



# NAVIGATING THE ESCALATING INSURANCE MARKETPLACE

## PRESENTED BY

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September 18, 2023

Lutheran Services in America

# OBJECTIVES

- To understand what drives pricing in the insurance marketplace and how to prepare accordingly
- To learn about trends in insurance requirements and tactics to ensure coverage as well as to mitigate cost increases
- To perform a deep-dive into cybersecurity, cyber insurance market concerns/considerations and related risk mitigation techniques.

# AGENDA

TOPIC 1: INTRODUCTIONS

TOPIC 2: INSURANCE 101

TOPIC 3: CURRENT INSURANCE MARKET ENVIRONMENT

TOPIC 4: INSURANCE RENEWAL BEST PRACTICES, COST  
REDUCTION TECHNIQUES

TOPIC 5: CYBER INSURANCE CONSIDERATIONS

QUESTIONS & ANSWERS



TOPIC 1

# INTRODUCTIONS

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# INTRODUCTION TO JOHNSON KENDALL JOHNSON (JKJ)

- Founded in 1956, **privately held**, nationally focused
- 115 Employees, placing an annual premium volume over \$300M
- JKJ partners with specific high-risk industries who require a need for an intensive level of service
  - Senior Living, Human Services, Construction, Technology, Manufacturing, Real Estate, Sports & Entertainment
- **A History of Firsts!**
  - JKJ insured the first CCRC in Pennsylvania in 1969 – still a client today
  - The Johnson Companies launch the first 401(k) plan for its own employees in 1981, which is still in use today for the employees of JKJ.

# INTRODUCTION TO JOHNSON KENDALL JOHNSON (JKJ)

- JKJ's vision is to create a service driven, risk management platform such that JKJ becomes an extension of our clients' Insurance and Risk Management Team.
- Our Focus
  - Proactive risk prevention and aggressive claims management
  - Risk management programs that avail the tools to reduce losses
  - Leverage knowledge base of 350+ health and human services providers

# REPRESENTATIVE CLIENTS





TOPIC 2

# INSURANCE 101

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# INSURANCE 101 – COVERAGES TO CONSIDER

- Property and Auto
- General & Professional Liability
- Umbrella
- Workers' Compensation
- Directors & Officers
- Employment Practices
- Fiduciary
- Crime
- Cyber Liability
- Pollution Legal Liability
- Active Shooter
- Volunteer Accident
- Surety Bonding
- “Event” Insurance
- Resident Trust Fund
- Builders Risk

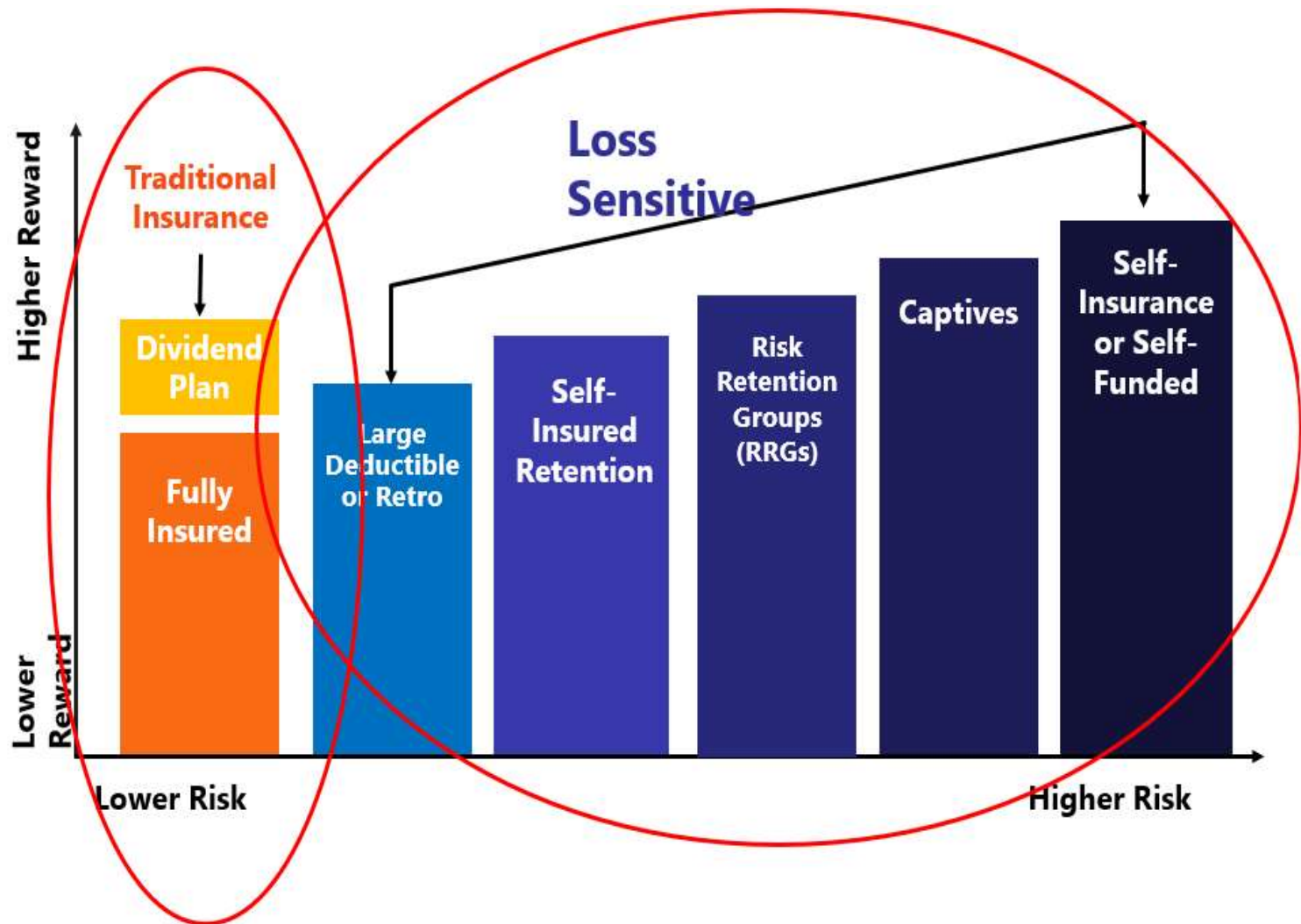
# INSURANCE 101 – THE INSURANCE \$



- administrative
- broker commission
- other expenses

- insurance company invests and earns income
- pay out losses when they occur
- insurance company keeps remainder

# INSURANCE 101 – RISK FINANCING OPTIONS



# INSURANCE 101 – EXPOSURE BASIS?

- Property: Total Insured Value
- Auto: Number of Units
- General & Professional Liability/Umbrella: Bed Count
- Workers' Compensation: Payroll/Classification Coding
- Directors & Officers: Gross Revenue
- Cyber Liability: Gross Revenue, Total No. of Records

# INSURANCE 101 – OTHER CONSIDERATIONS

- 1 Carrier vs. Multiple Carriers?
- Individual vs. Group Programs?
- Broker vs. Direct?
- Exposure Considerations (include ancillary services: HCBS, hospice, home health)
- How often to “Pressure Test” your insurance program/broker



## TOPIC 3

# CURRENT INSURANCE MARKET ENVIRONMENT

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# INSURANCE MARKET ENVIRONMENT PRE-COVID

- 7 years of soft insurance market conditions following Recession
- Rates bottomed out in 2017
- Performance gap narrowed between nonprofit and for-profit providers
- Exodus of several carriers shrunk capacity
- Average increases of 20-40%
- Expectation of continued hard market in 2020...

# INSURANCE MARKET ENVIRONMENT POST-COVID (LIABILITY)

- COVID acutely impacted elderly population
- Senior Living industry at risk for litigation
  - Uncertainty breeds even larger increases for insurance
- Q4 2020 was 13<sup>th</sup> straight quarter with increases
- Increases approx. 20-50%
- Cumbersome underwriting requirements due to increased scrutiny
- Many communities forced to choose between large increase with claims for COVID COVERED or moderate increase with claims for COVID EXCLUDED
- Diminishing carrier appetite/availability

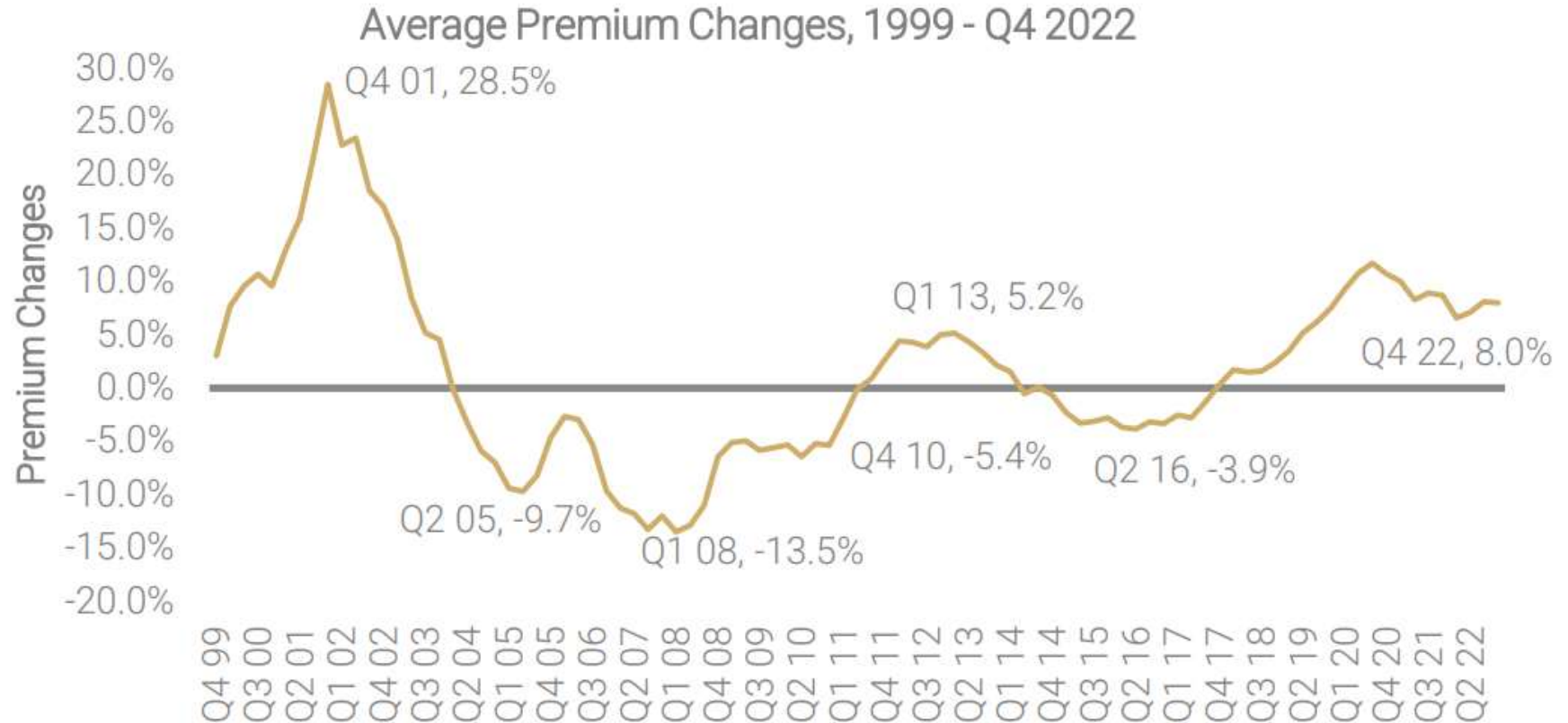


# INSURANCE MARKET ENVIRONMENT POST-COVID (PROPERTY)

- Increase in CAT losses (Ida: 2021, Ian: 2022) impacts profitability
- 2022: 18 separate BILLION dollar weather/climate events (\$165B)
- Regionally: Coastal wind/flood, Mid-West winds, West Coast fires
- Volatility has caused:
  - Reduction of capacity
  - Amount of TIV willing to write
  - Market still experiencing fluidity due to labor, materials costs

*“Given the continued rise of labor and material costs, CBRE’s Construction Cost Index predicts a 14.1% increase in construction costs by end of 2022.” - CBRE 2022 U.S. Construction Cost Trends*

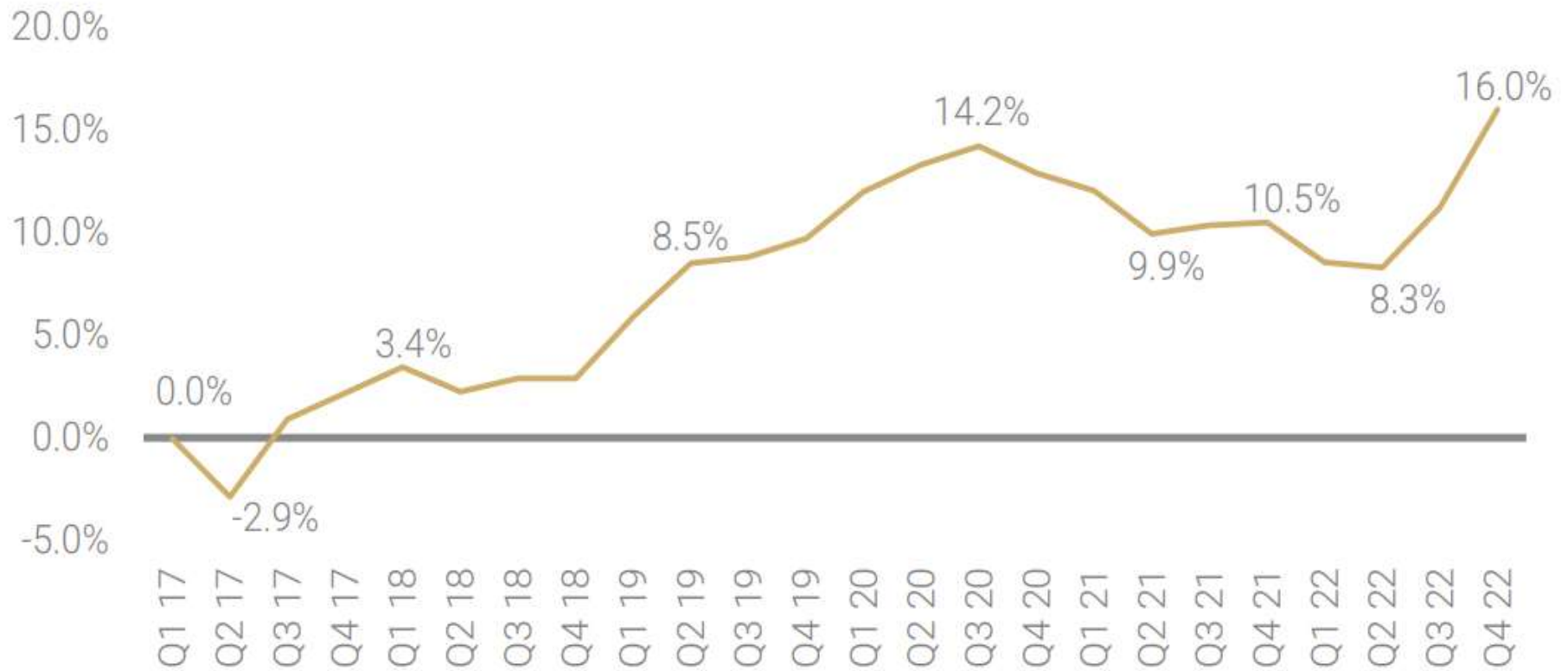
# CURRENT INSURANCE MARKET ENVIRONMENT



Source: The Council of Insurance Agents & Brokers

# CURRENT INSURANCE MARKET ENVIRONMENT

Premium Change for Commercial Property, 2017 - 2022



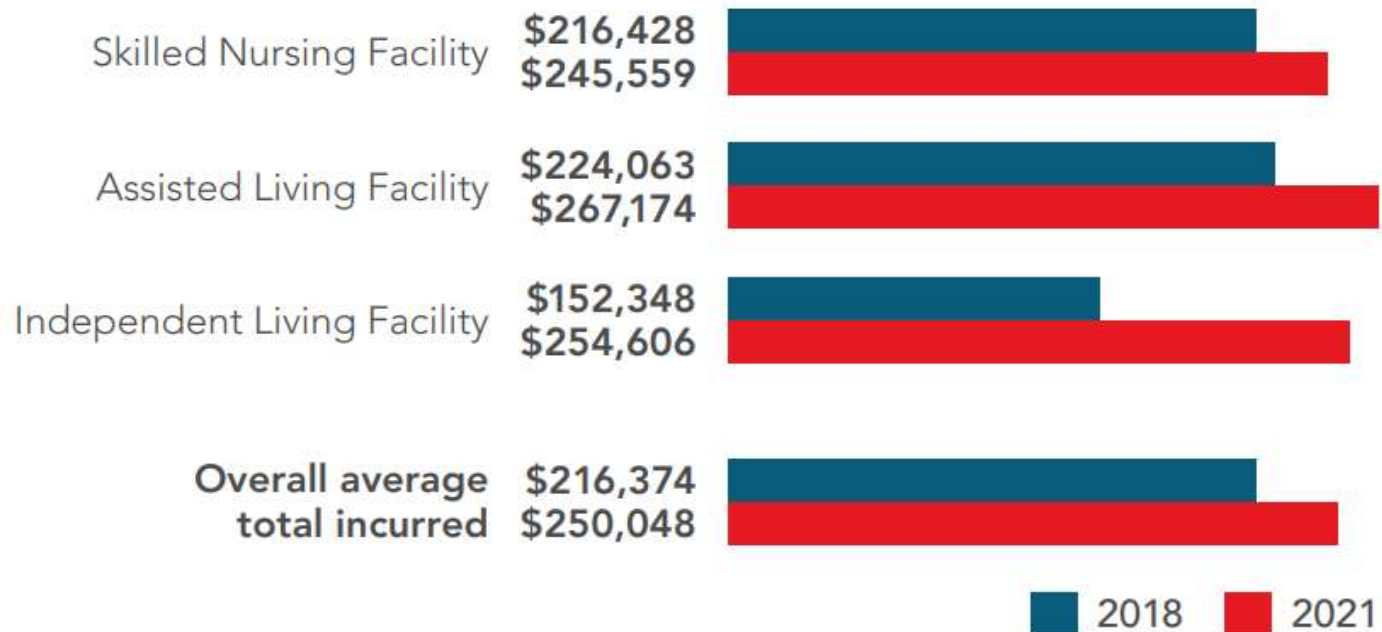
# CURRENT INSURANCE MARKET ENVIRONMENT – CLAIM TRENDS

- Broad-based increase in the average cost of claims across all care settings
- The average cost of claims in Assisted Living (\$267K) continue to exceed Skilled Nursing (\$245K).
- Resident Falls and Pressure Injuries remain the top claims from a frequency perspective - two-thirds of all claims.
- 60% of fall-related claim allegations involve residents with prior history of falls.
- Fall claims where Resident had prior history of falls are more costly.

# CURRENT INSURANCE MARKET ENVIRONMENT – CLAIM TRENDS

## 2 Average Total Incurred by Bed Type

Closed Claims with Paid Indemnity of  $\geq$  \$10,000

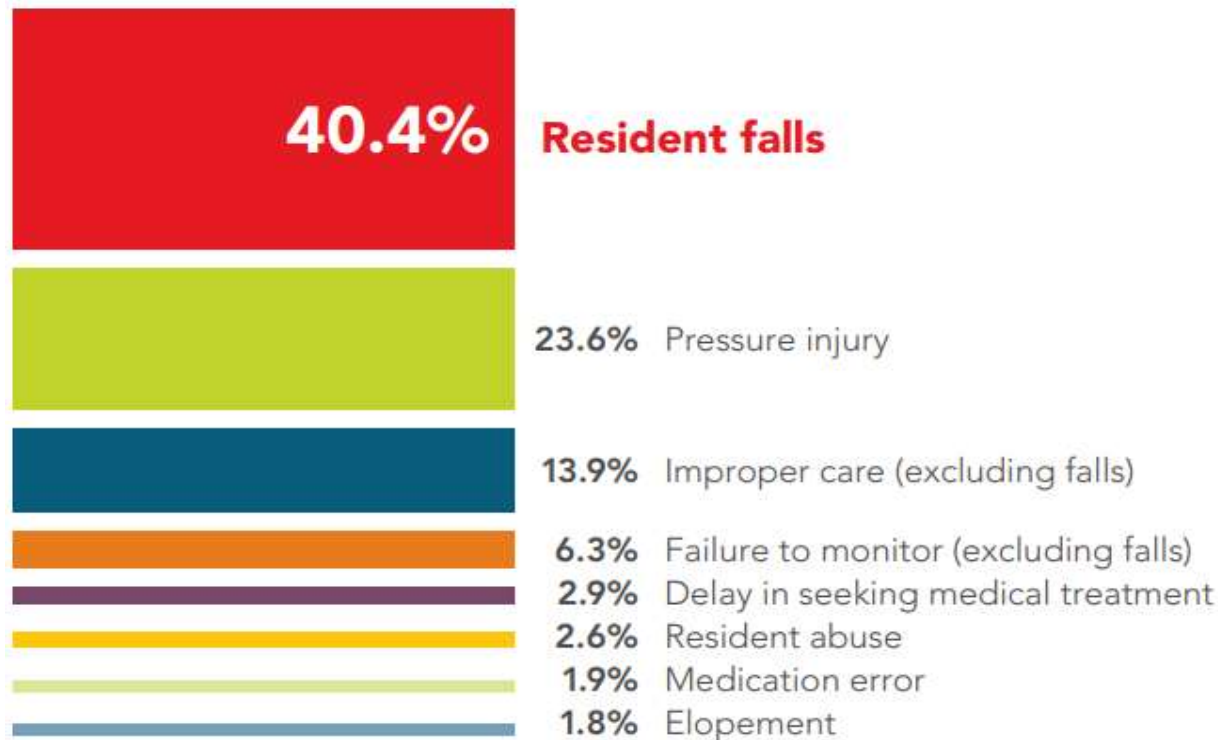


CNA Aging Services Claim Report: 11<sup>th</sup> Edition

# CURRENT INSURANCE MARKET ENVIRONMENT – CLAIM TRENDS

## 3 Distribution of Closed Claims by Top 8 Allegations

Closed Claims with Paid Indemnity of  $\geq$  \$10,000

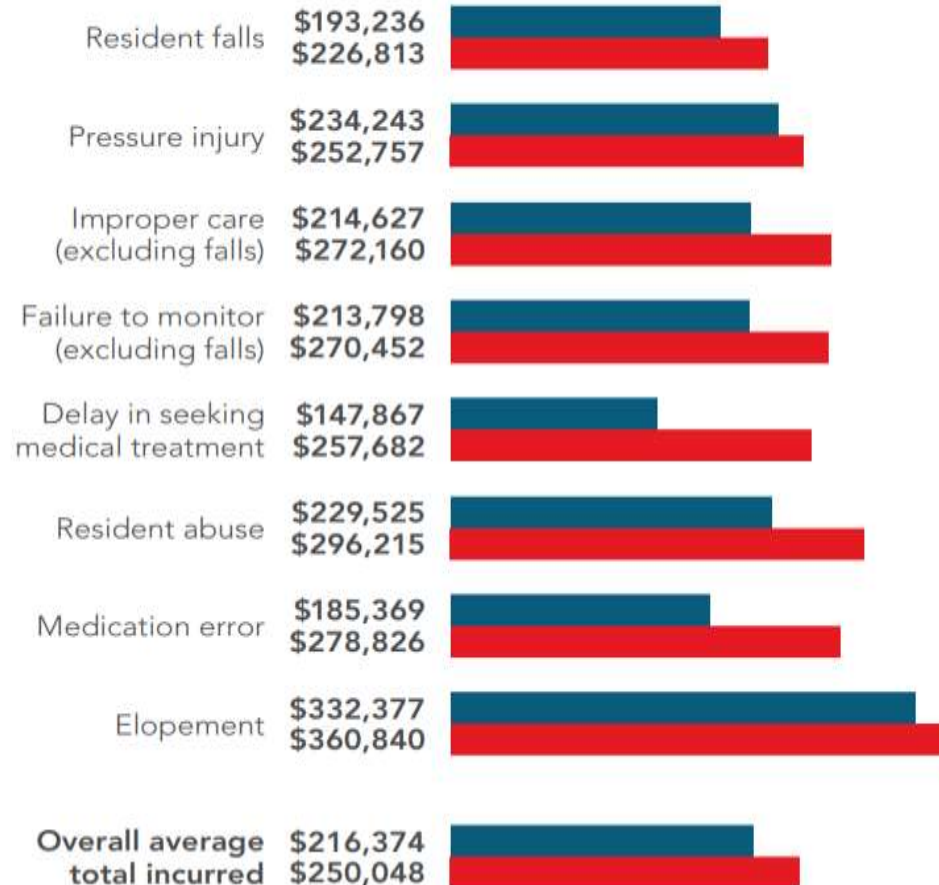


CNA Aging Services Claim Report: 11<sup>th</sup> Edition

# CURRENT INSURANCE MARKET ENVIRONMENT – CLAIM TRENDS

## 4 Average Total Incurred of the Top 8 Allegations

Closed Claims with Paid Indemnity of ≥ \$10,000



## TOPIC 4

# INSURANCE RENEWAL BEST PRACTICES, COST REDUCTION TECHNIQUES

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# INSURANCE RENEWAL BEST PRACTICES

- Stewardship/Pre-renewal Strategy Meetings
- Risk Control Visit/Report
- Carrier Access – Collaborative vs. Adversarial
- Submission Process
- Community Access for Carriers

Insurance Renewal and Risk Management Implementation Schedule		Sep - Dec	Jan - Feb	Mar	Apr	May	Jun	Jul
PAISBOA   JOHNSON KENDALL JOHNSON RISK MANAGEMENT PARTNERSHIP	JKJ to collect and analyze underwriting and loss data with PAISBOA	✓						
	Broker transition to JKJ	✓						
	Insurance & risk management audit performed by JKJ	✓						
	JKJ presents results of audit with suggested revisions to PAISBOA		✓					
	JKJ meets with PAISBOA to create risk management objectives	✓	✓					
	JKJ creates submissions to insurance marketplace (1 <sup>st</sup> week)			✓				
	JKJ meets with underwriters (2 <sup>nd</sup> - 3 <sup>rd</sup> week)				✓			
	JKJ to advise PAISBOA of progress and highlight expectations on renewal				✓			
	JKJ coordinates onsite loss control inspections at PAISBOA (4 <sup>th</sup> week)				✓			
	JKJ receives quotes for renewal					✓		
	JKJ negotiates quotes for renewal					✓		
	JKJ advises PAISBOA of progress on renewal					✓		
	JKJ begins agreed upon risk management projects	✓	✓					
	JKJ presents insurance quotes (last week of May)					✓		
	JKJ negotiates further with insurance marketplace (1 <sup>st</sup> week)						✓	
	JKJ presents final draft of quotes (2 <sup>nd</sup> week)						✓	
	JKJ binds renewals, issues COIs and auto ID cards (4 <sup>th</sup> week)						✓	
	JKJ introduces insurance company team (1 <sup>st</sup> week)							✓
JKJ and PAISBOA reassess the measurable loss control and claims KPI's							✓	

# INSURANCE RENEWAL BEST PRACTICES - LIABILITY

- Address loss experience head-on, own your claims
- Present action plan that is focused on lowering claims experience
- Leverage accreditations (CARF, Eagle, etc.)
- Invest in Proactive Safety Measures (staff training exercises)
- Evaluate deductible/retention, limits ... benchmark against similar sized organizations

# INSURANCE RENEWAL BEST PRACTICES - PROPERTY

- Be Prepared – Insurance = net operating income of the asset
- Be Realistic - projections and capitalization rates
- Evaluate Replacement Cost of Portfolio
  - Undervaluation? Discuss plan with carrier to increase over time
- Invest in Proactive Safety Measures (fire protection, etc.)
- Similar issues apply to Builders Risk, New Construction

# MANAGING YOUR RENEWAL



Have you met your insurance carrier?

Familiarize yourself with their team



Are you committed to safety and risk management?

Outline your annual plan



Are you accessing all available insurance markets?

Working with broker experienced in Senior Living industry



Is it time to explore alternative insurance options?

Captive  
Selfinsurance



TOPIC 5

# CYBER INSURANCE CONSIDERATIONS

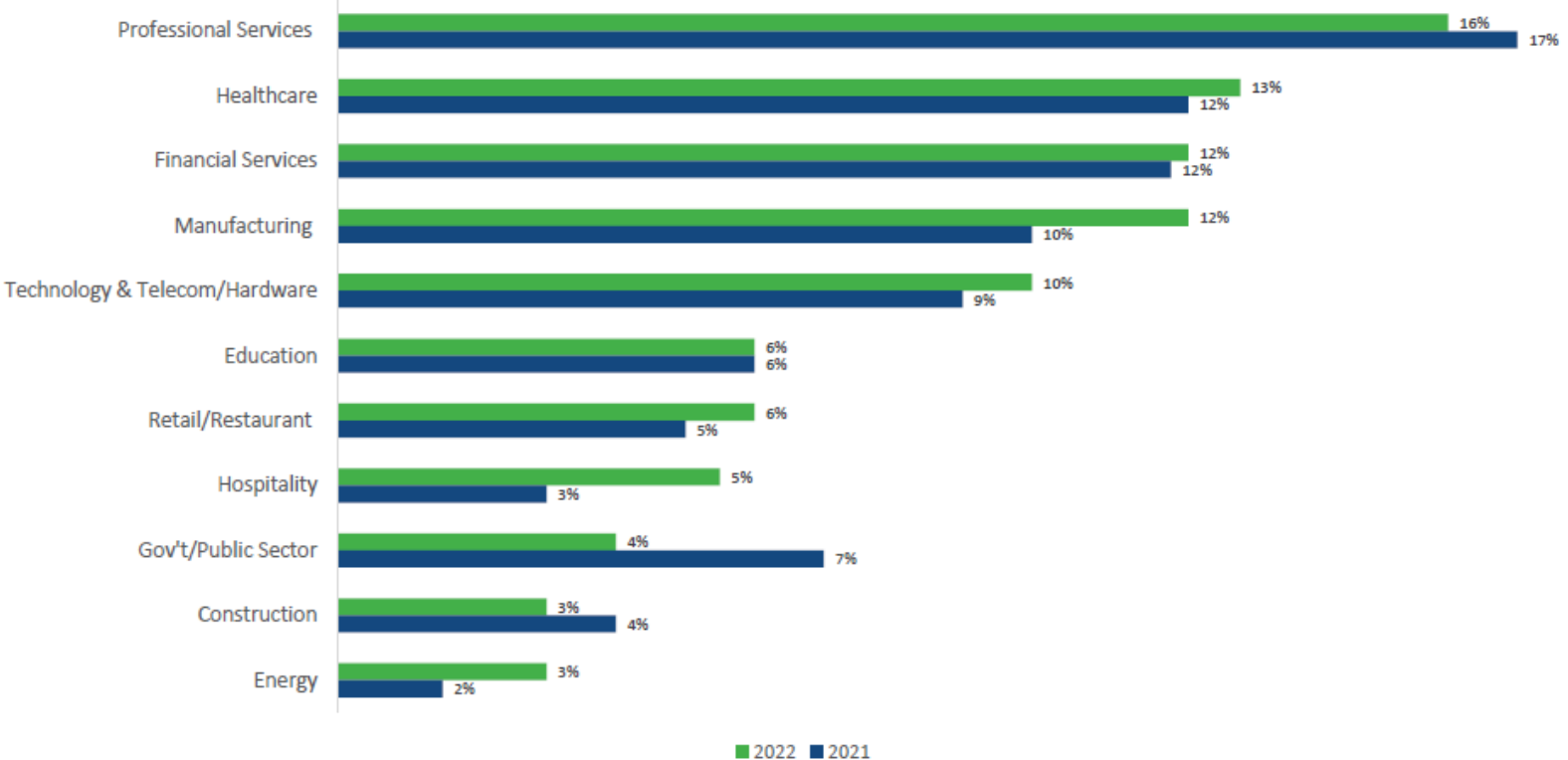
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# CYBER INSURANCE CONSIDERATIONS – WHO IS TARGETED

## Incidents by Sector

2021-2022 Comparison



# CYBER INSURANCE CONSIDERATIONS – CAUTIOUS OPTIMISM

## Cybercriminals Are More Likely Than Ever To Get Caught

### Pricing pressures moderate as cyber insurance market begins to level out

A surge in new buyers has begun to offset years of rising claims and higher premiums, according to data from global insurance firm Marsh.

Published July 1, 2022

## 2022 Cyber Claims Report

Mid-year Update

**01**

**Overall cyber incidents are down**

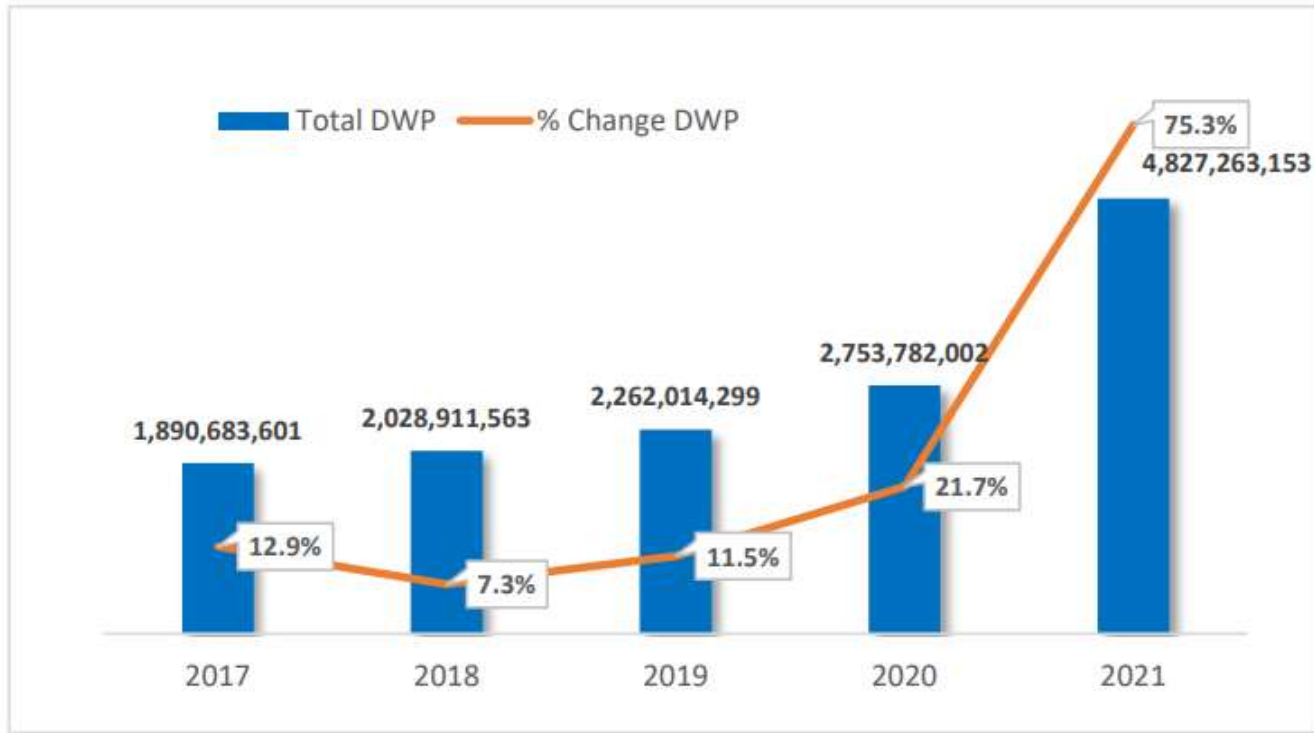
### Ransomware activity falls 25% in Q1 2022

The drop in ransomware has been attributed to larger ransomware gangs being less active compared to the end of 2021

by: [Connor Jones](#) 14 Apr 2022

# CYBER INSURANCE CONSIDERATIONS – MARKET GROWTH

Figure 1. Direct Written Premium and Percent Change by Year (Does Not Include Alien Surplus Lines Data)

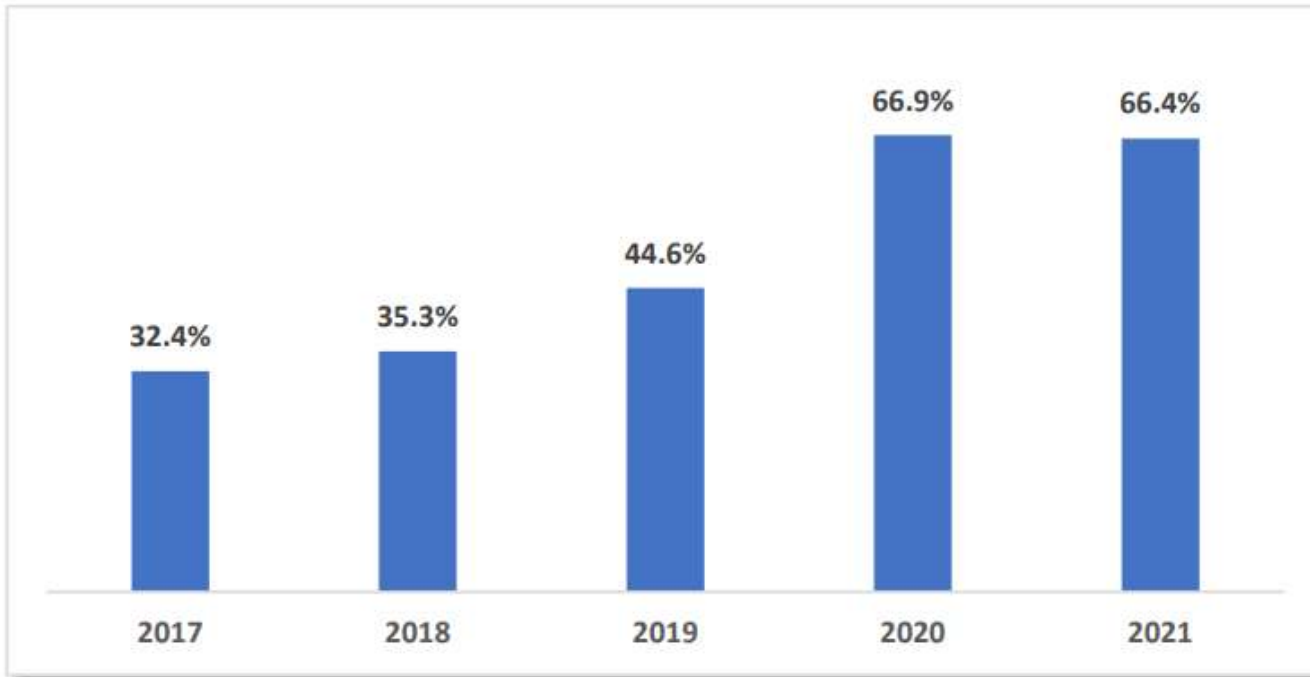


Source: “Report on the Cyber Insurance Market” Memo issued October 18, 2022



# CYBER INSURANCE CONSIDERATIONS – MARKET GROWTH

**Figure 2. Loss Ratios with Defense and Cost Containment (DCC) Stand-Alone and Package Policies Combined (Does Not Include Alien Surplus Lines)**



**Source:** “Report on the Cyber Insurance Market” Memo issued October 18, 2022

# CYBER INSURANCE CONSIDERATIONS – LOOK AHEAD

- **Capacity stabilizing**
- **Focus on sustainable pricing and retentions**
- **Detailed underwriting information & cyber security controls remain consistent**
  - **Involve your Head of IT in the renewal process!**
- **Coverage changes –**
  - **Ransomware Limitations**
  - **Cyber War/Nation State Sponsored Attacks Exclusions**
  - **Widespread Event Exclusions**
- **Trend towards “inside out” underwriting**



# QUESTIONS & ANSWERS

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