State of the Insurance Market for Senior Care in 2020

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For more than 10 years, the Senior Care insurance market enjoyed a soft cycle with plenty of competition and capacity, but the General and Professional Liability market has been gradually "hardening" over the last few years. By the end of 2019 and the beginning of 2020 available markets declined and carrier unprofitability created upswings in pricing. Prior to Covid-19, the industry was already seeing rate and deductible increases in most insurance lines due to adverse claim development.

Although we know that General and Professional Liability carriers are dealing with many reported Covid-19 incidents, the true liability of these potential claims is still unknown. While courts are shut down and claims remain untested by various state immunity laws, insurance carriers cannot actuarially rate for this exposure. As they remain in limbo, the majority of the General and Professional Liability carriers are excluding Covid-19 on both new policies and renewals. Going forward, carriers will factor losses, venue, and quality indicators into the development of PL/GL renewal premiums. Underwriters are noting the higher acuity levels in assisted and independent living facilities and adjusting pricing accordingly.

Recently, property pricing has been impacted by inclement weather across the U.S. and worldwide. Hurricanes, tornadoes/hail storms, Derechos, tsunamis and floods all affect the reinsurance market, effectively passing along burden to primary carriers. The industry has also seen an unusual increase in large water damage claims (excess of $1M) as a result of broken pipes on upper floors, prompting some carriers to add specific water damage deductibles to new and renewal accounts. Although carriers have denied business interruption claims from Covid-19 based on policy language, a number of them have yet to be contested in courts and long-term implications remain unclear.

Unprofitable results have created a challenge in the automobile vertical for several years, causing a reduction in available markets. Most carriers will not entertain providing coverage unless they are commissioned to write other insurance lines.

Workers Compensation is one line of business with consistently steady rates, though Covid-19 exposures have caused upticks in pricing. Since there are no exclusions, renewals will continue to be exposed. At the outset of the pandemic a number of carriers put moratoriums on writing new Senior Care accounts. Some states enacted 'presumption of coverage' legislation, which includes health care workers who test positive for Covid-19. This clause prevents carriers from determining whether or not the virus was community acquired and therefore not a compensable claim.

We have also seen an increase in cyber claims in the Senior Care space over the past year as cyber criminals have moved from a primarily mass phishing approach to larger ransomware attacks. Healthcare facilities of all sizes have been a targeted class by these bad actors.

Despite the unknowns, there is light at the end of the tunnel as vaccines roll out at a steady clip and new relief packages are introduced. Though rates are increasing and buyers are simultaneously seeking more coverage, plenty of markets are still accepting new business. It is not the first storm insurance carriers have weathered and it won't be the last. Here are some ways buyers can prepare:

- **Know the Claims History**: Get details on closed claims in excess of $25k, as well as open claims.
- **Take Stock of Legal Actions:** Determine if a Plaintiff's attorney has targeted the facility (they won't go away even if ownership changes).
- **Assess Risk Management Plan:** Enact a Risk Management Plan to address quality and staffing issues.
- **Seek Alternative Solutions:** Be open to alternative liability insurance products ie. larger deductibles/ retentions and cash flow models.
- **Create a Comprehensive Narrative:** Prepare information regarding the facility's improvements, maintenance and quality controls.