

# Insurance Buyers' News



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## The Surging Role of the E&S Market in Business Insurance



In today's volatile risk landscape, the Excess & Surplus (E&S) lines market has become a vital lifeline for business insurance buyers and their brokers. Once considered a niche solution for hard-to-place risks, E&S carriers are now front and center in responding to both traditional and emerging exposures that standard markets increasingly shy away from.

### What Is the E&S Market?

The E&S market operates outside the admitted insurance system. Unlike standard carriers, E&S insurers are not licensed by state regulators to write admitted policies. Instead, they are approved to operate on a non-admitted basis, which gives them flexibility in underwriting, pricing, and policy design. This freedom allows E&S carriers to take on risks that admitted insurers won't — whether due to complexity, volatility, or lack of historical data.

## Boeing's Reputation Takes a Hit — Crisis Coverage Gains Traction

In a year already riddled with turbulence, Boeing's reputation has taken another nosedive — and insurance buyers are paying attention. Following a string of mechanical failures involving its 737 MAX aircraft, including a door blowout mid-flight and a wheel detachment during takeoff, the aerospace giant is now facing a PR nightmare that's gone viral.

The tipping point? NASA reportedly turned to rival SpaceX to rescue two astronauts stranded aboard a Boeing spacecraft — a move that sparked widespread ridicule across social media and headlines like "Boeing's Biggest Rival Saves the Day." The backlash has been swift and unforgiving, with critics questioning Boeing's safety protocols, leadership, and crisis response. CEO Dave Calhoun has since stepped down,

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## The Ebb and Flow Between E&S and Standard Markets

The relationship between E&S and standard markets is cyclical. During soft markets, when competition is high and premiums are low, standard carriers expand their appetite and E&S volume shrinks. But in hard markets, when losses mount and underwriting tightens, E&S carriers step in to fill the void.

In recent years, rising claims from cyberattacks, climate events, and social inflation have pushed many standard carriers to retreat — creating a boom for E&S insurers. According to industry data, E&S premium volume has surged, with double-digit growth across multiple lines.

### Traditional Areas of E&S Strength

Historically, E&S markets have excelled in:

- ✱ **Construction:** Especially for contractors with loss history or high-risk operations.
- ✱ **Hospitality:** Bars, nightclubs, and venues with liquor liability exposures.
- ✱ **Environmental:** Pollution liability and site-specific risks.
- ✱ **Professional Liability:** For architects, engineers, and consultants with unique exposures.

These sectors often face underwriting challenges due to claims volatility, regulatory scrutiny, or operational complexity — making E&S the go-to solution.

### Emerging Markets Driving E&S Growth

The E&S market is no longer confined to traditional high-risk sectors. It's rapidly evolving to meet the demands of new industries that challenge conventional underwriting models. These emerging markets are characterized by regulatory ambiguity, technological disruption, and novel exposures — all of which make admitted carriers

hesitant to participate.

Cannabis is a prime example. Despite legalization in many states, federal prohibition creates a complex legal environment that deters standard insurers. E&S carriers have stepped in to offer coverage for growers, dispensaries, and ancillary businesses, often tailoring policies to meet state-specific compliance requirements.

Cryptocurrency and fintech companies also fall squarely into the E&S domain. With volatile asset values, evolving regulations, and a lack of historical loss data, these firms face unique risks that require flexible underwriting. E&S insurers are crafting bespoke policies for digital asset custodians, blockchain developers, and decentralized finance platforms.

The gig economy and sharing platforms — from rideshare drivers to short-term rental hosts — present another frontier. Traditional insurance products don't fit the intermittent, decentralized nature of these operations. E&S carriers are developing usage-based and event-triggered policies that align with the fluid risk profiles of gig workers and platform users.

Cyber liability continues to be a fast-moving target. As threats evolve beyond data breaches to include ransomware, business interruption, and reputational harm, E&S insurers are leading the charge with modular, customizable cyber policies. They're also more willing to cover emerging risks like AI-driven fraud or cloud service outages, which standard markets often exclude.

Social and reputational risks are gaining attention as well. Businesses exposed to viral backlash, influencer scandals, or online defamation are seeking crisis management and reputation recovery coverage — often available only through E&S channels.

This expansion into new markets reflects the agility and innovation that define the E&S sector.

### *This Just In*

and Boeing's stock has plummeted nearly 30% year-to-date.

This high-profile reputational hit underscores a growing concern among businesses: viral incidents can trigger real financial losses. Whether it's a botched product launch, a controversial ad campaign, or a social media firestorm, companies are increasingly vulnerable to reputational damage that spreads faster than any press release can contain.

In response, insurance buyers are exploring crisis management and reputation recovery coverage — policies designed to help businesses weather the storm of public backlash. These products may include access to PR firms, legal counsel, and even compensation for lost revenue due to reputational harm.

As digital scrutiny intensifies, reputation risk is no longer a soft concern. It's a hard exposure — and brokers are urging clients to treat it like one.

Unlike admitted carriers bound by rate filings and regulatory constraints, E&S insurers can respond quickly to market signals and craft coverage for risks that don't fit neatly into existing categories.

At the distribution level, specialty brokers play a key role in accessing E&S markets. Retail agents typically turn to these intermediaries when a risk falls outside the appetite of standard carriers. Most states require retail brokers to conduct a diligent search — meaning they must attempt to place the risk in the admitted market before turning to E&S. This regulatory safeguard ensures that E&S remains a solution for truly non-standard exposures.

In today's dynamic risk environment, the E&S market is not just a fallback — it's a strategic frontier. Brokers who understand its mechanics and evolving appetite are better positioned to deliver innovative solutions for clients navigating uncertainty. ■

# Climate Risk and Supply Chain Fragility: A New Era of Insurance Strategy

**W**hile it's a good idea to read your insurance policy, hardly anybody does. The important thing is to understand what's in it. Here are three concepts to know about how your insurance works.

As businesses confront a rapidly shifting risk landscape, two forces are reshaping how insurance buyers and brokers think about coverage: climate-driven catastrophes and fragile global supply chains. Together, they're driving innovation in insurance products and prompting a strategic reassessment of exposures that were once considered manageable.

Extreme weather events — from record-breaking hurricanes to devastating wildfires — have become more frequent and severe. Traditional property insurance, which relies on post-event damage assessments, often falls short in delivering timely relief. In response, parametric insurance is gaining traction. Unlike conventional policies, parametric coverage pays out based on predefined



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triggers such as wind speed, rainfall levels, or seismic intensity. This allows businesses to receive rapid payouts without waiting for lengthy claims investigations.

Parametric solutions are especially valuable for companies operating in high-risk zones or with critical infrastructure exposed to natural hazards. Brokers are increasingly advising clients to reassess their exposure to flood, wildfire, and hurricane risks, not just in terms of physical damage but also in terms of operational continuity. For example, a coastal manufacturer might use parametric coverage to offset losses from a hurricane-induced shutdown, even if its facility remains physically intact.

Meanwhile, supply chain fragility has emerged as a top-tier concern. The COVID-19 pandemic, geopolitical tensions, and transportation bottlenecks have exposed how vulnerable global sourcing and logistics networks can be. A single disruption — whether it's a port closure, raw material shortage, or cyberattack on a supplier — can ripple across industries and halt production.

To mitigate these risks, insurance buyers are turning to contingent business interruption (CBI) coverage, which protects against income loss stemming from disruptions to key suppliers or customers. Additionally, trade credit insurance is gaining popularity as businesses seek protection against non-payment or insolvency in uncertain economic conditions.

Together, climate risk and supply chain instability are pushing the insurance industry toward more responsive, data-driven solutions. Brokers play a critical role in helping clients navigate these changes — identifying vulnerabilities, structuring innovative coverage, and ensuring that policies align with evolving risk profiles.

As these trends accelerate, businesses that proactively adapt their insurance strategies will be better positioned to weather the next storm — whether it's a literal hurricane or a figurative supply chain shock. The future of risk management lies not just in protection, but in resilience. ■

## Reinsurance Under Pressure: How Market Shifts Are Reshaping Risk and Coverage

**R**einsurance is the financial backbone of the insurance industry — a behind-the-scenes mechanism that allows primary insurers to assume risk with confidence. By transferring portions of their exposure to reinsurers, carriers can write larger policies, stabilize loss ratios, and protect themselves from catastrophic events. In essence, reinsurance enables insurers to “front” for risk while maintaining solvency and pricing discipline.

But in 2025, the reinsurance market is undergoing seismic shifts. Reinsurers — the global giants who backstop everything from property to cyber liability — are demanding deeper visibility into the risks they're being asked to support. This push for transparency is driven by two converging forces: climate volatility and cyber uncertainty.

Climate-related losses have surged in recent years, with wildfires, floods, and hurricanes becoming more frequent and severe. Reinsurers are no longer willing to accept aggregated exposure data or broad regional assumptions. They want granular insights — down to ZIP code-level flood maps, building materials, and mitigation strategies. This demand is forcing primary carriers to invest in advanced modeling and data analytics to retain reinsurance support.

Cyber risk is equally disruptive. The rise of ransomware, cloud outages, and systemic vulnerabilities has made cyber liability one of the most unpredictable lines of coverage. Reinsurers are pressing for detailed information on insureds' security protocols, vendor dependencies, and incident response plans. Without this clarity, they're pulling back — reducing capacity or raising prices.

For insurance buyers in high-risk sectors — such as manufacturing, energy, healthcare, and tech — these reinsurance shifts have direct consequences. Coverage is harder to find, more expensive, and often comes with tighter terms. Brokers are working overtime to help clients navigate these changes, often restructuring programs or layering coverage across multiple carriers.

Ultimately, reinsurance isn't just a financial tool — it's a signal of confidence in the



underlying risk. As reinsurers become more selective, the ripple effects will be felt across the entire insurance ecosystem. Businesses that invest in risk

transparency and resilience will be better positioned to secure coverage in this new era of scrutiny. ■

# AI and Automation Are Reshaping Insurance Operations

**A**rtificial intelligence (AI) and automation are no longer fringe technologies in the insurance industry — they're now central to how carriers, brokers, and clients manage risk. From underwriting to claims processing to fraud detection, AI is transforming the operational backbone of insurance, delivering speed, precision, and insight that were previously out of reach.

## Smarter Underwriting and Faster Claims

In underwriting, AI algorithms are streamlining risk assessment by analyzing vast datasets in real time. Instead of relying solely on historical loss ratios and manual questionnaires, insurers can now incorporate external data sources — such as satellite imagery, IoT sensor feeds, and social media signals — to evaluate exposures with greater granularity. This allows for more accurate pricing and faster policy issuance, especially in complex or high-volume lines like commercial property or cyber liability.

Claims management is also undergoing a revolution. AI-powered systems can triage incoming claims, flag suspicious patterns, and even automate routine payouts. For example, in auto insurance, image recognition tools can assess vehicle damage from photos and estimate repair costs instantly. This reduces processing time and improves customer satisfaction, while freeing up adjusters to focus on more nuanced cases.

## Predictive Analytics and Strategic Advising

Fraud detection is another area where AI shines. Machine learning models can identify anomalies across claims data, billing practices, and policyholder behavior — often spotting fraud before it escalates. These systems continuously learn from new data, improving their accuracy and reducing false positives over time.

For brokers, the rise of predictive analytics is a game-changer. By harnessing AI tools, brokers can model potential loss scenarios, identify coverage gaps, and advise clients on optimal risk transfer strategies. This shifts the broker's role from transactional intermediary to strategic advisor — helping clients make informed decisions based on data-driven insights.

As AI continues to evolve, its impact will extend beyond operations into product innovation, customer engagement, and regulatory compliance. The challenge for insurance professionals is not just adopting these tools, but integrating them thoughtfully into workflows that enhance human judgment rather than replace it.

In a world of rising complexity and accelerating risk, AI offers a powerful toolkit for building smarter, faster, and more resilient insurance solutions. Those who embrace it will be better positioned to lead the next chapter of industry transformation. ■



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