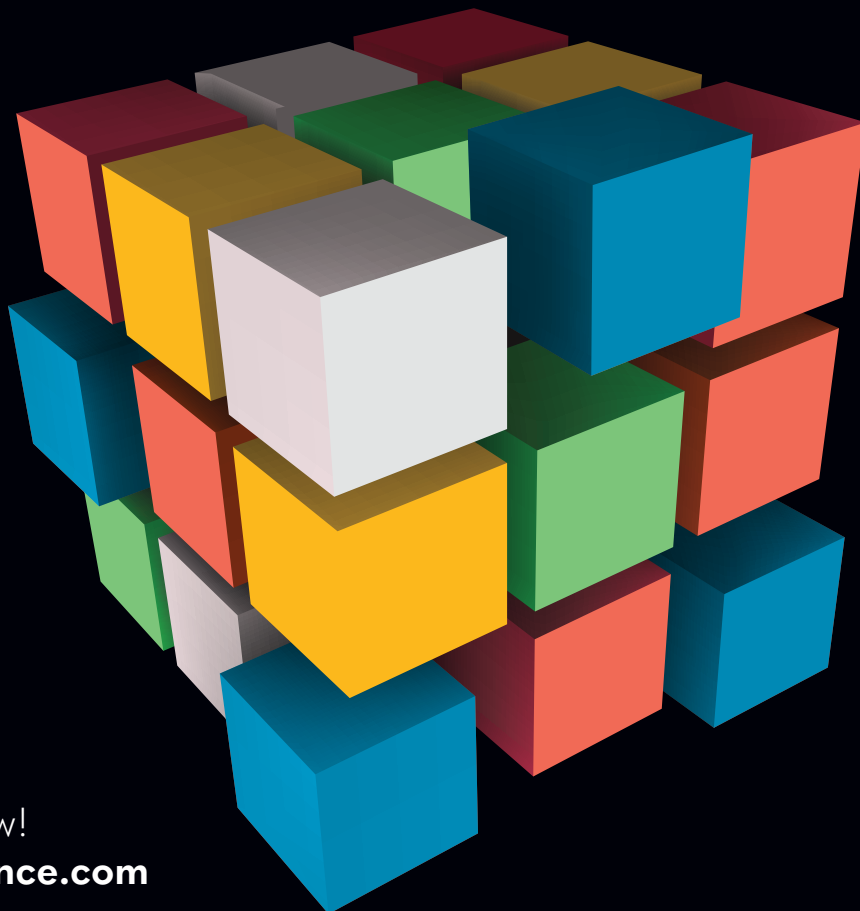
“The wholesale distribution system delivers value to both retail agents and their insurance clients.”

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, non-standard 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.

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Xceedance: E&S 2.0

Travis MacMillian, President – Americas at Xceedance, said that E&S market participants today are more open than ever to alternative distribution strategies. “The goal is to align distribution with customer segments,” he said. Following are excerpts from an interview.



What’s driving surplus lines growth and is it sustainable?

There are three key areas driving this growth: increasing risk complexity and reduced market appetite from carriers; greater severity and frequency of catastrophe events, especially in states like Florida, Texas, California and Louisiana; and new emerging risks—like cyber and AI—that are too volatile for standard carriers. I’m not sure where the end is, but I think it’s not just pure growth; it’s a shifting of business from the standard marketplace into the E&S market. That’s largely because some exposures have become noninsurable in the admitted space.

How are surplus lines carriers evolving their underwriting approaches, particularly in high-growth lines like cyber and catastrophe-exposed property?

When it comes to cat-exposed property, we’re seeing a shift toward data-centric, scenario-based underwriting. There’s much more information available now—beyond just traditional cat models. Take Florida, for example. Elevation changes measured in inches can have a huge impact on flood outcomes. Access to that kind of real-time, granular data is becoming vital. In cyber, the underwriting approach has matured significantly over the past three years. Carriers are focused on quality, having experienced serious losses due to misunderstanding the risk.

What are the most pressing compliance challenges surplus lines organizations are facing?

That’s a big issue. E&S carriers enjoy freedom of rate and form, which gives them flexibility. But for brokers, the compliance burden is growing significantly. To place a risk in the surplus market, brokers first need to obtain at least three declinations from standard carriers and document that process thoroughly. As data and information become more prevalent, both carriers and distribution partners need to ensure they’re meeting compliance obligations. Expect this scrutiny to keep increasing.

Travis MacMillian

President – Americas
Xceedance



“For E&S carriers, distribution partners essentially act as frontline underwriters whose expertise in bringing in well-underwritten risks is more important than ever.”

Scan or click to watch an interview with Travis MacMillian.

Looking ahead, what capabilities—whether related to talent, technology or infrastructure—will be most critical to success in the next phase of the surplus lines market evolution?

Let’s unpack that. First, talent. We need more people entering this industry. Despite the tech evolution, you still need experienced humans. I’ve been in insurance 35 years. Many of my peers are retiring, and younger people aren’t rushing in—insurance just isn’t seen as glamorous. But with the integration of tech, that might change. Younger generations look at underwriting problems differently, and that’s a good thing. Ultimately, it’s not one answer. The companies that successfully bring together talent, tech and infrastructure will be the ones out front leading the next phase of market evolution.



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¹ Rating received 12/22/08, and affirmed 04/12/24. Fifth highest of 21 ratings.
² Rating received 12/07/23; affirmed 11/07/24. Third highest of 16 ratings.
³ Based on revenue, FORTUNE magazine (June 2, 2025).

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Mutual Benefits

David Nelson, Executive Vice President for E&S Wholesale at Nationwide, said the company's strategic priorities are enhancing the customer experience, delivering with operational excellence, and managing the business for sustained financial strength and stability. "All three of these are necessary for us to lean into our mission to protect people, businesses, and futures with extraordinary care," he said. Following are excerpts from an interview.



Nationwide®

David Nelson

Executive Vice President
E&S Wholesale, Nationwide



"As a mutual, we can take a long-term view and make investments that help our customers. There is no conflict between the short-term demands of investors and the long-term needs of our policyholders."

Scan or click to watch an interview with David Nelson.

What does it mean to be a mutual?

When people think about mutual insurance companies, they often think about companies that excel in areas like customer satisfaction, since they're owned by policyholders, not investors, and are focused on their needs. However, they might not think of a mutual company as being competitive, agile, and quick to market. In order for us to compete in an evolving market, we need to have winning attributes of both a mutual and a public company. When Nationwide describes itself as a modern mutual, it means we strive to be both a high-performing, customer-centric company that benefits our customers and one that delivers results.

What role does a mutual insurer play in addressing emerging systemic challenges?

The beauty of being a mutual is that we can focus on two key constituents versus the three that publicly traded carriers need to focus on. One group that we focus on is rating agencies and regulators. Another key constituent is our customers. We can create long-term, innovative approaches that truly address the systemic challenges our customers are facing and we can try new things in a disciplined way and pivot when something is not working.

How are mutuals positioned to build relationships with agents and brokers?

We view our distribution partners as our customers. As mutuality implies, we're always looking for mutual benefits with them. Our focus on relationships results in more personalized services for brokers and agents, greater flexibility in crafting custom solutions, and often stronger alignment of interests between us and our distribution partners. Our wholesale partners specialize in navigating the nuanced world of the excess and surplus lines market. Their deep understanding of evolving exposures, regulatory shifts, and industry-specific risks allows them to guide retail agents and carriers alike through the intricacies of this specialized market.

How is Nationwide E&S Wholesale leveraging the strength of being a mutual?

Nationwide has grown to be a Fortune 100 company and one of the largest and strongest diversified insurance and financial services organizations in the U.S. Our financial strength is not based on ever-changing shareholder expectations, but on a long-term business strategy to meet and exceed capital benchmarks to keep our promises to policyholders and invest in the areas that add value to customers and distribution partners. The E&S market is seeing an increased business flow as some admitted markets have struggled with the changing risk landscape, but not all E&S insurers are the same. Not all have the firm financial footing and broad portfolio of solutions that a mutual can provide. Our ability to respond to these needs with speed, efficiency and predictable underwriting results makes us a company that can deliver on the strengths and attributes of both a mutual and a public company.

