

Volatility and Evolution in the Personal Umbrella Market

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The personal umbrella insurance market is undergoing a dramatic transformation marked by heightened volatility, tightening underwriting standards, and a surge in consumer demand. Traditionally viewed as a stable and relatively low-risk segment, the market is now facing a combination of economic, environmental, and legal challenges that are reshaping the landscape for insurers and policyholders alike.

RIISING CLAIMS AND LEGAL TRENDS

One of the key drivers of volatility in the personal umbrella market is the increase in the frequency and severity of liability claims. High-profile lawsuits, nuclear verdicts—jury awards exceeding \$10 million—and an increasingly litigious society have put pressure on insurers' loss ratios. From auto accidents involving distracted driving to liability claims stemming from social media use and home-sharing services, the scope of potential risk has broadened significantly.

According to the U.S. Chamber of Commerce Institute for Legal Reform:

- 2010-2019 saw 1,376 nuclear verdicts
- 50% were between \$10-\$20 million
- Roughly 33% were between \$20-\$50 million
- 16% exceeded \$50 million

Additionally, inflation is compounding the issue. As the costs of medical care, auto repairs, and legal services continue to rise, the average claim payout under umbrella policies has grown considerably. Insurers are finding it more difficult to predict and price these risks accurately, prompting a reevaluation of underwriting strategies.

CARRIER APPETITE CHANGES

In response to the shifting landscape, many insurance carriers are scaling back their participation in the personal umbrella space. Some have raised premiums, implemented stricter underwriting guidelines, become more conservative with the limits they are willing to offer, or exited the market altogether. Carriers are also increasingly requiring that underlying policies be written with the same insurer to reduce exposure and better manage risks.

Insurers are scrutinizing insureds more closely, paying greater attention to factors such as the age of drivers, motor vehicle activity, and multiple exposures. These developments are creating coverage gaps and reducing options for consumers, especially those with complex or high-risk profiles.

WHAT DOES THIS MEAN FOR YOUR AGENCY?

In this rapidly evolving environment, independent agents face growing difficulties in placing adequate umbrella coverage for their insureds. For many, umbrella coverage is a crucial part of their overall insurance needs, and agents need to find solutions to protect their customers' financial assets.

The personal umbrella market is at a crossroads. While volatility and carrier retrenchment present significant challenges, we are here to help and have solutions. We offer:

- Markets for your preferred, standard and high-risk clients.
- Standalone primary and excess policies.
- Higher umbrella limits and higher excess uninsured/underinsured limits.

For more information, contact your personal lines underwriter.