2024 Q2

Umbrella and Excess Market Update

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As 2024's casualty market continues to roll along, we're seeing consistent price increases across almost all lines of business. Specifically, General Liability saw a rise, on average, in the mid to high single digits, while Excess and Umbrella were low double digits as capacity continues to be managed by both standard and excess and surplus (E&S) carriers alike.

Let's get into the specifics below and look at the "why" behind the current market.

CONTINUED MANAGEMENT OF LIMITS

As carriers move through 2024, the overwhelming trend that both reinsurers and carriers continue to emphasize is the management of current and future capacity.

Lead excess, almost regardless of class of business, is still very difficult, with some of the higher-hazard classes of business — like heavy auto-driven risks and habitational — taking two or sometimes even three carriers to piece together $5M of capacity in a lead position.

This trend continues to develop as markets struggle to keep pace with inflation and the cost of claims. The unpredictability of the legal environment and certain jurisdictions across the country continuing to hand down nuclear verdicts continue to pose a challenge to carriers and reinsurers alike, as forecasting "adequate" and "profitable" pricing for certain risks in parts of the country — such as Georgia and Harris County, Texas — remains difficult.

FREQUENCY AND SEVERITY TRENDS

As a recent update from GenRe points out, Umbrella and Excess coverage was never intended to regularly experience losses.* Over the last few years, however, reinsurers and carriers have seen their Umbrella and Excess books of business continue to experience costly and piercing losses, which is essentially how we got to the current state of the market.

For instance, reports GenRe, the overall severity trend — the change in claim severity or cost of the claim — on Umbrella and Excess business from over the 10-year period from 2009 to 2019 collectively was only 3.4%. From 2020 to 2022, however, that percentage almost tripled to 9.3%.

Frequency trend — the number of claims an insurer can expect to see — for the period from 2009 to 2019 was estimated to be 5.7%, with years 2020 to 2022 climbing to 7.3%. This means exactly how the data reads: More expensive claims costs and more actual claims for a line of coverage that historically wasn't implemented to experience frequency or truly even that much severity.

All of this means that carriers will continue to be hypervigilant on their books of business and extremely selective on new business to continue to protect their company's assets.

RISK
PLACEMENT
SERVICES

WHAT ELSE IS DRIVING THE STATE OF THE UMBRELLA AND EXCESS MARKET?

As we've continued to touch on in **our market updates**, poor loss experience and unpredictable verdicts continue to plague insurance carriers, a situation that continues the collective upward momentum of pricing as the marketplace does everything it can to become profitable.

Based on our experience, we'll continue to see the market provide solutions, competition in certain areas and attachments, and ample capacity. However, the diligent underwriting is here to stay.

A decade ago, when underwriting questions may not have been as frequent or detailed, the process and life cycle of an account were much less taxing on all those involved. In the current state, all parties involved — from the insured all the way to the underwriter and back — must be committed to providing pertinent details about their processes and procedures.

These details include safety measures, manufacturing quality control, or risk transfer with those working with or providing a service or product on behalf of the insured. Those who can continue to secure this data from their insureds, along with coaching them on better risk management, updating and reviewing their contracts, and generally implementing best practices, should be subject to less deal fatigue while trying to secure the optimal solution available for their clients.

Sources

*Burns, Matt and Paul Kelejian."Will Worsening Umbrella Loss Ratios Be a Wake-Up Call for Carriers?," *GenRe,* 9 Feb 2024.