Healthcare Marketplace Realities – Broker Survey

The impact of the hard market and pandemic is still reverberating around the healthcare marketplace. We decided to survey our key broker partners across the US, Canada, Australia, and the UK to get the low down on the marketplace realities for 2021.

Rate realities*

	Territory	Trend	Range
Allied health / miscellaneous medical:	US		+15% to 25%
	Canada		+5% to 15%
	UK		+10% to 40%
	Australia		+10% to 30%
Loss-affected accounts:	highly variable rate increases +20%>		

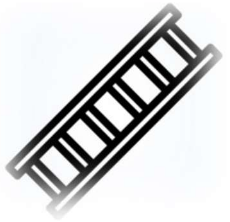
*Rate realities for healthcare professions and general liability only

Hard market: rating environment

Rate increase movement

- Average rate increases vary slightly between territories but there is a uniform consensus that rates are trending upwards globally.
- Home healthcare, long term care, non-emergency medical transportation, behavioural health, paediatric and correctional exposures have created pain points for many brokers with capacity drying up due to the perceived risk escalation.
- Rates are increasing further in more challenging metropolitan/city zones. In the US, many brokers mentioned accounts based in NYC, Philadelphia, Florida, and Los Angeles are considerably more challenging to place.
- Loss-affected accounts - risks with exposures to senior care have seen considerable increases due to claims.
- Decreased appetite among markets for renewing loss-making accounts

Market rationale for increases

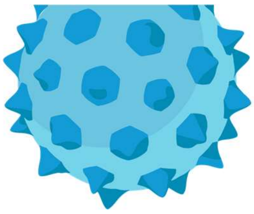


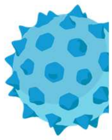
- Step-factor is commonly being cited as a key reason for price rises
- General rating environment was poor, meaning that rates have been too low in historical years, and loss ratios have suffered.
- Insurers are experiencing a hard market, claims inflation is rising and COVID-19 continues to present many unknowns.
- In the UK, there are concerns that the Medical Defense Union will renege on their indemnity commitments.

Reception among clients with rate-increases

- Early and often conversations required. Many brokers have spent time educating clients and retailers to combat unhappiness by setting reasonable expectations up front, 3-4 months ahead of renewal, displaying due diligence and sharing market updates. Restrictions on HNOA and abuse have been the worst to explain.
- Linked to client sophistication, small clients that consider insurance a necessary evil will shop around. More sophisticated clients / larger renewals will understand the need, particularly if addressed early in renewal process so expectations are set.
- Insurer retention remains high despite renewals being shopped. Clients are often unhappy but 90% of the time the incumbents are keeping the renewal.

Hard market: underwriting





Underwriters appetites since the onset of COVID-19

- **Pandemic exposure shy** - there has been a wave of restrictions on classes that would have been impacted by COVID-19, like home healthcare and long-term care.
- Classes that were on the **"fringe"** i.e. quasi-correctional exposures like halfway houses, long-term care related risks, adoption/foster care, are now hard declines.
- **Functional declines**, becoming more common, underwriters will ask too many questions or quote high to price themselves out of the risk whilst also maintaining face.
- Most insurers have **reduced the capacity** they are willing to deploy on any one account to no more than CCY5m.
- Self-insured **retentions and deductibles are increasing**, both on a per-claim/occurrence basis and in the aggregate

Underwriter concerns with emerging digital health exposures

- In the UK, there are concerns with testing of regulatory boundaries. **Cyber is not an area many healthcare underwriters understand or have much desire to learn about**. Bodily injury arising from a cyber / tech failure is a hot topic.
- Some underwriters are however now **planning for this to be part of their future** underwriting. Admitted carriers in the US are still shying away from pure telemedicine accounts.

Top 3 annoying underwriter traits

- Unresponsiveness, dodging phone-calls, or **slow service** was a common theme across the globe.
- Giving **nonsense reasons** about why something is out of appetite. Unwillingness to internally refer.
- **Inconsistency of appetite** cropped up a lot, many underwriters are wishy-washy with their responses and change their stance depending on which way the wind is blowing.
- **Late communication on renewals**, particularly those with bad news and poor justification for rate increases.

Most aggressive markets

- US –
    - Coverys, Chubb, Genstar and RSUI have all continued to have broad appetites and maintained aggression in the last twelve months.
    - Hiscox have also been keen to capitalize on risks like home healthcare where rates are increasing, often attacking Beazley renewals.

- Canada –
    - Aon/Linx for small practitioners and associations
    - MedThree and Beazley for hard to place risks.

- UK –
    - AWAC, WRB and C.N.A. all are looking to grow their portfolios to capitalize on the positive rating environments.

- Australia –
    - QBE

What could CFC do better?

- Write more complex risks globally.

- Lifting the moratorium on home healthcare and medical staffing. In the US, many brokers used Beazley who are now applying huge rate increases on renewals. These micro-SME insureds were previously written for $1,000 - $1,500 premium are now jumping to $3,500 - $5,000 due to new minimum premiums. USLI, Hiscox or Huntersure are the only alternatives for the non-medical care, but often appetite is thin.

- Quick responses should be a priority. Everything is being marketed because people were shocked over premium increases last year so now the due diligence efforts have greatly increased.

- Risk management services, particularly where we're competing with admitted carriers in the US.

Hard market: capacity

Limited market appetite

- Senior care exposed risks, home healthcare, care companions, management companies and live-In care

- Surgery centers, fertility clinics and compound pharmacies

- Patient **transportation exposures**, this would include non-emergency medical transportation and home healthcare. Auto carriers have begun to exclude loading and unloading.

- **Staffing / locum tenens**, any placements into high-risk hospital units, such as birthing/maternal/obstetrics care.

- Residential care, mainly **long-term care facilities**, but also drug and alcohol and mental healthcare due to the concerns around COVID-19 exposures.

- Unsupported excess layer (i.e. **standalone excess**, where they do not write the primary as well).

- "unusual" risk locations or **international exposures** (i.e. outside of English-speaking common-law basis countries)

New exclusionary market language

- A full spectrum of COVID-related limitations and exclusions have been developed by the market. All territories cited that this was now **common practice for COVID-19 transmission**.

- Absolute **opioid exclusions are being applied** in the US but can be negotiated off on a case-by-case basis. In UK and ROW, opioids are often excluded but written back for medical malpractice and sexual abuse. Most markets have some flexibility to amend as necessary and if the particular risk profile allows.

- In Canada, **sexual abuse exclusions are only being applied to small to medium sized clinics**. Individual practitioners can still get this in standard association-like packages. Large clinics can afford it through markets like Markel.

Limits profile decrease, minimum premiums, or deductible changes

- Varied opinions across the US and Canada, many brokers placing small-to-medium enterprise accounts had **not seen challenges with markets dropping limits**. However, on middle-market accounts ($100k> GWP) many struggled to fill a $20m tower with two markets, this now takes at least four.

- In the UK and ROW, there has been **minimal movement in limit profiles**.

- **Minimum premiums across all territories have risen**, the most movement has come in the senior care exposed space.

Hard market: claims

Specific claims trends

- **Severity has been creeping up** across all territories. Many brokers cited social inflation as an issue. Radiology misread were highlighted as being as being an area hit hard by this trend.

- Markets are **struggling to quantify the short-term and long-term impacts of COVID-19** on their entire portfolio including their medical malpractice book; immunities are fragmented by country and untested.

- Brokers have seen the **odd allegation, claim or lawsuit mentioning COVID-19**, but it wasn't the primary driver of the circumstance.

Hard market: service levels

- Typical turnaround times across all territories was startlingly poor. Almost all brokers said that for small simple risks (individuals/small entities) this has gone from 2-3 days a year ago to at best, **5 days for a new business account**. For more **complex accounts, it's more like 10-14 days.**

- On renewals, in general they are **normally waiting 30-45 days** depending on when they get the submission to the underwriter. Planning starts at least 90 days out, or 60 days for small simple renewals.