

# How Can Surplus Lines Insurers Overcome Operational Challenges?

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## INTRODUCTION

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Underwriting specialty risks is complex by nature—but even more so when those risks fall into the surplus lines category. These insurers operate under a decentralized regulatory framework, requiring state-specific compliance to evaluate non-admitted risks that don't fit the standard market mold. The result? A highly demanding underwriting environment—where speed, compliance, and accuracy must coexist, often without the operational infrastructure to support them.

Consider a U.S.-based surplus lines carrier with \$1 billion in revenue (as of December 2024). Despite its scale, the company faced structural inefficiencies: inconsistent risk selection, delays in policy issuance, and high manual processing costs. These issues reflect industry-wide patterns, not isolated symptoms.

Undoubtedly automation offers long-term potential, yet many insurers remain in the early stages of implementation—struggling with integration barriers, cost concerns, and system compatibility. As a more immediate and controllable solution, structured underwriting support enables insurers to standardize workflows, reinforce compliance, and reduce variability in risk assessment.

This blog explores recurring operational challenges in surplus lines underwriting and outlines pragmatic, near-term strategies that create measurable impact.

# Recurring Underwriting Inefficiencies: A Common Industry Challenge

The challenges mentioned earlier aren't unique to a single carrier. Many surplus line insurers face similar operational bottlenecks. The industry often focuses on quick fixes to problems such as delayed policy issuance and overwhelming case volumes rather than investing in long-term

underwriting efficiency. This short-term approach leads to recurring inefficiencies and customer dissatisfaction, as shown in Exhibit 1.

The failure to invest in long-term underwriting improvements leads to continual reliance on fragmented workflows, manual interventions, and delayed decision-making. This vicious cycle erodes profitability, leaving insurers reactive instead of proactive in their approach to underwriting.

## Exhibit 1: Persistent Underwriting Challenges in Surplus Lines Insurance

### Three factors - Problem



#### Fragmented Data

Inconsistent risk selection due to scattered data sources, leading to delayed policy issuance and pricing inefficiencies.



#### Regulatory Complexity

Compliance risks increase as insurers struggle to track and adapt to varying state-specific surplus lines regulations, causing filing errors and penalties.



#### Slow Decision-making

Manual underwriting processes slow down risk assessments and policy binding, resulting in lost business and operational inefficiencies.

Roadblock to Informed Underwriting

Undergo Multi-State Insurance Compliance

Hampers Overall Process Efficiency

## Bridging the Gaps: A Roadmap to Underwriting Efficiency

Addressing these recurring underwriting challenges requires a shift from reactive problem-solving to structured, long-term support strategies. Exhibit 2 maps out essential solutions designed to streamline operations and enhance decision-making accuracy.

Underwriting transformation isn't about fixing one piece – it's about syncing data, compliance, and workflows through a connected, AI-driven system.

Together, these levers form a continuous system—where better data drives smarter compliance, and smarter compliance enables faster, more accurate underwriting decisions.

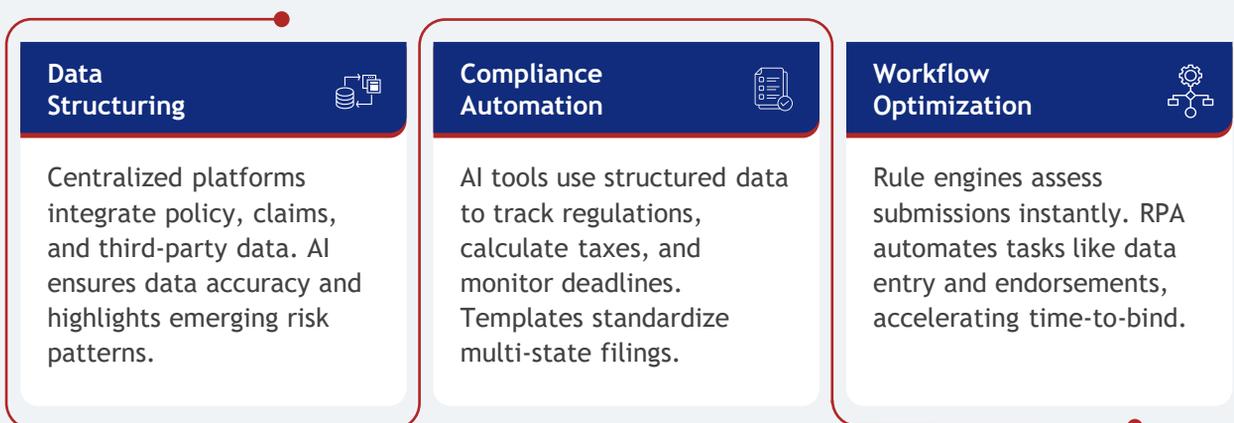
## Structured Underwriting Support in Surplus Lines Insurance

Taking a closer look at the U.S.-based surplus lines carrier mentioned earlier, the deployment of structured underwriting support yielded remarkable results:

- \$5 million in cost savings over three years through streamlined workflows and reduced manual interventions.
- 15% reduction in operational overhead due to standardized processes and automated compliance tracking.
- Enhanced underwriting accuracy, resulting in more consistent risk selection and improved financial outcomes.

These improvements demonstrate how optimizing data management, ensuring regulatory compliance, and refining underwriting processes for long-term success can mitigate operational challenges for surplus lines insurers.

### Exhibit 2: Three Connected Levers for Intelligent Underwriting



## THE BOTTOM LINE

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Operational efficiency in surplus lines underwriting directly impacts profitability, compliance, and competitive positioning. Leaders must transition from reactive fixes to long-term, structured underwriting strategies that reduce friction and enhance decision accuracy.

Structured underwriting support enables insurers to modernize operations, reinforce compliance, and achieve greater consistency in risk evaluation—without disrupting existing workflows.

The opportunity is clear: those who act now will build more scalable, future-ready operations — gaining both market resilience and sustainable growth.

Are you ready to transform your underwriting process? Contact us for scalable, compliance-ready solutions built for the surplus lines market.

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