

Current Observations Of The Property And Casualty Marketplace Amidst The COVID-19 Pandemic

FIRST AND FOREMOST, WE HOPE THIS BULLETIN FINDS YOU AND YOUR FAMILIES BOTH HEALTHY AND SAFE.

While we are all living with an incredible amount of uncertainty right now, both in our personal and business lives, one thing we do know for certain: now more than ever, we must stay abreast of change within the insurance market place. To that end, we would like to offer some insights to our retail agency clients and ultimately to our mutually insured clients regarding what we are seeing in the Property and Casualty marketplace.

We will continue to update you as the markets evolve further, but wanted to share our insights so far:

PROPERTY:

The property markets were already starting to harden in some areas prior to the COVID 19 crisis. The recent pandemic concerns will most likely continue, and we don't know for how long, thus extending the hardening market as carriers re-underwrite exposures related to the pandemic such as class of business, potential BI (business income) losses, vacancy concerns, as well as potential governmental interaction and reaction.

So, don't fall into the "Extension Trap"

- If you have a renewal offer in hand, review it with your client; it may be best to take advantage of securing coverage now, as carrier, agents, and brokers continue to monitor how pandemic related insurance issues unfold.
- Be mindful of the date: if your client is seeking an extension and has hurricane or other catastrophic exposures, an extension could move their renewal into hurricane season (June 1st – Dec 1st). This could jeopardize the options and availability of coverage in the future if the market continues to harden and the hurricane season is active.
- The carrier might be willing to offer an extension, but then not willing to offer renewal terms due to underwriting guideline changes. Also, extensions might only be offered on new pricing terms, not expiring.

GENERAL LIABILITY:

Reducing GL exposures due to slow downs caused by COVID 19: many clients are asking their agents to request revised premium quotes due to decreases in sales, or other ratable exposures.

- Excess and Surplus Lines markets have not provided an across the board response to this situation. Everyone is feeling their way through this new territory, and while some carriers' initial response is "no", others are looking at this on a case by case basis.
- Be mindful that, if granted, a significant reduction now could result in a large additional premium (AP) charge should the insured's sales bounce back after COVID 19 restrictions are lifted.
- Work closely with your broker to help give the appropriate advice to your insured client regarding the ramifications of this request.

Obviously, certain classes of business are being hit harder than others: hotels, restaurants, travel related industries, and hospitality driven accounts are being hit especially hard. Some standard carriers are taking issue with the fact that hotels and other occupancies such as wedding or event venues are now vacant. This may very well result in accounts that brokers could formerly place in the standard market now being forced into the E&S market.

- Contractors and companies involved with janitorial, sanitation, and restoration are starting to transition to COVID related work in an effort to maintain their revenue stream. Carriers are taking vastly different approaches here, with some flat out excluding this work, and others underwriting each case by asking pointed questions regarding the training of the staff to do such work.
- Regarding any client doing environmental work, check the definition of “pollutant” with the environmental carrier (or ask your Broker to do so). It is extremely important to review the myriad of COVID or Communicable Disease exclusions that are making their way onto most renewals and practically all new business. The language can vary greatly, and your Broker can help you navigate this potential pitfall.
- The excess liability market started to harden in the fall of 2019, prior to COVID 19 further causing issues. We are seeing this most pronounced in condo and habitational accounts as well as contractors with large fleets. Standard markets are pulling back capacity. Regardless, insureds still face the contractual requirements of maintaining certain limits. Don’t hesitate to call us, as we have markets willing to write unsupported XS for your clients.

GENERAL ISSUES:

Premium finance might be an avenue to consider for clients with COVID related cash flow concerns.

- Work with your carrier or your Broker to attempt to secure the lowest possible minimum earned premium requirement available.
- Have a discussion with the premium finance company, prior to binding, about their individual cancellation policy and discuss them with your client. Be aware that more often than not, Brokers are removed from this agreement between lender, client and carrier.

NON-PAY Cancellations

- Monitor “home state” bulletins and mandates, as many states have instituted payment grace periods
- Contact your carrier: many are also offering cancellation or non-renewal grace periods on a state and national basis
- If you currently have a non-pay cancellation pending, work with the premium finance company (if applicable), or your Broker to assist in negotiating a grace period, or payment extension.

We know these are unprecedented times. We know that the landscape is changing rapidly and constantly. We want YOU to know that Socius is here for you. Socius (so-see-us): Latin for “partner”. “Socius” best describes our business philosophy: that your success and our success are inseparable.

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