SENIOR LIVING AND LONG-TERM CARE FACILITIES

PROPERTY AND CASUALTY INSURANCE RATES ARE GOING UP 10% TO 30%

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Insurance premiums are rising, coverage is being restricted, and underwriting guidelines are tightening for Senior Living and Long-Term Care (LTC) facilities. Our goal with this forecast is to help you better understand the "why" behind these increases and how to best position your organization. Insurance companies that specialize in providing general liability and professional liability insurance for senior living and LTC facilities saw an increase in frequency (number of claims) and severity (verdicts and settlements) of 8–12% over the previous year. Insurers are raising premiums, reducing capacity, or leaving the senior living and LTC insurance marketplace altogether.

HOW CAN YOU GET THE BEST PRICING AND COVERAGE?

You need an insurance broker who has a proactive marketing strategy. We believe the best way to position our customers is to provide detailed submissions with thoroughly completed applications, face-to-face meetings with the underwriters, and organizations partnering with their brokers on sound risk management strategies.

2020 PROPERTY AND CASUALTY INSURANCE MARKET RATE FORECAST

RATES ON THE RISE AND CAPACITY IS CONSTRICTING

Senior living and LTC facilities have seen an increase in severity, frequency, and frequency of severity (high value verdicts and settlements). In Q4 2019, we saw even tighter underwriting than Q1 2019, and this trend will continue in 2020 and possibly 2021. Individual organizations may be more impacted depending on actual claims/loss experience, years in business, and overall risk management practices. We will break it down by product line and offer the insurance industry's predictions:

PROPERTY

*+5 to +10% rate increase**

In 2019 we saw tightened underwriting, increased rates, and restricted coverage. This trend will continue into 2020 as insurers attempt to improve profitability for this class of business. Reinsurance rates are seeing flat to 5% increases on most property classes; stressed classes are seeing 10% to 40% increases.

CASUALTY AND PROFESSIONAL LIABILITY

*+10 to +15% rate increase for favorable loss experience facilities and +30% rate increase for facilities with poor or adverse experience**

Insurers will still compete for the business of insureds with stable loss experience. Facilities with losses will see fewer companies offering to quote, deductibles and retentions increasing, as well as less favorable terms and conditions.

EXCESS LIABILITY / UMBRELLA

*+10 to +25% rate increase with restricted limit offerings**

We started seeing large rate increases on this product line in Q2–Q3 2019. The North American liability marketplace continues to be plagued by an unprecedented number of nuclear verdicts.

COMMERCIAL AUTO

*+10% to +20% rate increase**

Large claims from loading and unloading residents and distracted drivers still represent the majority of claims. The auto market is continuing to worsen, and rates will increase until an equilibrium is found. Organizations with strong best practices and loss history are seeing minor changes to rates whereas organizations that do not have strong fleet management programs are seeing greater increases.

MANAGEMENT OR EXECUTIVE LIABILITY

*Varying rate increases, restricted limit offerings**

Directors & Officers is seeing +5% to +50% increases, higher retentions, and more restricted coverage. Employment Practices

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Liability is seeing +5% to +20% increases, Fiduciary Liability flat to +7%, and Crime/Fidelity increases of flat to +10% due primarily to social engineering/false pretense claims. New organizations and those with financial challenges are seeing increases of over 50%. Increases in securities class action suits, #MeToo claims, and event driven litigation have caused rates to skyrocket.

WORKERS' COMPENSATION (STATES OTHER THAN WASHINGTON)

*Generally, rates will be flat to -5% depending on the state(s) of operation**

Workers' Compensation is one line of business where rates should remain favorable in 2020. Frequency continues to decrease as improved safety practices and techniques are adhered to. It is anticipated that Workers' Compensation rates may begin to tick upwards in 2021 as severity continues to rise.

CYBER LIABILITY

*Flat to +10%**

2020 could be a year of change for the Cyber Liability insurance marketplace. Rates are likely to remain relatively flat. Those with losses will see increases as this product line continues to mature. There is still adequate appetite for Cyber Insurance and reinsurers continue to be bullish. Ransomware incidents are increasing dramatically in frequency and severity which will result in an uptick in premiums.

INSURANCE MARKETPLACE IS CYCLICAL

To end on a positive note: this is not the new normal. The insurance marketplace is cyclical; insurers continue to offer new product lines increasing competition and driving down pricing. Insurers are working to establish a new equilibrium by retaining well-performing accounts while taking rate on loss-affected and poor performing policyholders. Large verdicts in the Casualty and Commercial Auto space remain a concern. The booming U.S. economy is helping insurers' investment income and overall profitability but concerns about a recession or economic slowdown keep insurers cautious.

The Partners Group has been providing insurance and risk management services to the Senior Living and Long-Term Care industry in the Pacific Northwest for 35 years. We would love the opportunity to have a conversation with you to further discuss the market conditions and possible impact on your business.

* "Insurance Marketplace Realities 2020." Willis Towers Watson, 13 Nov. 2019, https://www.willistowerswatson.com/en-US/Insights/2019/11/insurance-marketplace-realities-2019-fall-update-executive-summary.

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