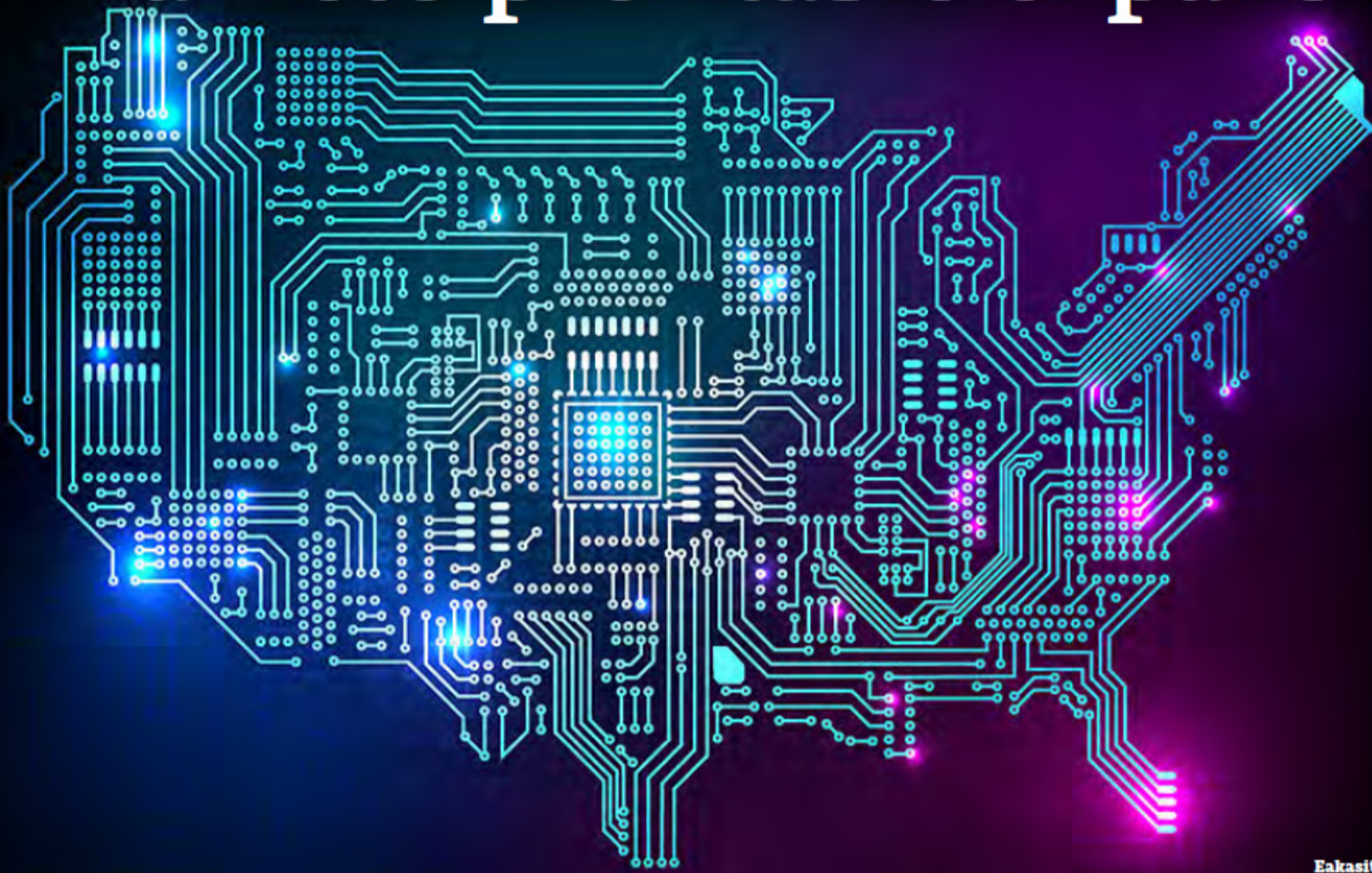




Technology will play key role in the E&S market's profitable expansion



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Data and analytics will help the US E&S market analyse future risks and build new products



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Fuelled by a strong economy, underwriting discipline and changing technology, the excess and surplus (E&S) sector has been experiencing extremely healthy levels of sustained growth since 2019. At the same time, the underwriting community has been adding to this growth by adjusting and cleaning up its portfolios and dispensing of difficult-to-write, or unprofitable, business.

A trend of shedding unprofitable business is no surprise: E&S lines of business are typically risks that are very complex or perils carriers struggle to insure.

A report from Allied Market Research confirms the robust growth prospects for the US E&S market and predicts it will see a compound annual growth rate of 15.2% between now and 2027 to reach a total of nearly \$126bn. The

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huge amount of new and unprecedented risks facing businesses as a result of the Covid-19 pandemic will, undoubtedly, contribute to the growth in the market.

Bullish prospects

It is not surprising, therefore, a number of E&S carriers are bullish about their prospects for the business. Ironshore recently said the pandemic has forced many companies to change the way they do business. For example, recently, some motor manufacturers were producing ventilators and hotel rooms are being repurposed as pandemic recovery rooms.

These new ways of operating invariably introduce additional risks that are often difficult to

underwrite, making them ideal opportunities for E&S underwriters, especially those that have the flexibility to pivot to cover these emerging perils. The trend of companies stepping up but in doing so exposing themselves to very different risks in the process has been commented on, including the need for these companies to adjust their underwriting criteria to the new risk environment.

One consequence of more business shifting to the E&S marketplace has been an increase in competition. As the marketplace becomes more crowded, carriers and brokers will need to find ways to differentiate themselves from their competitors. Many are significantly increasing the

amount of money they spend on technology, both to increase operational efficiency and to gain a competitive edge over their peers.

To handle the increased submission volume and reduce their expense ratios, brokers and agents are aware they must adopt new technology that supports operational efficiency and delivers a deeper insight into critical data, allowing for decision support algorithms to be developed. Failure to do so risks them leaving money on the table for their competitors.

There are a lot of positive developments in the E&S market today and technology is one of them.

Technological advantage

One way to gain a competitive advantage is to use technology to improve the customer experience. Brokers and agents have invested in technology that no longer requires policyholders to complete extensive forms and they are employing applications that leverage third-party data services to pre-fill required data elements as a part of the process

to complete forms. Brokers and agents have also developed internal services that communicate with multiple systems to execute rating, quotes and deliver policy documents in real time.

In addition to improving customer service, companies are using technology to extract information about the behavior of their customers. They are implementing analytics dashboards to track product demand, and pricing sensitivities to make immediate changes to the types of available products, while simultaneously communicating line of business capacity, both within carrier operations and to carriers from agents and managing general agents.

This use of data and analytics, as well as a focus on efficiencies in distribution, are contributing to the growth of the E&S market and will continue to help the market analyse future risk and build different products. ■

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