Insurance Buyers' News

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Umbrella and Excess Liability Rates Rise Again as Social Inflation Reshapes Risk

A Market Under Pressure from Rising Severity

Commercial insurance buyers are heading into 2027 facing one of the most challenging umbrella and excess liability markets in years. While property insurance is stabilizing and workers' compensation remains predictable, liability carriers are tightening terms, raising attachment points, and increasing rates—especially for businesses with transportation, construction, hospitality, or manufacturing exposures. The driver isn't frequency. It's severity, and the forces behind it are structural.

The biggest factor is social inflation. Jury awards have grown dramatically over the past decade, fueled by litigation funding, aggressive plaintiff strategies, and shifting public attitudes toward corporate responsibility. The Insurance Information Institute reports that nuclear verdicts—awards exceeding $10 million—have risen sharply, particularly in auto liability and premises liability cases. Even mid sized claims are becoming more expensive, pushing carriers to reassess their pricing models.

Another challenge is the rising cost of defending claims. Legal fees, expert witness costs, and extended litigation timelines are increasing the total cost of liability losses. Carriers say defense cost inflation is now a major contributor to rate pressure, especially in industries with complex operations or high public exposure.

Auto, Construction, and Hospitality Face the Toughest Scrutiny

Commercial auto losses are a major contributor. Modern vehicles are more complex and expensive to repair, and distracted driving continues to increase accident severity. When bodily injury claims escalate, excess carriers feel the impact. Many are responding

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This Just In …

Federal regulators have issued sweeping new rules governing PFAS ("forever chemicals"), creating immediate compliance obligations for businesses across multiple industries. The EPA's updated standards classify several PFAS compounds as hazardous substances under federal law, triggering mandatory reporting, stricter discharge limits, and potential cleanup liability for companies that manufacture, store, transport, or dispose of PFAS containing materials.

The new rules affect far more than chemical producers. Food processors, commercial kitchens, logistics companies, metal fabricators, and businesses with wastewater exposure may now fall under the expanded regulatory framework. Any operation that uses treated textiles, specialty coatings, industrial solvents, or certain packaging materials may need to evaluate PFAS handling procedures.

Carriers are responding quickly. Environmental insurers are revising policy language, adding PFAS specific exclusions, or offering limited sublimits for

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This Just In

cleanup and third party liability. Underwriters are asking more questions about wastewater systems, vendor controls, and documentation of chemical storage. Businesses without clear PFAS management plans may face higher premiums or reduced coverage options.

Brokers are urging clients to conduct PFAS exposure assessments as soon as possible. This includes identifying materials that may contain PFAS, reviewing supplier certifications, and documenting disposal practices. Companies with potential exposure should also evaluate whether their current environmental liability policies address PFAS related claims.

The regulatory landscape is shifting rapidly. Businesses that act early—by assessing exposure, updating procedures, and reviewing insurance coverage—will be better positioned to comply with new rules and avoid costly surprises.

by raising minimum attachment points, requiring higher primary limits, or declining certain classes altogether.

Construction and manufacturing face similar pressures. Claims involving subcontractor injuries, equipment accidents, or product liability can escalate quickly. Carriers are scrutinizing contractual risk transfer, safety documentation, and vendor management more closely than ever. Businesses with incomplete contracts or inconsistent safety records may see significant rate increases.

Hospitality and retail are also under the microscope. Slip and fall claims, security related incidents, and alcohol related exposures are driving higher severity. Carriers want evidence of strong premises controls, employee training, and incident documentation.

How Buyers Can Strengthen Their Position

To secure competitive terms, businesses should focus on three areas:

- Strengthen contractual risk transfer. Clear indemnification language and well managed certificates of insurance reduce exposure.
- Improve documentation. Carriers want proof of safety programs, training, and incident response procedures.
- Enhance fleet safety. Telematics, driver coaching, and disciplined hiring practices can reduce auto related severity.

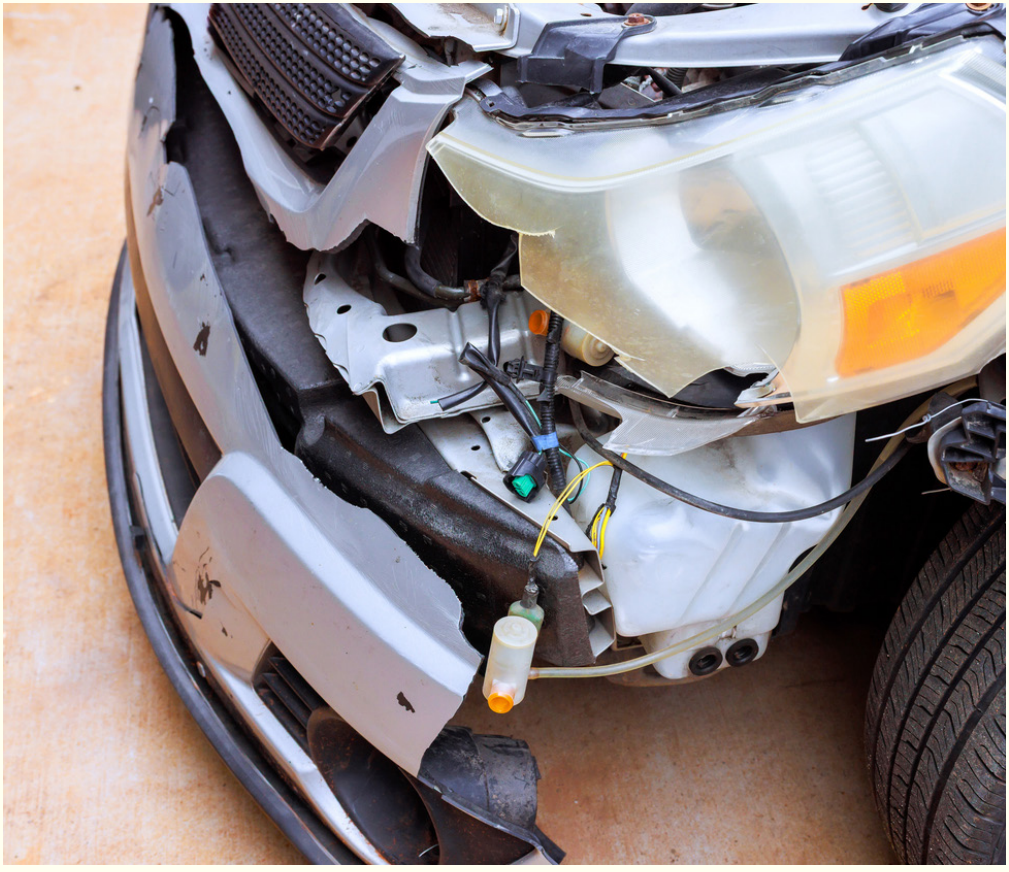
Businesses with strong internal controls are also finding value in early renewal preparation. Submitting clean, complete underwriting information—loss runs, safety documentation, fleet data, and updated contracts—can help carriers price accounts more favorably. Brokers report that early marketing is now essential for buyers with higher risk operations or recent severe losses.

Alternative risk structures are gaining traction as well. Options include higher deductibles, quota share layers, and hybrid programs that blend traditional insurance with captive participation. These approaches can help buyers manage cost volatility while maintaining adequate protection.

A Market Recalibrating for Long Tail Risk

The excess market isn't collapsing—it's recalibrating. As severity continues to rise, carriers are pricing for long tail risk more cautiously. Businesses that invest in safety, documentation, and contractual discipline will be best positioned to navigate the new landscape. For now, buyers should expect a challenging renewal season and prepare early to avoid surprises.

Commercial Auto Faces Another Difficult Renewal Season



Severity, Not Frequency, Is Driving the Market

Commercial auto insurance remains one of the toughest lines for buyers, and the 2026–2027 renewal cycle shows no signs of easing. While frequency has stabilized, severity continues to climb, driven by repair cost inflation, vehicle complexity, and rising bodily injury awards.

Modern vehicles are packed with sensors, cameras, and advanced driver assistance systems. Even minor collisions can require expensive recalibration or full component replacement. The cost of parts and labor has risen faster than general inflation, and carriers are adjusting rates accordingly. Electric vehicles add another layer of complexity. Battery replacement, specialized labor, and limited repair networks can turn a moderate accident into a high severity claim.

Distracted Driving and Fleet Exposures Keep Losses High

Distracted driving remains a major concern. Despite company policies and hands free laws, accidents involving mobile devices continue to rise. Carriers are pushing for stronger fleet safety programs, including telematics, driver coaching, and documented enforcement of safety rules.

Businesses with delivery fleets, heavy trucks,

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or employee driven vehicles face the most pressure. Carriers are raising deductibles, limiting coverage for hired and non owned exposures, and requiring detailed loss control plans. Companies with poor loss histories may see double digit increases. In some cases, carriers are declining to quote fleets with repeated severe losses or inconsistent driver screening practices.

Another challenge is the rise in third party litigation. Plaintiff attorneys are increasingly aggressive in auto liability cases, using telematics data, dash cam footage, and company policies to argue negligence. This trend is pushing settlements higher and increasing the cost of defending claims.

What Buyers Can Do to Improve Results

To improve results, businesses should focus on:

- Telematics adoption. Carriers increasingly reward companies that monitor driver behavior.
- Driver selection. Background checks, MVR reviews, and structured onboarding reduce risk.
- Vehicle maintenance. Documented maintenance schedules help prevent mechanical related accidents.

Companies with strong fleet discipline—clear policies, consistent enforcement, and documented training—tend to see better renewal outcomes. Brokers also recommend early marketing of accounts, especially for fleets with mixed results. The more time carriers have to review data, the better the chances of securing competitive terms.

Commercial auto isn't likely to soften soon. Buyers who invest in disciplined fleet management will be better positioned to control costs and maintain stable coverage.

EPLI Claims Rise as Workforce Policies Shift Again

Return to Office Policies Create New Tensions

Employment practices liability insurance (EPLI) is facing renewed pressure as workplace policies evolve. Hybrid schedules, return to office mandates, pay equity laws, and new harassment standards are driving more claims across industries.

Carriers report increases in wrongful termination, discrimination, retaliation, and wage and hour allegations. Mid market businesses—those with 50 to 500 employees—are seeing the largest impact, partly because they often lack dedicated HR teams.

Return to office policies are a major source of friction. Employees who relocated during remote work periods may claim constructive discharge or discrimination if required to return. Hybrid schedules also create inconsistencies in supervision, documentation, and performance management. When managers handle remote and in office employees differently, allegations of unfair treatment can arise.

Another challenge is inconsistent communication. Employees working remotely may feel excluded from key decisions or advancement opportunities, leading to claims of disparate treatment. Carriers say documentation gaps—missed performance reviews, informal feedback, or inconsistent discipline—are now a major driver of EPLI disputes. As businesses adjust to new workplace rhythms, even small inconsistencies can escalate into formal complaints.

Pay Equity and Digital Communication Risks Expand Exposure

Pay equity laws are expanding nationwide. Businesses must ensure compensation decisions are documented and defensible. Carriers are asking more questions about salary band structures, job descriptions, and promotion criteria. Companies that rely on informal pay practices or undocumented raises may face increased scrutiny.

Harassment claims remain steady, but the nature of allegations is changing. Digital communication—chat platforms, video calls, and messaging apps—creates new avenues for inappropriate conduct. Employers must update policies to address virtual behavior. Even casual comments in chat threads can become evidence in EPLI disputes.

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Another emerging exposure is algorithmic bias. Businesses using AI driven hiring tools must ensure those systems comply with anti discrimination laws. Several states now require audits of automated decision making tools, and carriers are beginning to ask about compliance.

How Employers Can Reduce EPLI Risk

To reduce EPLI exposure, businesses should:

- Document performance reviews and disciplinary actions.
- Update handbooks to reflect hybrid and remote work realities.
- Train managers on consistent communication and documentation.

Clear job descriptions, structured onboarding, and consistent evaluation criteria also help reduce disputes. Brokers recommend annual handbook reviews and regular HR audits to ensure policies match current regulations.

EPLI remains one of the most important lines for businesses navigating workforce change. Companies that invest in documentation, training, and policy updates will be better positioned to manage rising claims and secure competitive coverage.

Why Accurate Property Valuations Matter More Than Ever

Property valuation has become one of the most important issues for commercial insurance buyers heading into 2027. Inflation in materials, labor, and specialized equipment has left many buildings undervalued, and carriers are enforcing stricter valuation reviews during renewals. When a building is insured for less than its true replacement cost, businesses risk coinsurance penalties, reduced claim payments, and disputes during loss adjustment.

Many companies rely on outdated appraisals or estimates that no longer reflect current construction costs. Over the past three years, supply chain disruptions and skilled labor shortages have pushed replacement cost values significantly higher. Even modest commercial buildings may now be undervalued by 20–30 percent. Improvements such as new HVAC systems, upgraded electrical work, or expanded floor space often go unreported, further widening the gap between insured value and actual cost.

Carriers are responding by requiring updated valuations, conducting onsite inspections, and using third party modeling tools to verify replacement cost estimates. Policies with coinsurance clauses are especially vulnerable. If a building is insured for less than its true value, the insured may receive only a portion of the claim—even for partial losses. This can create unexpected financial strain at the worst possible time.

To avoid problems, businesses should take three steps. First, conduct professional appraisals every three to five years, or sooner if major improvements have been made. Second, review building changes annually, including renovations, equipment upgrades, and structural additions. Third, update valuations when material or labor costs rise significantly, even if no physical changes have occurred.

Accurate valuations ensure adequate coverage, smoother claims handling, and fewer disputes with carriers. In today's market, they're not just a best practice—they're essential protection for any business that relies on its property to operate.

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