



BAY OAKS  
GROUP

## COUNTERING THE NEGATIVE IMPACT ON THE INSURANCE INDUSTRY IN 2020-21

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The insurance industry has seen many changes in 2020. A global pandemic, fluctuating legal landscapes, social reforms, and unrest as well as general market conditions have each had an impact on various insurance coverages. These conditions are likely to continue well into 2021 and will, therefore, affect insurance renewals for the foreseeable future. Here are some of the highlights:

### **Excess Workers' Compensation Insurance:**

The COVID crisis has had a significant impact on excess workers' compensation insurance and is further accelerating changes in both premiums and coverages. Healthcare workers and first responders have been hit particularly hard by the epidemic thus leading to an increase in larger claims. Public entities and healthcare organizations comprise a large portion of the self-insured WC marketplace and as a result, excess carriers are seeing many large COVID-related claims from the policies covering those employers. In response, most excess carriers are no longer offering communicable disease endorsements – a coverage extension that allowed employers to combine the losses from multiple employees exposed to the same communicable disease under a single SIR. Likewise, many carriers are seeking to increase SIRs and/or premium rates for their renewals.

Excess workers' compensation policyholders should anticipate rate increases anywhere from 5-10% over the next year, regardless of industry and may see carriers continuing to move SIRs upward – especially on policies with SIRs under

\$500,000. Self-insured employers whose primary concern is premium expense may want to consider increasing their SIRs, exploring buffer/buy-down policies to lower SIRs and/or adding aggregate excess insurance coverage to limit their total retained losses.

### **Liability Coverages for Self-Insured Public Entities:**

The market for primary and excess liability coverages has tightened over the last year and it appears this trend will continue at least through the end of 2021. In general, carriers in this space are seeking higher premiums and higher SIRs/deductibles while offering lower limits and restricting specific lines of coverage. These changes are in response to higher frequency of litigated claims, increasingly larger jury awards and evolving legal challenges. Some specific examples include:

- **Educator's Legal:** School boards nationwide are seeing increased litigation related to school reopening plans and remote learning.
- **Law Enforcement Legal:** Law enforcement agencies are seeing more frequent claims of excessive force and civil rights violations following recent protests.
- **Liability for Sexual Misconduct:** States such as New Jersey and New York have temporarily waived their statutes of limitations for filing claims of sexual misconduct. Likewise, these states and others have either significantly extended the amount of time allowed to report such claims or are considering such changes which will likely increase the number of claims filed in the future.

Policyholders who purchase these coverages should expect to see double-digit rate increases over the next year, possibly coupled with increases in SIRs/Deductibles and/or reductions in policy limits. Further, some of the sub-limits on specific coverages may be significantly reduced from what was available in previous years. Policyholders may find it difficult to obtain the coverage limits they maintained previously as market capacity declines and premiums increase. Policyholders should plan to market their insurance renewals earlier than in previous years (at least 120 days prior to expiration) and may need to consider layering multiple carriers to achieve their required coverage limits.

## **Property Insurance:**

After several years of a relatively soft market, property insurance has begun to harden. This market change was caused by a combination of significant property losses in 2016 and 2017 and the potential for losses including:

- Possible business interruption claims from the COVID pandemic
- Exposures to damages stemming from protests and civil unrest in larger cities
- West Coast wildfires
- Seasonal hurricane activity

Double-digit rate increases are likely on this line through 2021 and likewise, business interruption coverages are expected to be further restricted or possibly even excluded from certain policy forms in the future. Policyholders should plan to market their renewals at least 120 days in advance of their policy expirations. In some cases, it may be necessary to stack coverages from multiple carriers to secure adequate limits.

**We are here to help!** Bay Oaks Group can help structure a comprehensive and cost-effective program for your self-insured clients. We invite you to contact us for assistance with your upcoming renewals.

***When it comes to self-insurance, expertise counts.***

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