

## Don't Leave Your Policyholders Out in the Rain!

Thursday, February 10  
Is National Umbrella Day



Umbrella coverage was once thought of as an “excess” layer of protection, only needed for the most extraordinary exposures. Today, it’s a “must have” for many different businesses and individuals. Umbrella policies also serve as an excellent opportunity for insurers. The following are just some benefits of growing your umbrella book of business.

### 1. Umbrella coverage is a great tool for building trust and enhancing your relationship with your policyholders.

Adding an umbrella policy to a client’s portfolio is a simple and effective way to provide additional limits, fill in coverage gaps, and give that client peace of mind. It also allows you to show your policyholders that you’re looking out for their best interests, which helps to build trust.

Clients may not understand the need for umbrella coverage. It is important to educate them about the changing attitudes in society, the increase in litigation, and the rising costs of lawsuits — circumstances that

can result in losses that rise above and beyond what primary policies can offer. According to the Insurance Information Institute, US commercial auto insurers saw their liability losses almost triple between 2010 and 2019<sup>1</sup>. The average jury verdict’s monetary award almost doubled in the same period of time, and the median award from the 50 largest US jury verdicts rose from \$27.7 million in 2014-2017 to \$54.3 million in 2019<sup>2</sup>. This phenomenon of claims costs rising faster than general economic inflation is known as social inflation.

Helping policyholders recognize and understand the potential liability they could face — and how umbrella coverage can provide those higher limits — is a vital service, particularly for those who have additional risks that create higher-than-average liability exposures. Some of these attributes include youthful drivers, swimming pools, trampolines, pets, ATVs, tree houses,

playsets, or investment/rental properties. Agents should explain how an umbrella policy can more adequately cover these heightened exposures as well as exposures that may be excluded on a primary policy, such as worldwide exposures, defamation, false arrest, or malicious prosecution.

## **2. The umbrella provides a great cross-selling opportunity for agents.**

When your clients have multiple lines of business with you, the umbrella can provide an excellent cross-selling opportunity. Rates can be reasonable, and an abundance of coverage limit options are available — making umbrella coverage an efficient route for growing your portfolio and gaining loyalty from your existing clients.

After all, existing clients are your best clients — they have an established relationship and are more likely to consider additional products, which increases their lifetime value. This helps keep retention rates

higher, and loyal clients tend to exercise greater discretion regarding adversity toward your business. Current clients advocate for you and advertise your business through word of mouth. Higher loyalty also means lower churn, which in turn can help companies decrease expenses and overhead costs.

Clients who have a high net worth, possess larger assets, or have noticeable liability exposures can often be a targeted ‘class of business’ for umbrella coverage.

## **3. Umbrella policies can support your company’s commercial growth initiatives.**

If growing your commercial book of business is one of your goals, the umbrella policy can play a key role. Business owners value their time, hard work, and investments, and they want to be adequately protected. Increased customer traffic, product liability, manufacturing exposures, and advertising exposures are some of the factors driving the need for additional coverage. In many cases, a business owner’s financial

assets are better protected when the business owner also has an umbrella policy in its insurance portfolio.

In addition, small businesses often work with third parties or governmental entities that require them to carry higher limits of insurance. Umbrellas can provide a solution to meet those contractual requirements.

<sup>1</sup> “Triple-I: Rising Litigation Expenses Are Driving Up Cost of Insurance.” Insurance Information Institute, February 11, 2021, <https://www.iii.org/press-release/triple-i-rising-litigation-expenses-are-driving-up-cost-of-insurance-021121>

<sup>2</sup> “Triple-I: Rising Litigation Expenses Are Driving Up Cost of Insurance.”



## SUMMARY

Our industry provides a safety net for unforeseen losses, but with recent societal and economic trends, the magnitude and severity of those losses can exceed our imagination. It is vital to offer policyholders an additional layer of security to cover the full extent of their exposures. Educating your clients on how the umbrella policy works and how it protects their assets is an important value-add and can help enhance long-term loyalty relationships.

© 2022 American Agricultural Insurance Company | [www.aaic.com](http://www.aaic.com)

This article is intended to provide a general understanding of the topic and explicitly does not provide legal advice. Before taking any action regarding a topic addressed in this article, a thorough, specific analysis of the law as it applies to the subject should be completed.

This article is the valuable work product of American Agricultural Insurance Company (AmericanAg™) and was prepared by AmericanAg™ for the internal use of its clients. AmericanAg™ grants its clients the limited right to use this information for their internal purposes. Other reproduction or dissemination of this material or the information that it contains is strictly prohibited.