

MARKETS IN FOCUS

HOTELS + CASINOS



Insurance Pricing & Market Update

Q4 2022

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Introduction

HOSPITALITY

The fifty most valuable hospitality brands lost almost a third of their value in 2021 due to the ongoing impact of COVID-19, but in 2022 financials are trending back toward their to a pre-pandemic pace.

While travelers used this time as an excuse to try something smaller, boosting outdoor rentals and other adventures, hospitality companies used this downtime to make improvements.¹ These improvements were not only to their properties but to their operating systems, customer service and overall experience.¹



CASINOS

The casino industry has historically existed in a constant state of evolution, especially in the last 5 years. Today, these evolutions are concentrated in the area of technology. Industry experts predict that 2023 will be a transformative year for the gambling and casino industry, due to the expansion of mobile gaming, the implementation of payment solutions and the advancement of streaming technologies.²

The popularity of online gambling sites has caused a significant decrease in sports-book and other related revenue for physical casinos, as they have been unable to keep up with the growth of their online counterparts.² This has resulted in a decrease in attendance over the past year, as people are less likely to make the effort to visit a physical casino.² Successful land-based casino venues over the past few years have given equal attention to their live shows and other forms of entertainment as they have to their gaming portfolio.²

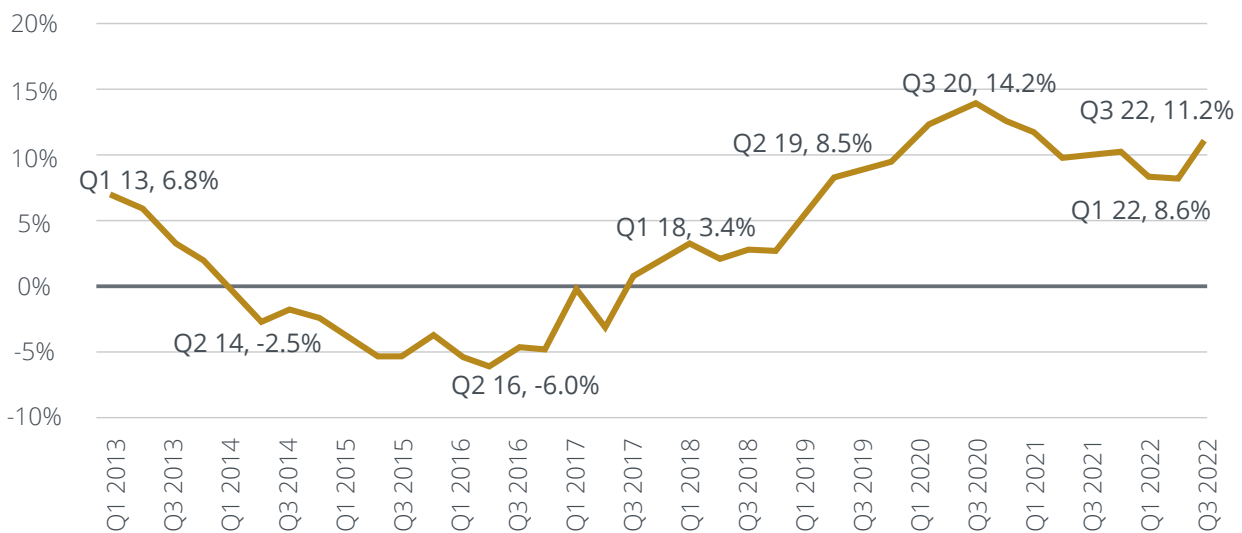


2H Outlook

PROPERTY

- + As we look at the remainder of 2022 and into 2023, the property market outlook is a little distorted. Despite the progression through early 2022 with a slight slow down in increased rates, depending on the operations and geographic location, Hurricane Ian sent shockwaves through the market.
- + As the property market combats unexpected late-year struggles, especially with CAT-exposed areas, these performance factors have been exacerbated by underperformance, loss of confidence in modelling and, especially in the last six months, inflationary pressures.²
- + Rewinding to pre-Hurricane Ian, there was still an imbalance between supply and demand within the US wind CAT treaty market with rising demand and reinsurers looking to shed some of their exposure.² Capacity for CAT-exposed insurance portfolios is expected to diminish in the next year, making various Florida exposures potentially unaffordable.²
- + Inflation has had a large impact on construction costs, which has pushed underwriters to require higher valuations to write or renew property coverage.³
- + Insurers in the standard market are looking to reposition their portfolios and lower writings where losses have impacted their P&Ls. These adjustments have powered the surge in premium growth and development for the excess & surplus lines market.

PREMIUM CHANGE FOR COMMERCIAL PROPERTY, 2013 - Q3 2022





GENERAL PRICING ESTIMATES

Non-CAT exposed property with favorable loss history	10% to 15% increase
CAT exposed property with favorable loss history	15% to 25% increases
Property with unfavorable loss history and/or a lack of demonstrated commitment to risk improvement (unresolved recs, pattern of same issues, etc.)	10%+ increases for non-CAT 25%+ increases for CAT exposed accounts and higher depending on frequency/severity of losses

CASUALTY

- + The Casualty market is still in a position of moderate firming, with primary General Liability rates remaining somewhat stable for risks with a positive loss history. Insurers are seeking more information on past losses, as well as details of any changes made to avoid similar losses in the future.
- + Carriers are monitoring the changing patterns of losses across the nation as court systems regain their pre-pandemic rate of functioning. With the additional pressure of social inflation, carriers are continuing to factor in the potential for higher settlements and rulings from juries that are likely to continue to be more sympathetic than in the past.⁴



UMBRELLA/EXCESS

In order to mitigate potential risks, carriers are limiting their capacity to as low as \$5M and as high as \$10-15M, which is significantly lower than their traditional limit of \$25M. Consequently, it is now necessary to stack multiple tiers of insurance carriers in order to reach the desired coverage limits, while increasing the overall costs to do so.

AUTO

Commercial Auto remains a difficult line of business, with nuclear verdicts, social inflation and carriers' combined ratios exceeding 100, leading to difficulties for those with large fleets of vehicles. In turn, the demand for fleet monitoring technology has increased, and many auto carriers are investing in telematics in an effort to reduce their loss ratios.⁵

WORKERS' COMPENSATION

Workers' Compensation remains a highly profitable line of coverage for insurers, and pricing is reasonable for those who are purchasers. Modifying factors and past losses will have a significant influence on pricing, but competition between carriers for accounts with satisfactory to excellent loss histories will continue to keep prices down.

GENERAL PRICING ESTIMATES

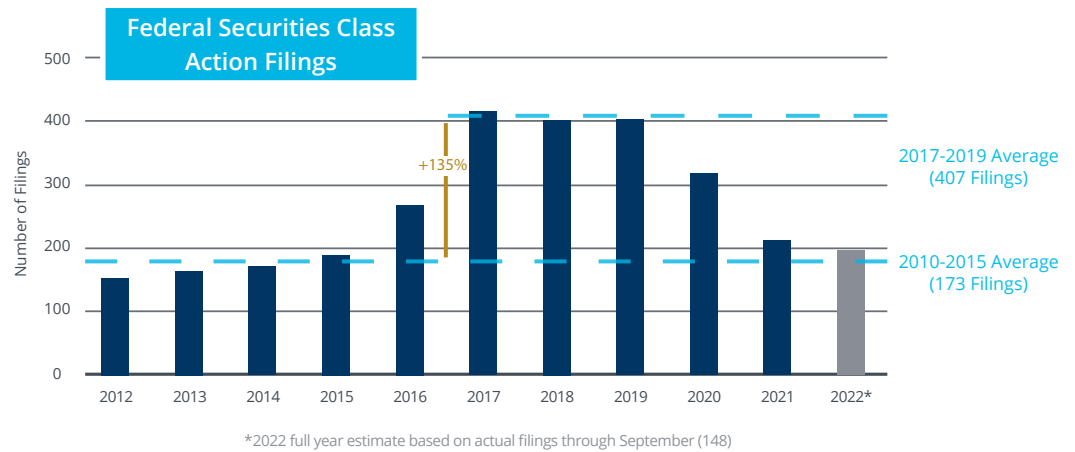
General Liability	Up 5% to 15%
Workers' Compensation	Flat to Down 3%
Auto	Up 10% to 25% Up 30% if large fleet and/or poor loss history
Umbrella & Excess Liability	Up 10% to 25%+





EXECUTIVE RISK

- + D&O litigation has decreased over the past two years and is projected to continue decreasing. Dismissal rates are still high and new capacity has been added to the market. Resulting in D&O pricing for recent renewals being more advantageous than the same time last year, particularly for excess layers of insurance.
- + The cost of D&O insurance is still contingent upon a company's unique circumstances, so it is essential to accurately communicate the risk profile to D&O insurers.
- + The reduced number of IPOs and de-SPAC transactions in 2022 has created a "hole" in D&O carrier budgets that needs to be filled, which has been a major factor in the improved pricing environment.



CYBER

The Cyber insurance market has been defined as “transitioning out of a hard market”. Carriers are continuing to look at reallocation for their portfolios considering the claims results from 2020 and 2021. There is an ongoing trend with rate increases and “must have” technical controls. The frequency of ransomware claims has slowed but there is still a trend towards severity and other exposures. While the underlying risks pose a volatile class, we continue to see the coverage evolve and now deemed critical to every organization’s overall risk management strategy.

- + Pricing increases are decelerating
- + Increased Carrier competition over accounts
- + Carriers are focusing on “must have” controls and increasingly reliant on external scanning technologies in risk assessment
- + Specific areas of focus:
 - Multi-Factor Authentication (MFA)
 - Remote Access
 - Privileged users
- + Enterprise implementation of Endpoint Detection & Response (EDR) solution
- + Data backup procedures:
 - Detection from the network or cloud-based
 - Encrypted
 - Restricted Access
 - Tested
 - Multiple Copies
- + Software patch management to ensure critical security patches are made within 30 days
- + Insureds that do not have satisfactory control in place may see non-renewals or reduction in coverage. This reduction comes in the form of sub-limits or co-insurance provisions.
- + Carriers looking to reduce exposure to business interruption by reducing limits and increasing waiting periods – particularly true on contingent business interruption

Major Claims in the Sector

\$10M VERDICT

On July 19, 2022: A Plaintiff was on a cruise ship and was sexually assaulted by an employee. Jurors awarded \$10M, including \$3,000 for past medical expenses, \$240,000 for future and \$10M for both past and future pain and suffering.⁶

\$44M VERDICT

November 23, 2021: A county judge returned a \$44M verdict against a hotel chain management company after finding that the hotel personnel placed an unconscious and vulnerable guest in the wrong room, leading to her sexual assault.⁷





Guidance



BEGIN THE RENEWAL PROCESS EARLY

The **General Liability, Cyber, Excess/Umbrella** and **Property** markets are constrained and more challenging to navigate in the disciplined market. With an outcome of increasing prices across all lines of business and in every industry sector, brokers are being swamped with submissions from their insureds who want to minimize these additional costs.



PARTNER WITH INDUSTRY EXPERTS

It is important to work with your broker's industry experts who truly understand the business and the market for placing the specific risk. Collaborating with a team who can best represent your risk and partner with your operations is more important than ever during this disciplined market we are experiencing.



HIGHLIGHT CYBER SECURITY & PROACTIVE RISK MANAGEMENT

Frequency and severity of cyber claims are constantly on the rise, resulting in more underwriter scrutiny of companies' cybersecurity hygiene. **The importance of highlighting any additions in cybersecurity staffing or updated systems protocol cannot be overstated.**



ENGAGE LOSS CONTROL TEAMS

Frequent communication with your broker's loss control team is a top priority, especially when a claim arises. Engaging your loss control team in the event of a claim can help reduce the impacts to your business financially and operationally. We work with you to understand your financial goals and operational challenges so we can identify, develop and deliver Risk Control Solutions that strategically mesh with your objectives.

Sources

¹ 6 Important Hospitality Trends For 2023-2025 (explodingtopics.com)

² Target Markets: Four questions for the MGA market that need answering (insidepandc.com)

³ <https://www.ciab.com/download/35895/?tmstv=1668540348>

⁴ sotm_q2q3_2022_f.pdf (amwins.com)

⁵ What is a nuclear verdict and should you care? | CaseGlide

⁶ Nuclear Verdicts | Tyson & Mendes (tysonmendes.com)

⁷ Hilton Hotels Hit with Record \$44M Negligence Verdict for Facilitating a Sexual Assault of a Hotel Guest | Blizzard Law PLLC



More Than Just Insurance

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