



COMMERCIAL INSURANCE

EMPLOYEE BENEFITS

PERSONAL INSURANCE

RISK MANAGEMENT

SURETY

HEALTHCARE

Markets in Focus



Insurance Pricing & Market Update

Q3 2023

Mark

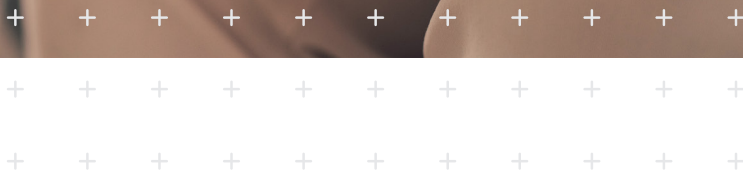
The outlook for senior housing is positive in the long run, with demographics working in the industry's favor. The first of the baby boomers will be 83 in 2029 and the last turns 80 in 2047. In the short-term, however, owners and operators of these residences will need to weather challenges related to higher costs driven by labor availability, inflation, and higher interest rates offset in part by lower new construction rates relative to historic trends that will benefit existing communities.

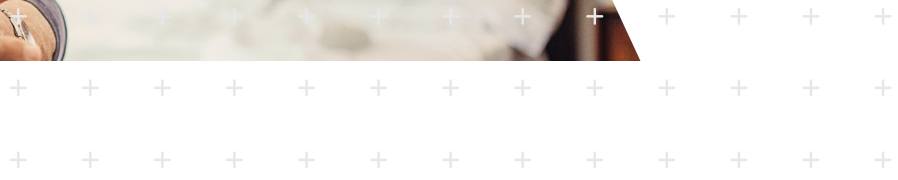
Replacement costs have dramatically increased over the past several years, given the shortage of labor, higher building material costs and general supply line uncertainty. During these times of relatively rapid changes in replacement costs, it's important for owners to keep pace with appropriate insurance limits to ensure adequate replacement costs.

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As we learn to live alongside COVID-19, and the economy recovers along with the labor supply, senior housing property owners will be able to devote more attention and resources into innovation, amenities, differentiation, and customization – followed by scale. Experts warn, however, that generating benefits from scale in this industry is a tricky proposition, as consolidation and expansion come with the risk of damaging service quality.¹

Due to higher interest rates and balance sheet pressure at regional banks, industry consolidation and merger and acquisition (M&A) activity will slow in 2023 from record levels in 2022.² There is still plenty of room for consolidation, however, as the 50 largest companies in this space account for approximately 30% of the industry's revenue.³





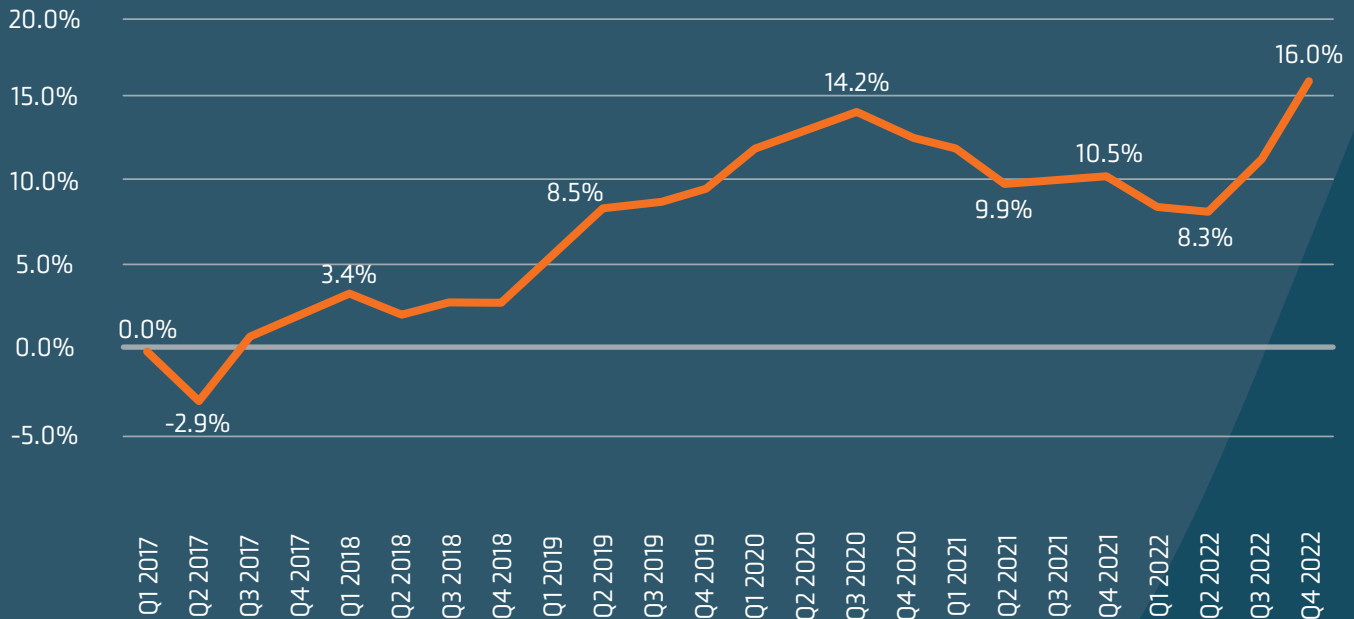
COVERAGE OUTLOOK

PROPERTY

- + To mitigate the risk of being underinsured, businesses must take swift action to ensure their insurance replacement cost property valuations accurately reflect the increasingly higher costs associated with repairs and rebuilding, and adequately evaluate their exposure levels for business interruption losses.⁴ The sharp rise in prices, along with disruption to supply chains and labor shortages have caused these costs and lengths of time required to complete repairs and replacements to skyrocket.⁴
- + In Q4 of 2022, commercial property lines saw a remarkable surge in premiums, increasing by an average of 16%. This made it a standout among all other lines of business for this period.⁵
- + Natural catastrophes continue to be a leading cause of turbulence in the commercial property market.

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PREMIUM CHANGE FOR COMMERCIAL PROPERTY 2017-2022



<https://www.ciab.com/download/36848/?tmstv=1677010755>

- + Insurance to Value (ITV) is a top priority for carriers due to the escalating costs of commercial property. Mandates are being enforced that building values must be increased, particularly if they have not been adjusted in a while. This is to avoid potential losses, as in the case of any destruction or rebuilding, the insurer may need to pay out more than they would have prior to the value increase.⁴

**Insurance to Value is a
top priority for carriers.**



GENERAL PRICING ESTIMATES

Non-CAT exposed with favorable loss history

10% to 15% increases

CAT exposed 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.)

25%+ increases for non-CATASTROPHE

30% to 50%+ increases for CATASTROPHE exposed accounts and higher depending on frequency/severity of losses





Purchasers are in a more **restrictive insurance situation.**

CASUALTY

General Liability

- + Even though the primary general liability market is steady, purchasers are in a more restrictive insurance situation as insurers ask for more information detailing previous losses and the preventative measures taken to stop similar situations from occurring in the future.
- + Natural disasters such as hurricanes, earthquakes, or wildfires are continuing to have a substantial impact on the general liability market. These events have driven increases in property damage and bodily injury claims, leading insurers to reassess their underwriting strategies and pricing.

Excess Liability

- + The market is seeing carrier participation with smaller layers of excess liability coverage offered a bit more readily available year-over-year.



GENERAL PRICING ESTIMATES

General Liability

Up 5% to 10%

Umbrella & Excess Liability –
Middle Market

Up 10% to 25%+

Umbrella & Excess Liability –
Higher Risk and with Amenities

Up 25% to 100%

Workers' Compensation

- + Buyers who have good to great loss histories can expect competitive rates on workers' compensation coverage due to the profitability of carriers, contingent upon experience modification factors. As a result of the competition between carriers, these buyers can anticipate more affordable premiums.

Buyers who have good to great loss histories can anticipate **more affordable premiums.**

Commercial Auto

- + Recently, the commercial automobile sector has experienced a period of instability, wherein settlements and claim payments have had a more significant impact than profits.⁶ As a result, numerous carriers have been adopting telematics as a strategy to mitigate their losses.
- + Over the past handful of years, non-owned auto liability coverage has encountered formidable obstacles due to a persistently restricted marketplace. To address the scrutiny of underwriters in non-owned operations, certain essential elements can prove beneficial. These include driver training courses, regular vehicle maintenance, ongoing monitoring through MVR reviews, implementation of charge-back programs to incentivize improved behaviors and consideration of higher deductibles or self-insured components.

GENERAL PRICING ESTIMATES

Workers' Compensation	Flat to Down 5%
Auto	Up 10% to 25%
	Up 25% to 100%+ for Non-owned Auto Liability

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Cyber

- + Human error accounted for 82% of data breaches in 2022, according to statistics from Nordlayer.⁷ Senior Housing is at a higher risk for certain types of cyber-attacks, and resources are provided and available by the U.S. Department of Health and Human Resources through the HHS Program. The most common cyber-attacks impacting this industry are:
 - Social engineering
 - Ransomware attack
 - Internet of Things (IoT) connected medical device vulnerabilities
 - Insider threats

MAJOR CLAIMS IN THE SECTOR



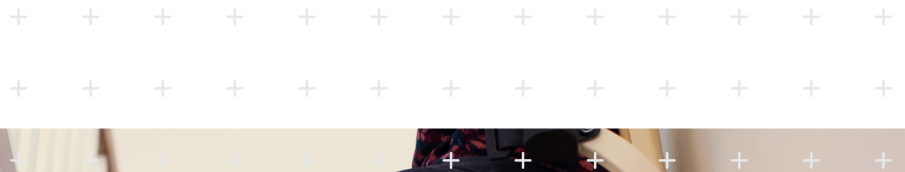
INADEQUATE STAFFING

A healthcare organization and nursing home faced a settlement of \$30.9 million because of neglecting residents' well-being and inadequate staffing at their skilled nursing facility.⁸ The nursing home was alleged to have engaged in harmful, negligent and deceitful behavior while caring for an elderly resident, who stayed under their supervision for around two weeks.¹¹ Regrettably, this behavior eventually led to the passing of the elderly gentleman and caused immense anguish and distress for surviving family members.⁹



DATA BREACH

Independent Living Systems, LLC experienced a data breach affecting four million individuals in their assisted living communities. HIPAA Journal noted that this was one of the largest healthcare data breaches of 2023. After notifying the individuals affected, ILS, LLC is now facing litigation by those whose information was compromised. No settlements or total cost for this incident have been reported to date.





GUIDANCE



BEGIN THE RENEWAL PROCESS EARLY

The insurance market is constrained and more challenging to navigate, as prices increase across all lines of business and in every industry sector. Brokers are being inundated with submissions from their insureds who want to minimize these additional costs. Partner with your broker early to prepare for any changes in coverage eligibility to increase greater renewal success.



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

The 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 RISK CONTROL TEAMS

Engage loss control teams before a claim begins by establishing strong loss control and risk mitigation with the help of your broker. 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.



CONTRACT REVIEW

Our **contract review** teams add value to our clients' overall risk management program by making sure the indemnity language is market standard and doesn't expose our clients to unforeseen losses that may not be insurable.



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MORE THAN JUST INSURANCE

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