MARKETS IN FOCUS
HOSPITALITY:

RESTAURANTS, DRINKING PLACES AND RETAIL

Q4 2021

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Introduction

Few industries were hit as hard by the pandemic as restaurants, drinking places and retail in 2020, but those that were able to survive are now seeing much better times. As the global pandemic continues to be a presence in 2022, many old and new challenges remain for operators in these three sectors. As such, some traditional risks to these businesses remain the same while new ones have emerged, causing many insurance underwriters to reevaluate their approach to writing policies for these spaces.

Drinking Places + Restaurants

Restaurants and drinking places experienced a significant improvement and growth in 2021 versus 2020, despite the lingering pandemic. According to the National Restaurant Association mid-year report released on August 31, the association projects food and beverage sales to total $789 billion in 2021, which is a nearly 20% increase over a devastating 2020 in which dining rooms were closed across the country and people were anxious to simply leave their homes.[1] Much of this revenue increase was also due to most states fully reopening indoor dining and easing capacity requirements, allowing restaurants and drinking places to maximize their square footage and serve the pent-up demand of their patrons. In fact, as can be seen in the chart, restaurant and drinking places sales finally reached February 2020 levels in April of 2021 and sales have steadily increased each month from April through November.

However, new challenges have taken form for restaurants and drinking places. With the rise of new COVID-19 variants, many states are reverting back to mask mandates and imposing more restrictions on restaurants and drinking places while consumers become more hesitant to risk infection, despite the increase in vaccinations across the country. Additionally, establishments continue to struggle with attracting new talent while also working through staff missing days due to COVID-19 vaccinations. As the labor shortage appears to have no end in sight and in an effort to limit human contact, many in the space are turning to automation. It is not uncommon to see many restaurants and bars using iPads, QR Codes, terminals, and self-serve soft drink and alcohol stations to reduce the need for wait staff and bartenders. While those solutions may prove to be a savvy way to address labor shortages, this technology creates a significant cyberattack risk as bad actors are able to gain access to systems from these devices. As the industry adapts and evolves, **Cyber** insurance will become essential for protecting these businesses.

Sources: Bureau of Labor Statistics; figures are seasonally-adjusted and preliminary

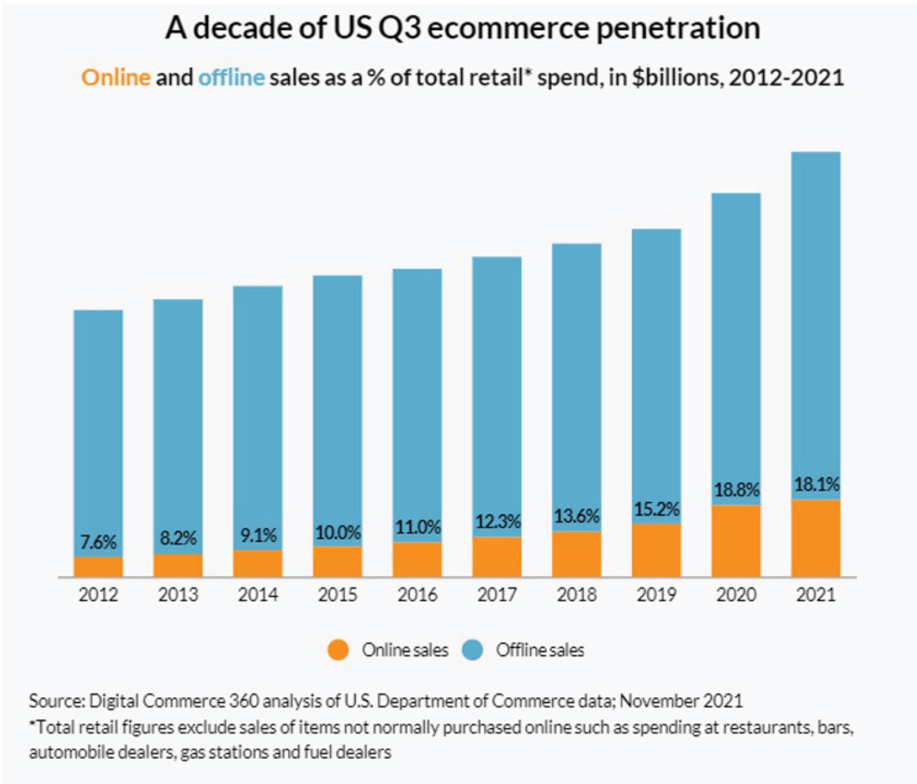
Sources: U.S. Census Bureau, National Restaurant Association; figures are seasonally-adjusted

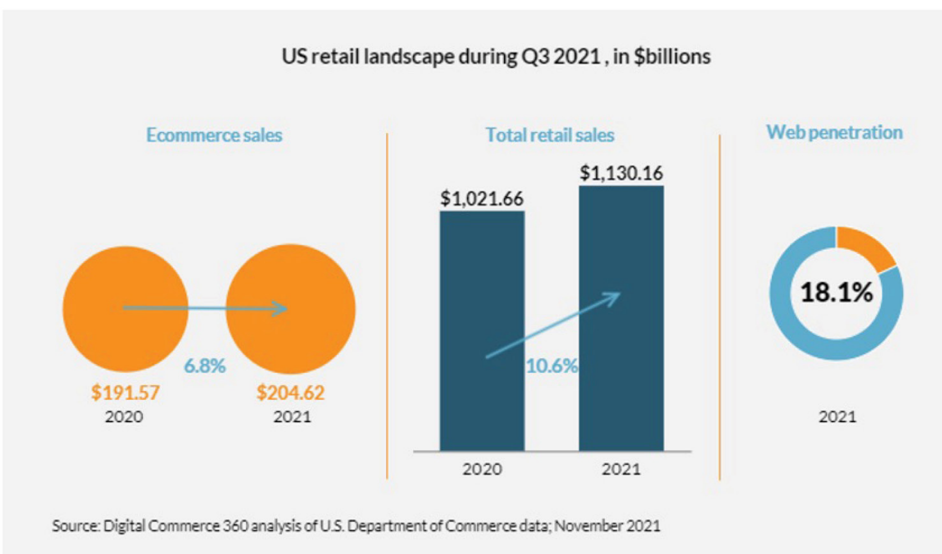
Retail

For the retail sector, 2021 is set to have the lowest number of store closures in over a decade.[2] While this suggests increasing consumer confidence and a return to in-person shopping, it also reflects the fact that 2020's record closures left only stronger outposts standing. Meanwhile, firms that started the pandemic on shakier ground – including J. Crew Group, Neiman Marcus, Pier 1 Imports, and Sur La Table, Inc. – were pushed to bankruptcy, restructuring, and liquidation. In this respect, the pandemic was largely an accelerator of existing trends.

Another such trend was the shift to ecommerce, exemplified by the success of companies like Peloton (prior to January), Yeti, Wayfair, and Etsy. From 2019 to 2020, ecommerce sales in retail grew by 44.0% (from $598 billion to $861 billion), compared to a 6.4% increase in sales for the retail sector overall (from $3,780 billion to $4,040 billion). Even grocery stores, thought to be the final frontier of the ecommerce space, had an increase in online shopping from 3.4% of total grocery sales in 2019 to 10.2% in 2020 as consumers utilized curbside and delivery options. In a sign of the times, Allstate Corp. recently announced plans to sell its suburban Chicago office space, with the new owner planning to convert the space into ecommerce warehouses and other logistics facilities.[3] With consumer preferences for online shopping not expected to end (even after the pandemic), **Cyber** insurance will continue to be a very important line of coverage for retailers going forward as they collect more Personal Identifiable Information ("PII") in the operation of their daily business.

Late 2021, however, has seen retailers facing the dual threats of inflation and supply chain disruptions. Here too, we expect to see acceleration of existing trends, including the possibility of outsized rewards for companies that have invested in supply chain resilience. Walmart, for instance, has begun chartering its own ships and rerouting deliveries to less-congested ports, leading to its third straight quarter of stronger-than-anticipated sales[4]. Home Depot, meanwhile, is reaping the benefits of a $1.2 billion, five-year supply chain investment undertaken in 2017,[5] as well as continued consumer interest in home improvement projects due to rising home prices, and expects to beat analysts' forecasts for revenue for FYE 2021. With these challenges, the retail sector will truly have to spend time evaluating and deeply understanding the properties and vendors upon which their business is dependent when evaluating coverage for **Dependent Property Business Interruption** and their ability to recover from a peril.


A decade of US Q3 ecommerce penetration
Online and offline sales as a % of total retail* spend, in $billions, 2012-2021
7.6%
8.2%
9.1%
10.0%
11.0%
12.3%
13.6%
15.2%
18.8%
18.1%
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Online sales
Offline sales
Source: Digital Commerce 360 analysis of U.S. Department of Commerce data; November 2021
*Total retail figures exclude sales of items not normally purchased online such as spending at restaurants, bars, automobile dealers, gas stations and fuel dealers

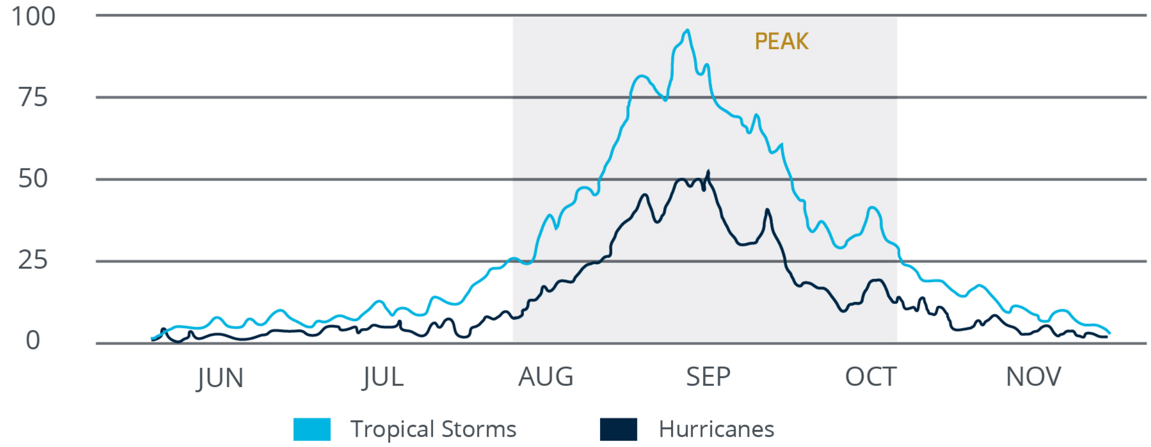

US retail landscape during Q3 2021 , in $billions
Ecommerce sales
6.8%
$191.57
2020
$204.62
2021
Total retail sales
$1,021.66
$1,130.16
10.6%
2020
2021
Web penetration
18.1%
2021
Source: Digital Commerce 360 analysis of U.S. Department of Commerce data; November 2021

Hurricane Ida

On August 29, 2021, the 16th anniversary of Hurricane Katrina, Hurricane Ida made landfall near Port Fourchon, Louisiana as a powerful Category 4 hurricane with sustained 150 mph winds. For Louisiana, the storm left hundreds of thousands of homes and business without power (mostly outside of New Orleans) for weeks, more than half the gas stations in two major cities were without fuel for nine days after the storm made landfall, and one person died.[6] However, the devastation did not stop there. After slamming into Louisiana, Ida continued into the northeast and wreaked havoc in New York, New Jersey, Pennsylvania and Connecticut. Due to the flooding and tornadoes caused by the remnants of Ida in the northeast, 43 people were killed, 150,000 homes were left without power, and portions of New York City's subway system were significantly damaged by flooding.[7] Estimates by modeling firm AIR Worldwide have pegged insurance losses from Hurricane Ida in the $31 billion to $44 billion range.[8]

Utilizing these loss estimates, Ida was the largest catastrophic ("CAT") event in the U.S. in 2021. For comparison, Winter Storm Uri, which caused significant damage in Texas in February and was considered the costliest U.S. CAT event in 2021 before Hurricane Ida, is only estimated to have caused half the amount of insurance losses as Ida.[9] Losses from this disastrous storm will certainly reverberate throughout the entire **Property** insurance market, not just with coastal properties, but the true impact is unknown as losses are still being calculated. **Reinsurance** carriers will be handed a significant bill for Ida's losses, which could add upward pricing pressure to **Property** rates as carriers anticipate increases in their **Reinsurance** costs. Many were hoping that this would be the last large loss of 2021, but the recent devastating tornado outbreak in Kentucky has early insured losses estimated at $3 billion[10], which will also add consternation for reinsurers.

Named Storm Frequency: Atlantic



https://weather.com/storms/hurricane/news/2020-07-22-atlantic-hurricane-season-peak-august-september

2021 Wildfires

In addition to Hurricane Ida, the **Property** insurance market has also been significantly impacted by multiple years of difficult wildfire seasons. In 2021, unseasonably warm weather and droughts resulted in a series of wildfires in the western U.S. starting in early May (a month before they typically do) and continuing to be a problem even through December. As of September 23rd, the National Interagency Fire Center's (NIFC) situation report listed a total of 45,518 wildfires across the country that burned more than 5.8 million acres.[11] Comparatively, in 2020, one of the five worst wildfire years since 1960, 43,556 fires burned 6.9 million acres from January 1, 2020 through September 19, 2020 and a total of 58,950 wildfires burned 10.1 million total acres in 2020.[12]

Forty percent of the 10.1 million acres burned in 2020 were in California, and that trend continued into 2021.[13] As of September 30, there have been 7,064 fires in California resulting in 2 million acres burned, 3,050 structures damaged or destroyed, and 1 fatality reported in 2021.[14] Californians and **Property** insurers writing policies in California are no strangers to wildfires, but the severity and widespread destruction of these fires has intensified in recent years. In 2020 and 2021, the state saw their two largest fires in recorded history – the August Complex fire burned 1 million acres in Mendocino National Forest and the Dixie fire in July 2021 burned 963,301 acres in the Plumas and Lassen National Parks. For scale, both fires burned an area larger than the state of Rhode Island. Additionally, the California wildfires continue to impact the entire state from the California-Oregon border, east to Lake Tahoe, and all the way down to Malibu and San Diego. **Property** insurers are taking note of this and are limiting capacity to California, increasing rates or adding higher specific retentions for wildfires.

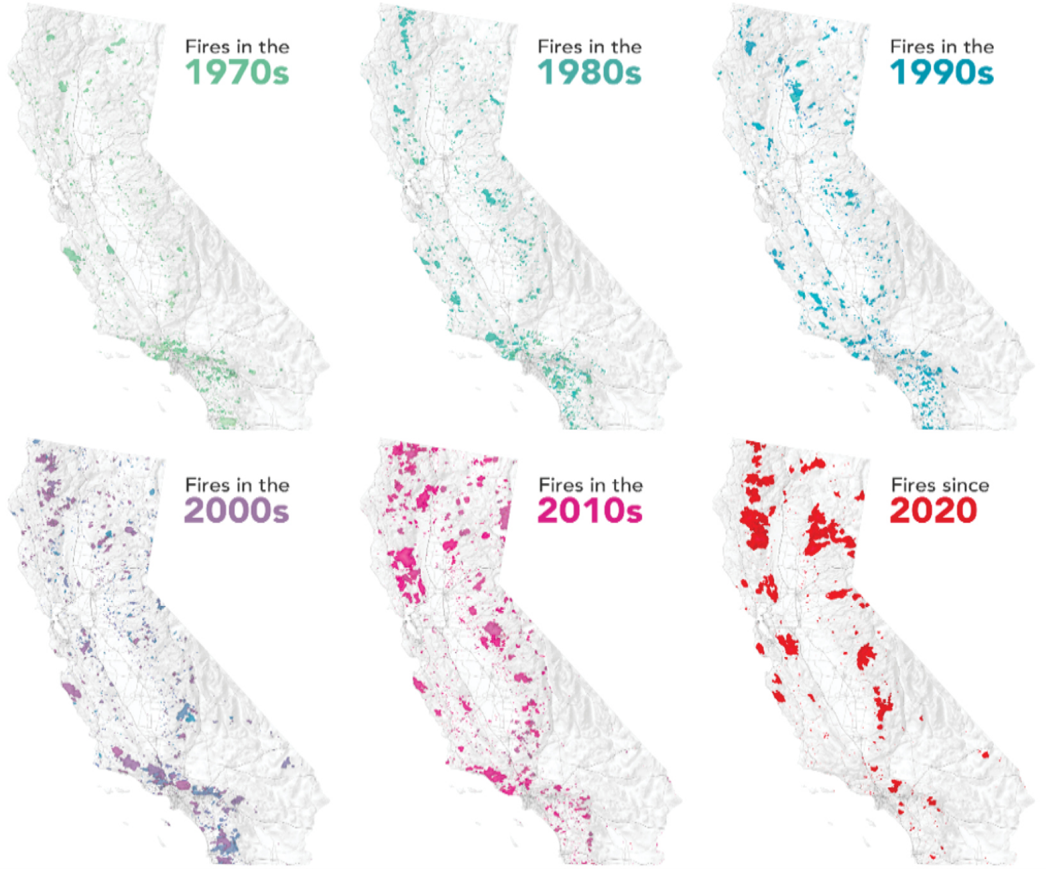
California is not the only state experiencing tightening in the **Property** market as a result of wildfires. With years where 10 million acres are burned in wildfires becoming the norm, other western states like Oregon (which experienced its third worst wildfire in their state's history this year[15]), Colorado, Washington, Utah, Montana and Idaho are also experiencing some tightening in the **Property** market. The devastating fires in the suburbs of Denver on December 30, estimated to have destroyed 500+ homes, have shown that "fire season" is not limited to the summer months.[16] As climate change continues to impact weather patterns and droughts, it appears wildfires will continue to play a factor in the **Property** market and must be monitored moving forward.

Top Five Years with Largest Wildfire Acreage Burned Since 1960 in the U.S.

Year	Acres Burned (millions)	Number of Fires
2015	10.13	68.2
2020	10.12	59.0
2017	10.03	71.5
2006	9.87	96.4
2007	9.33	67.8

Source: NICC Wildland Fire Summary and Statistics annual reports
Note: Number of fires in thousands

California's Wildfires are Growing
Simply put, the fires of recent years dwarf those of previous decades.



https://earthobservatory.nasa.gov/images/148908/whats-behind-californias-surge-of-large-fires

Reinsurance

Every year, January 1 is an important **Treaty Reinsurance** renewal date for many of the largest carriers in the world. **Reinsurance** treaties represent a significant cost for insurers, given these transactions significantly impact their combined ratios (a very important profitability metric for carriers) and available capacity. Based on the 17 reinsurers monitored by Fitch Ratings, Fitch noted in their latest **reinsurance** report from August that non-life **reinsurance** net premiums written grew by a substantial 18.5% during the first half of 2021 on higher premium prices and demand.[17] In the same report, Fitch also commented that these pricing pressures are likely to result in high single to low double digit rate increases for carriers at their January 2022 **Reinsurance** renewals.[17]

Reinsurance carriers still believe that, despite the rate increases, pricing is still inadequate due to the recent rise in catastrophic losses. According to Fitch, global **reinsurance** natural catastrophe losses were a manageable $40 billion in 1H21, up from $35 billion in 1H20 and above the $33 billion 10-year average (2011–2020) of 1H insured losses, but July flooding in Europe and an active Atlantic hurricane season could make the overall year less manageable[17]. Additionally, the rise in frequency and severity of cyberattacks has many reinsurers concerned with their exposure and pricing in this space and the overall impact it will have on their profitability. Last January, pricing was generally up 8% for most carriers, which was a pleasant surprise compared to where most industry commentators had estimated increases to be.

Early **reinsurance** indications have shown a mixed bag of results so far with pricing dependent upon 2021 CAT losses and expected 2022 CAT exposure. Loss-free lines of business attracted additional capital causing prices to stay stationary or fall[18] while rates for CAT-exposed **property** and **cyber** have seen increases starting at 9% with higher increases for portfolios with higher losses[19]. According to Swiss Re, natural catastrophes cost insurers approximately $101 billion worldwide in 2021 – which was the fifth-costliest year in history with total large losses being 54% above the long-term average.[20] Nevertheless, Fitch explained that reinsurers have managed their risks by cutting peak exposures, focusing on underwriting discipline, and diversifying their portfolios, allowing them to achieve a high-single-digit return in 2021 despite the significant losses. Given these factors, CAT-exposed **Property** and **Cyber** will most likely see increased pricing pressure throughout 2022 as **Reinsurance** pricing and lower capacity to these sectors will have an adverse impact.

Recent Reinsurance Renewal Pricing Trends

(%)	June and July 2020	January 2021	April 2021	June and July 2021
US property loss hit	+10 to +30	+5 to +25	+5 to +25	+10 to +25
US property loss free	+5 to +20	Flat to +15	Flat to +15	Flat to +15
US general liability no loss emergence	Flat to +20	Flat to +10	-	Flat to +10
Florida property loss hit	+5 to +35	-	-	+5 to +30
Florida property loss free	+5 to +30	-	-	-5 to +5
European property loss free	-	Flat to +7.5	-	-
Japan property loss hit	-	-	+15 to +40	-
Japan property loss free	-	-	+2.5 to +10	-
Japan casualty no loss emergence	-	-	+2.5 to +10	-
Non-marine retrocession loss hit	+15 to +35	+10 to +25	+10 to +20	+5 to +25
Non-marine retrocession loss free	+10 to +20	+5 to +15	+5 to +12.5	Flat to +15

Q4 2021 Insurance Market Review

On average, insurance purchasers from all industry verticals saw another quarter of price increase across most lines of coverage. According to the Council of Insurance Agents and Brokers' ("CIAB") latest report, the average price increase across the five major lines of coverage (**Commercial Auto, Commercial Property, General Liability, Umbrella and Workers' Compensation**) in Q321 was 8.1%. As can be seen in the table, the 8.1% average price increase was flat quarter over quarter and shows a level of market firming after four straight quarters of decreasing average price increases.

Despite more people returning to work and a strong economy, average **Workers' Compensation** costs saw a slight decrease of -0.3% in Q321 while **Auto, Property** and **Umbrella** continue to show the highest average increases. The reasoning for the significant increases in these lines of coverage are due to a combination of factors:

+ Several years of underpriced policies
+ Pricing increases in the **Reinsurance** market
+ A record-setting year for named catastrophic storms in 2020 followed by another year of elevated catastrophic storm losses in 2021
+ A significant increase in losses related to wildfires
+ The rising cost of claims due to social inflation
+ A low interest rate environment negatively impacting carrier's investment returns, and
+ A reduction in overall market capacity as carriers recalibrate their portfolios and become more discerning with their available/preferred/selected capacity

By-Line Third Quarter 2021 Rate Changes Ranged From -0.3% to +16.9%

	COMM'L AUTO	WORKERS' COMP	COMM'L PROPERTY	GEN'L LIABILITY	UMBRELLA	AVERAGE
Third Quarter 2021	7.4%	-0.3%	10.3%	6.3%	16.9%	8.1%
Second Quarter 2021	6.8%	0.3%	9.9%	6.0%	17.4%	8.1%
First Quarter 2021	9.0%	1.0%	12.0%	6.2%	19.7%	9.6%
Fourth Quarter 2020	9.1%	0.4%	12.9%	7.3%	21.3%	10.2%
Third Quarter 2020	11.0%	1.5%	14.2%	6.7%	22.9%	11.3%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

Source: The Council of Insurance Agents & Brokers

2022 Insurance Market Outlook

Many of the factors that led to increased pricing pressure in 2021 have continued into 2022. The U.S. remains in a low interest rate environment (which makes it hard for insurance companies to offset losses with investment income), traditional inflation and social inflation continues to increase the cost of claims and natural disasters continue to plague the U.S. and Europe. Additionally, another tough wildfire season has been especially problematic in California and the Pacific Northwest and multiple hurricanes made landfall early in the hurricane season. As such, admitted and E&S carriers will continue to place an emphasis on disciplined underwriting and reshaping their portfolios to maximize profitability.

This was especially true for admitted carriers in 2021, and accounts continue to be placed in the E&S market for all industries and sectors even if they have not traditionally been placed in this market before. E&S carriers are often better equipped to implement pricing and policy language more in line with the current risks in the market. It is expected that larger **Property** and **Umbrella/Excess** programs in the space will require more carriers to achieve desired limits in 2022 as carriers once providing $15 million to $20 million layers will now offer reduced $5 million to $10 million layers.

+ **Property** – Generally speaking, there continues to be sufficient capacity in the **Property** market, but availability and pricing are dependent on risk perception and rate. Placing **Property** risk continues to be a challenge, particularly in Texas, Louisiana and Florida given these state's CAT exposure and questions raised around quality control after the Surfside, Florida condo collapse. Another challenging wildfire year is also impacting pricing and capacity for western states, particularly California, Oregon, Washington, Utah, Idaho and Colorado. Many carriers in the **Property** market are also concerned about the ongoing nationwide shortage of building materials and labor having an inflationary impact on property value. Carriers continue to struggle with the gap between what is reported as replacement value when underwriting the policy vs actual cost when a claim occurs. Furthermore, January is a very important month for property and casualty carriers since that is when many procure their **Reinsurance** treaties. As such, given another year of significant CAT losses and the anticipated upward pricing pressure this will create, all eyes will once again be on **Reinsurance** rates since these costs significantly impact pricing for carriers. An uptick in CAT loss frequency has also resulted in deductible increases for wind and hail on a percentage basis and a rise in water damage deductibles.

+ As admitted **Property** carriers continue to recalibrate their portfolios and evaluate how much exposure they truly want in certain geographies, the E&S market (also referred to as surplus lines or non-admitted policies, these policies are not as heavily regulated by state insurance departments which allows carriers issuing these policies to have more flexibility in tailoring coverage and charging premiums) will continue to be an important outlet for **Property** insurance capacity. Both admitted and E&S carriers remain wary of insuring property exposed to catastrophic storms (such as coastal properties) and are simply declining submissions with excess wildfire exposures. Furthermore, in states with a more litigious legal environment like California, Texas and Florida, the E&S market might be the only option for coverage, especially at the primary layers. As of Q2 2021 (reported twice annually), the E&S Stamping Office reported a 22% YTD growth in the top E&S states of California and Texas.

+ **Builders Risk** – Like other markets, **Builder's Risk** policies are seeing increases in pricing and retentions not only due to significant losses as a result of large fires but also an increased frequency of smaller claims. Large wood frame, modular construction, and renovation projects continue to be the most challenging projects to place. Overall, rate increases are becoming more common given the current demand and price for lumber and other building materials. Additionally, due to delays in projects as a result of labor shortages and supply chain issues, many insureds are seeking extensions, which can be problematic for carriers.

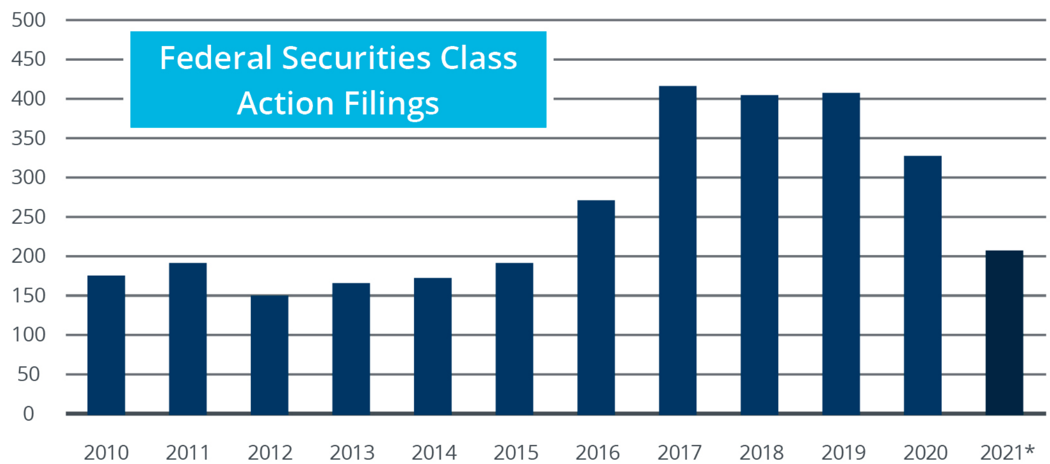
+ **Casualty** – Capacity in the casualty market continues to be very tight for restaurants, drinking places, and retail. Many operators in these spaces are finding it difficult to obtain more than $1 or $2 million in General Liability limits and Umbrella/Excess markets desire a higher attachment in more cases today at $2 million / $4 million aggregates. Casualty carrier decisions are still driven by the fear of nuclear verdicts and the overall impact inflation has on the cost of paying claims.

+ **Excess/Umbrella** underwriters, like **General Liability** underwriters, are also very concerned about nuclear verdicts and if an insured's loss history is indicative of a potential large loss. This is especially true for companies with large auto fleets, as **Auto** continues to be a loss leader for carriers and is also starting to impact Umbrella/Excess pricing. As such, underwriters are requiring longer history of loss information as well as more details related to losses and any subsequent mitigation made to prevent future loss. **Umbrella/Excess** carriers are typically only willing to expose $5 million within the first $10 million of excess limits. Carrier appetite above the $25 million attachment point is better, but even at an excess of $25 million we are seeing a greater need for quota share and layered participation.

Executive Liability Update & Outlook

+ **D&O**

  With the surge of bankruptcies in 2020, the rise of SPACs and M&A activity, and the overall global economic uncertainty caused by COVID-19, D&O pricing increased significantly in 2020, and capacity shrunk across all industry sectors. However, despite these concerns, D&O claim filings have trended downward in 2021 compared to 2020 and even 2019 and 2018. Filing rates through September 2021 imply an annualized estimate of 207 total filings in 2021, representing a year-over-year decrease of 36% compared to 2020. Given this downward trend, elevated lawsuit dismissal rates, the still-evolving frequency of SPAC related litigation, new capacity entering the marketplace, and an improved broader economic outlook versus one year ago, D&O pricing for recent renewals has consistently been more favorable than 2020 levels. Companies considering an IPO or a de-SPAC transaction should continue to expect elevated pricing and retentions, but both are generally more favorable than a year ago.

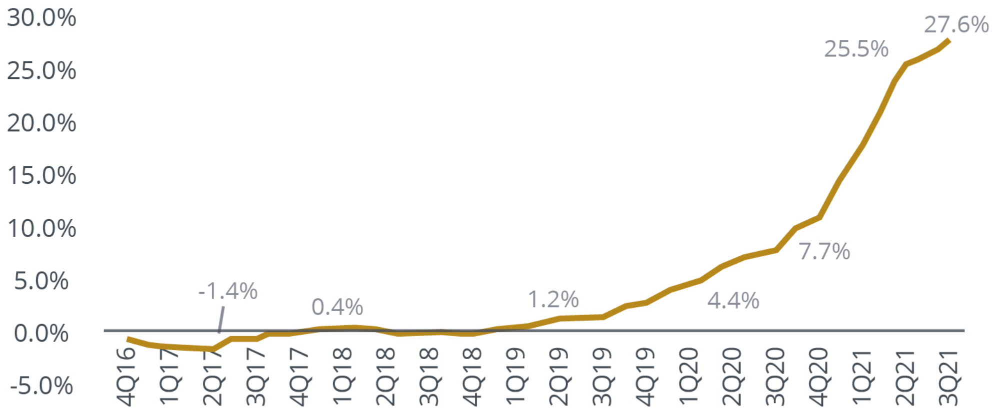


2021 full year estimate based on actual filings through September (155)

+ **Cyber**

  With cyberattacks on the rise, restaurant owners and operators would be prudent to consider a **Cyber Insurance** policy. Contrary to popular belief, the most heavily cyberattacked firms are those in the 11 to 100 (30.2% of all attacks) and 101 to 1,000 (35.7% of all attacks) employee count range, which describes most companies. The most common attacks are phishing, ransomware, and cyber extortion and many threat actors are gaining access through unsecure Wi-Fi networks or Internet of Things (IoT) devices. As more and more high-profile attacks make news headlines, the market is responding by increasing prices and diminishing capacity. This can be seen in the chart below from CIAB, which reflects an average premium increase of 27.6% on accounts in Q3. Capacity constraints are being slightly offset by the emergence of InsurTech firms, who are moving beyond static questionnaires and are now using technology for their underwriting or risk assessment. Regardless of the carrier, insureds will need to prove that they have sophisticated cybersecurity controls in place in order to even receive a quote.

Premium Change for Cyber, Q4 2016 - Q3 2021



Source: The Council of insurance Agents & Brokers

COVID-19 Related Claims & The Courtroom

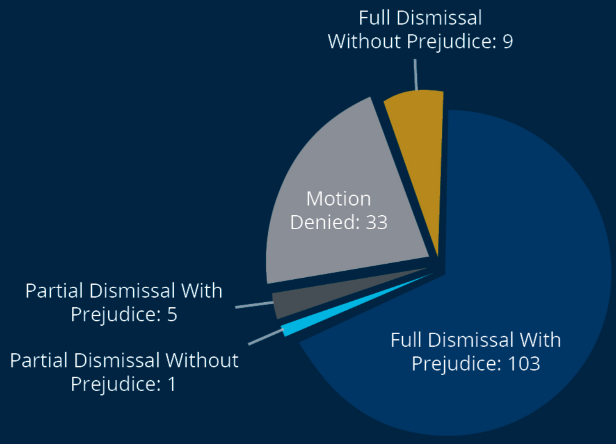
To date, insureds have not had much luck in court when challenging carriers' denial of coverage for COVID-19 related claims. According to a COVID-19 litigation-tracking effort at the University of Pennsylvania Carey Law School, of the more than 650 rulings in suits pitting businesses against insurers more than 90% have been found in favor of insurers. As a whole, 2,088 cases have been filed in the United States with 11% coming from the "accommodations, amusement, gambling, and recreation" industry category and the lion's share (694 or 33%) coming from the "food services and drinking places" industry category.

As can be seen in the charts below, the majority of these allegations have sought coverage under **Business Interruption** (also called **Business Income** or shortened to "**BI**") policies that have featured no virus exclusions. However, carriers have been able to successfully argue that no physical damage has been caused by the COVID-19 pandemic, which is the key requirement to triggering insurance coverage. **BI** coverage has a long history dating back to the early 1900s when these policies were designed to protect manufacturers from broken boilers or other failing equipment that closed factories, and physical damage has always been a trigger for coverage. As such, the coverage has been challenged many times in court throughout history and there is strong legal precedent.

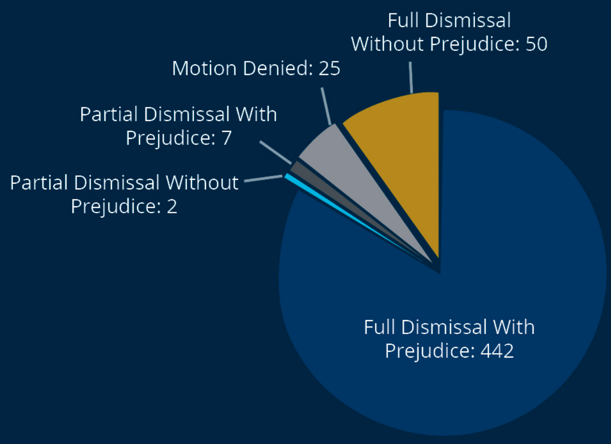
Two recent developments, however, suggest a dynamic environment that could favor insureds. The first is that such disputes are beginning to reach juries, starting with a case between a Kansas City, MO restaurateur claiming that the pandemic caused "direct physical loss or physical damage" and Cincinnati Financial Corp (the jury ultimately sided with the insurer). In general, juries are less likely to rule in insurers' favor; as Tom Baker, William Maul Measey Professor of Law at Penn law, told the *Wall Street Journal*, "if you get to a jury, you won't necessarily win."[21]

The second development is that larger, better-financed groups are entering the fray, including Major League Baseball and its constituent teams, and bringing with them law firms specializing in insurance disputes. Law360 reports that five MLB teams have filed a joint amicus brief asking the Ninth circuit court to rehear an appeal on an earlier case, requesting that the court wait for a California state court to address the meaning of "physical loss and damage;" a ruling is expected by February 8, 2022, and could have profound impacts on the insurance landscape.[22] Should the MLB be successful, more courts could see appeals to rulings based on this new precedent and BI could be changed forever.

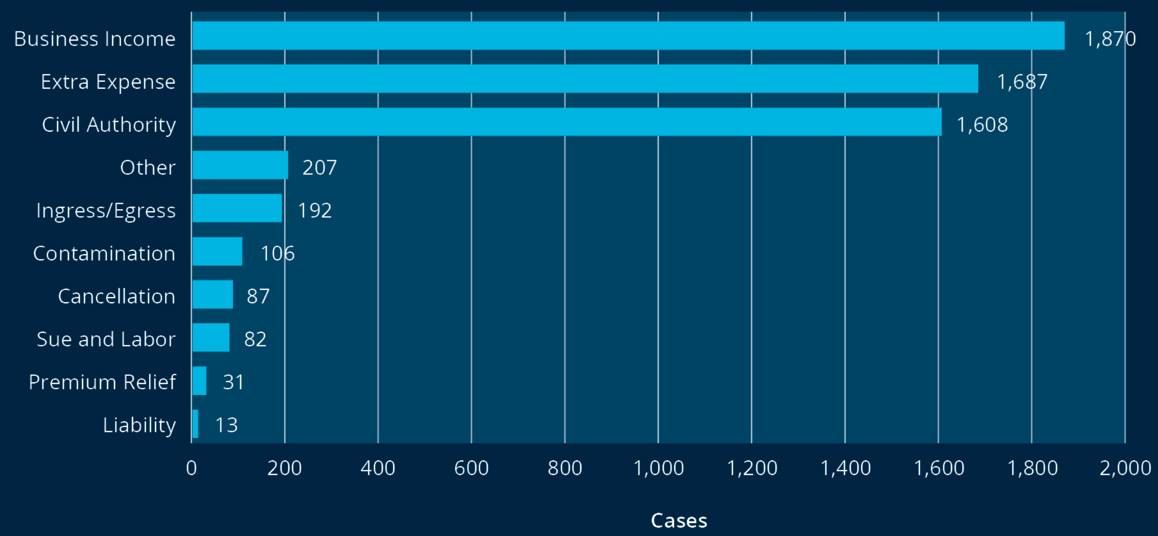
Merits Rulings on Motions to Dismiss in State Court



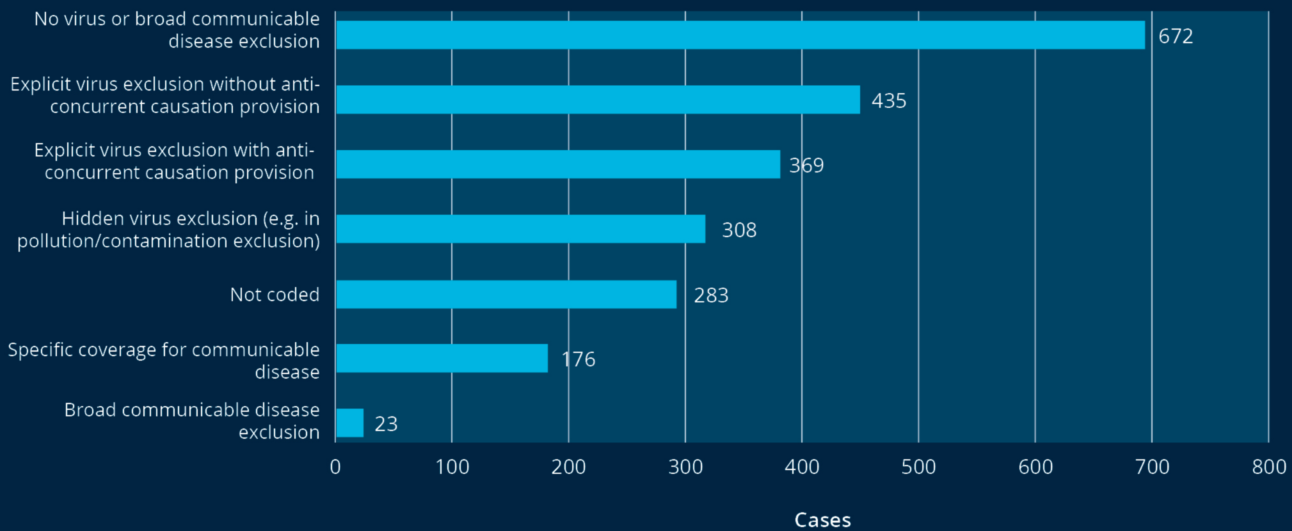
Merits Rulings on Motions to Dismiss in Federal Court



Coverage Sought



Policy Provisions for Communicable Disease (Beta Test Version)

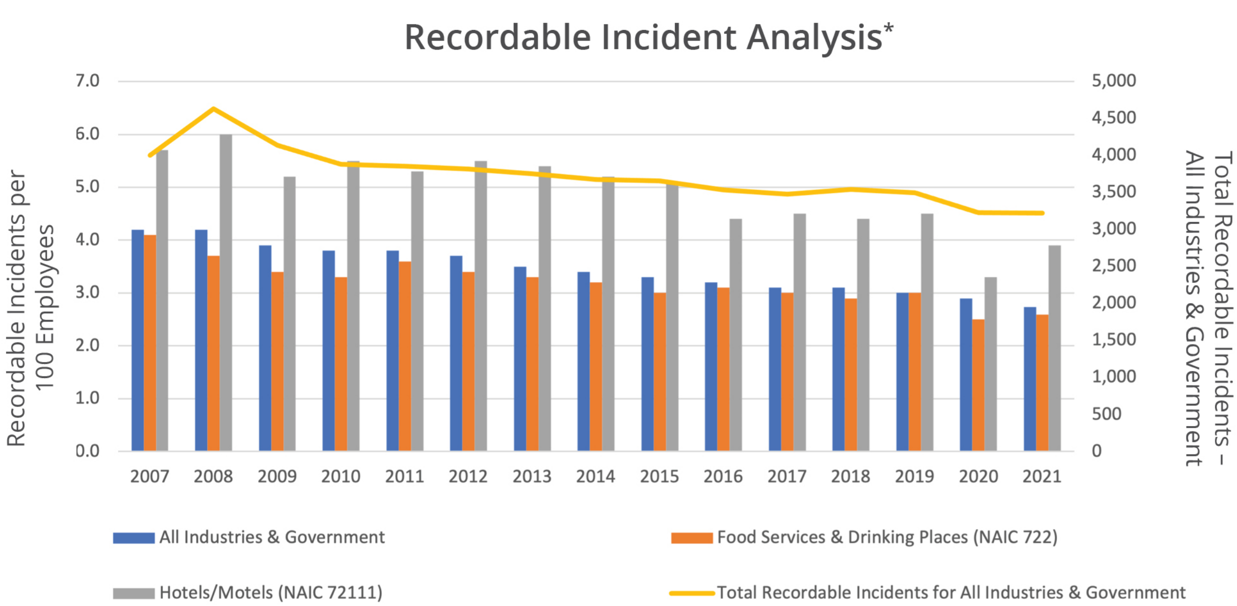


Source: University of Pennsylvania Carey Law School cclt.law.upenn.edu

Workers' Compensation Trends

For most lines of coverage, the soft market of the last decade was driven by available capacity but for **Workers' Compensation** it was more likely the result of a downward trend in claims. As can be seen in the graph, **Workers' Compensation** recordable incident rates have been declining significantly since 2008, which saw an uptick correlating to the last major recession the U.S. faced. Even for hotels and motels, which have experienced a higher recordable incident rate than the national average, there has generally been ample capacity and reasonable pricing.

As many workers began to return to offices and worksites, there was concern there would be an uptick in workers' compensation claims in 2021. However, as working from home trends continued into 2021 and the emergence of new variants caused many companies to question if they will ever go back to having everyone at the office or worksite fulltime, **Workers' Compensation** claims rates continue to fall. Pricing and capacity continue to be favorable for most industries, and carriers will look to pair **Workers' Compensation** with less lucrative lines of coverage like **Auto or General Liability** in order to achieve profitability at a holistic account level. However, the Great Resignation has left many workers feeling stressed and working harder and longer hours to pick up the slack of their colleagues who have left. This is a recipe for workplace accidents, which could change the favorable **Workers' Compensation** landscape for insurance purchasers if there is a rise in claims.



Data source: US Bureau of Labor Statistics
Data only available through 2020, regression analysis using last 14 years was used to calculate 2021 figures

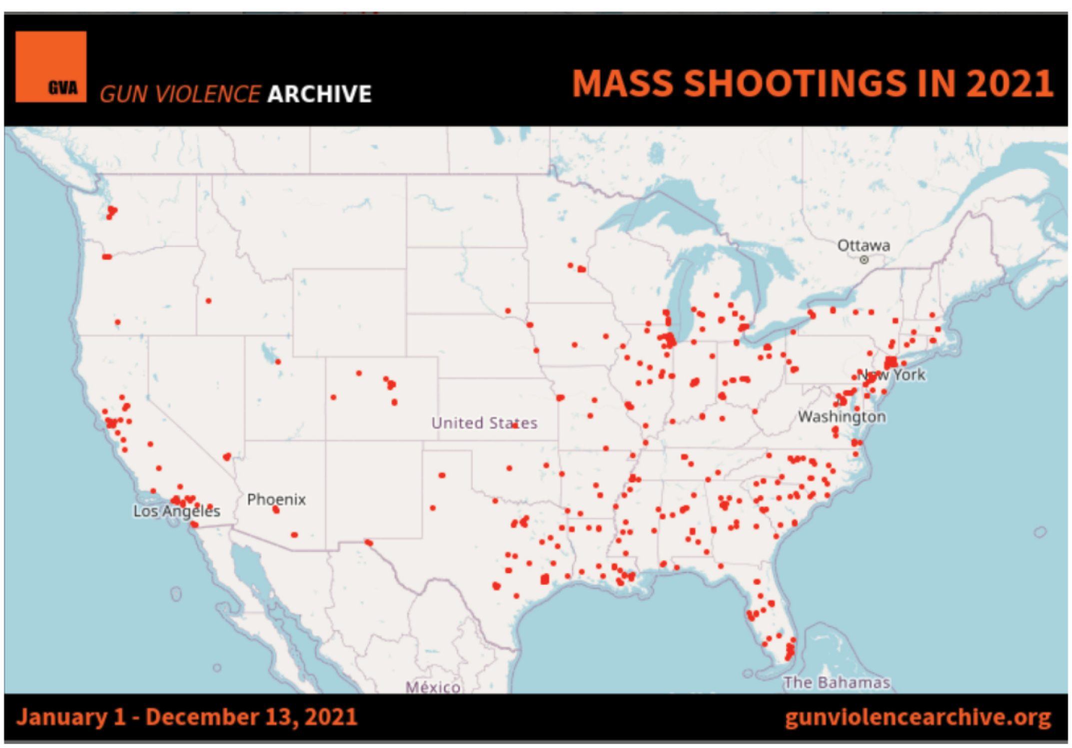
Public Acts Of Violence

Active Assailant

Gun violence continues to rise in America. Though some might believe lockdowns would reduce public acts of violence, an article in *Nature Scientific Reports* estimates that the pandemic made gun violence significantly worse in 28 states, and reduced the risk in just one.[23] The Gun Violence Archive defines a mass shooting as an incident in which four or more people are injured or killed, excluding the perpetrator, and reports that as of December, that there have been 650+ mass shootings in 2021,[24] compared to 611 in 2020 and 417 in 2019.[25] Recent incidents include a November mass murder at a high school in a suburb of Detroit,[26] and a September mass shooting at a Kroger grocery store in a suburb of Memphis.[27] Over the summer, police arrested four people in connection with the seizure of 16 guns and body armor from a hotel room in Denver with a balcony overlooking the city's downtown, near the MLB All Star Game.[28]

Unfortunately, these horrible acts remind us that these are risks business owners must consider, particularly if the business involves large groups of people. The insurance market has responded to such events by creating a product that covers various types of violent attacks, not just active shooters, as these incidents can be carried out in multiple ways.

Though **General Liability** and **Business Interruption** coverage is available in the marketplace and can respond to these events, a standalone policy will be more robust and include both first-party and third-party coverages. For example, these policies typically provide medical expenses, counseling costs, and funeral costs for third parties and employees, all of which may not be covered under standard **BI** and **General Liability** policies. Additionally, these policies provide ancillary support services such as dedicated crisis management and proactive loss control in order to best plan for and respond to these events. Organizations should speak to us about this product and how it can complement their risk management program.



Navigating 2022

- **Building Valuations** – The pandemic continues to have a major impact on supply chains and labor markets resulting in rising prices around the globe. As such, insureds should evaluate if their current limits can adequately cover a total loss and rebuild in the existing cost environment. To aid in confirming that values are being reported on a replacement cost basis, indices detailing cost trends by geographic area and type of occupancy are available, providing a cost trend factor to apply based on the current age of the value currently scheduled or the original value of that asset.

- **The Great Resignation** – Beginning in April 2021, the U.S. economy has experienced a great phenomenon that many are referring to as the "The Great Resignation" which saw workers across the country resigning from their jobs in record numbers and not actively looking for new employment. As such, many restaurant, drinking place and retail operators are finding themselves short-staffed and are struggling to attract workers back to a space that shuttered so many during the height of the pandemic. Additionally, given the state of the current job market, workers have many options and companies are really competing for talent in unique ways such as offering signing bonuses, higher wages, and paying for education. Underwriters are aware of this trend and are starting to ask questions regarding training and hiring practices since many are having to settle for less experienced talent or overworked employees. To assist clients' accounting needs, we can also help with insurance cost allocation by creating insurance expense schedules across various locations or franchisees.

- **Process & Procedures Updates** – If safety process and procedures have not been audited recently by a third party, Client Advantage loss control professionals can assist in reviewing items such as root cause analysis, OSHA compliance, severe weather response, on-site safety inspections, in-person trainings, and much more. Having recent records of these reviews and including them in renewal submissions can put accounts in a more favorable position with underwriters.

- **Maintenance and Inspections** – Given the recent condo collapse in Florida, many **Property** underwriters are now interested in seeing the latest engineering and structural integrity reports as part of their underwriting process. If these inspections have not been performed in a while, it would be prudent to considering having this done to satisfy **Property** underwriters in what has become a difficult segment to obtain favorable pricing and terms.

Keys To Success In 2022

+ **Begin the Renewal Process Early** – The **General Liability, Excess/Umbrella**, and **Property** markets have become constrained and more challenging to navigate in the hard market. Additionally, many blue-chip admitted carriers in the restaurants, drinking places and retail space are offering less capacity and more carriers are thus required to achieve desired limits. Due to general price increases across all lines of coverage and all industry sectors, underwriters are inundated with submissions as brokers and insureds look to minimize these additional costs. As such, turnaround times for quotes are increasing. In order to achieve the best results, insureds should begin their renewal processes earlier than usual to allow for brokers to successfully canvass the market, work diligently with underwriters in detail and negotiate the best terms.

+ **Preparing for Extreme Weather** – As Hurricane Ida taught us, hurricane damage can span much further than the gulf coast and the Carolinas. Protecting assets from inclement weather, even for events that do not normally impact your geographical area may be worth investigating. Risk control professionals can help with this process via safety audits, helping upgrade process and procedures and perform on-site trainings.

+ **Multifactor Authentication** – Receiving favorable pricing for **Cyber** coverage has become more difficult in the past 18 months due to a significant uptick in claims and claim severity. The rise in cyberattacks has generated more demand for this coverage line, resulting in underwriters' desks being filled with submissions. Many underwriters will not even look at accounts that don't have cybersecurity in place and are specifically asking a lot of questions around multifactor authentication ("MFA") protocols. Being able to provide sophisticated details on MFA procedures has become the bare minimum for underwriters to even provide a quote.

+ **Highlight Safeguards** – When working through submissions documents, highlight protective safeguard features in buildings and share specific details on security systems, insurance requirements of tenants, water sensors, sprinkler systems, building enhancements, and anything else demonstrating diligent care of property. It is important to show carriers that insureds are investing in their properties and doing their best to protect from total losses. In a time when it is hard for accounts to get individual attention and standout in an underwriter's stack, these details can help a submission go further.

+ **Reevaluate the Cost to Get Buildings Rebuilt** – As mentioned previously, construction costs are on the rise. This is not expected to decline, as the construction industry is forecasted to see an overall increase in demand through 2022. Insureds should look to reevaluate the cost to repair their buildings in the current market prices in order to obtain adequate limits.

+ **Highlight Maintenance Program** - Share details on maintenance programs, winterization precautions, and details regarding improvements and betterments, particularly if the property is older, in an area exposed to natural catastrophes, or if occupancy has dropped. After Winter Storm Uri in February and Hurricane Ida in September, many **Property** carriers are interested in the integrity of pipes and what insureds are doing to protect their property in cases of extreme weather. Carriers may also want to ensure that properties are still following a planned maintenance schedule when occupancy drops, despite negative impacts to cash flow, as leaks and other problems may take more time to notice and thus cause more damage.

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More Than Just Insurance

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