



## Moving Forward:

**“The Impact of COVID-19 on Senior Living Risk Management, Insurance, and Beyond”**

# Notable Statistics and Observations (May 2020)

- ~28% of the US's COVID-19 deaths are related to a senior living facility (~20,000)
- 15,600 senior living facilities existed in the US (2016)
  - 4,100 facilities contained the virus (April 2020)
  - 6,800 with more than 118,000 residents & staff contracting the virus leading to 19,600 deaths (May 2020)
- Pre-COVID, carriers had a combined ratio of 200%+ when reviewing UW profitability back to 2014
  - A percentage below 100% indicates profitability (i.e. historically unprofitable)
  - Driving force for carriers exiting the market
- Facilities struggling to receive PPE and proper testing – Makes prevention difficult
- Smaller risks (below \$100K in premium) are getting tougher to place

# COVID-19 Statistics – GA Specific

<b>July 2020</b>					
Total Facilities	Total Residents Tested	COVID Positive Residents	COVID Resident Deaths	Total Residents Recovered	COVID Positive Staff
540	40,290	7,823	1,322	4,653	3,698
	Total %	<b>19%</b>	<b>3%</b>	<b>12%</b>	<b>Avg of 7/Facility</b>
<b>Aug 2020</b>					
Total Facilities	Total Residents Tested	COVID Positive Residents	COVID Resident Deaths	Total Residents Recovered	COVID Positive Staff
618	49,534	11,286	1,894	6,918	5,649
	Total %	<b>23%</b>	<b>4%</b>	<b>14%</b>	<b>Avg of 9/Facility</b>

- Must consider the number of facilities being tested each month when analyzing the data
- Growth rates from July to August are rather steady in relation to the number of people tested
- Rate of staff members testing positive is more relative to each facility individually – Therefore, averages are grossly accurate
- Numbers represent what’s being reported to the GA Department of Public Health
- <https://dch.georgia.gov/announcement/2020-08-11/long-term-care-facility-covid-19-report>

# New Risk Management Challenges

- Visitor Management Protocols
- Resident Screening Procedures
- PPE Supply and Demand
- Resident and Staff Testing
- Staff Safety and Training
- Liability and Work Comp Claims related to COVID-19
- Cleanliness/Sanitation Procedures
- Access to Skilled Care Sections
- Public Perception – Revised Marketing Techniques
- Resident Interaction

# Insurance Marketplace – Fall 2019 (Pre-COVID)

## “Hard Market”

- GL and PL claims are increasing at a steady rate across the nation since ~2016
- Claims have doubled with avg indemnification payments increasing by 60% (C.N.A.)
- Legal environment is driving claims not quality of care
- Carriers have exited the market providing less choices/options for policy holders
- Constrained Excess limit capacity due to rising claims
- Avg accounts with no losses = 12-15% rate increase on casualty lines
  - Mainly on General Liability, Professional Liability, and Umbrella/Excess
- Little differentiation between For Profit, Not For Profit, or setting/business model
- Stable/soft rates within the Work Comp markets compared to other casualty lines

# Liability Claim Statistics (credit to CRC)

**\$200 Million**

awarded by a jury to the estate of a **Florida** nursing-home resident who died after falling down a flight of stairs in a wheelchair. An appeals court in 2014 upheld the award.



**\$28 Million**

verdict involving a resident's fall in a skilled-nursing facility in **Kentucky** in 2017



**\$7.6 Million**

awarded in a wrongful-death suit against a skilled-nursing facility in **Georgia** in 2018.



**\*No laws capping damage pay outs\***

# Insurance Marketplace Post COVID (March 2020 to Present)

- Communicable Disease Exclusion
- Rate increases on casualty lines (GL, PL, Excess) is 25%+
  - Possibly doubling or tripling the premium
- Minimum premiums have increased narrowing the placement of small premiums with various lines of insurance
  - Ex. Berkshire's min premium increased from \$10K to \$100K (Work Comp)
- Very little room for UWs to apply credit even when losses don't exist
- Market now limited to ~4 carriers who will write all lines
  - Even less for communities with multiple losses
- Applications and UW questions have increased
- Holding Pattern – Depends heavily on how courts decipher policy language

# Current Events + Future Predictions

- Lobbying efforts in ~21 states are taking place for broad federal immunity from lawsuits for long term care facilities
- Court cases against senior living facilities are going to be defensible
  - Causation of COVID-19 will be difficult to determine
  - Standard of Care offered will be the target point and debatable issues for plaintiff attorneys
- The following is likely to continue for the next 6-12 months
  - Narrow market
  - Limited capacity, especially on Excess Liability policy limits
  - Strict UW guidelines (i.e. more detailed info requested)
  - Rate increases of 25%+ on liability policies minus Work Comp

# ACTION PLAN!!



- Formulate a strategy
- Partner with an established senior living broker
- Start the renewal process early (90-120 days in advance)
- Use a narrative from the very beginning
- Budget as much as possible for rate increase (potentially 25%+ overall)
- Consider raising retentions where possible and feasible
- Where applicable, provide an active log of all open claims and actions taken
- Provide the following info upfront for each carrier:
  - Safety protocols and/or manual
  - Procedures around COVID-19 + implementation/regulation process
  - Updates on PPE equipment and testing of residents and staff
  - Detailed explanations for large losses, including prevention measures in place
  - Patient care and documentation procedures (Skilled Care Facilities)
  - Screening process of new residents
  - Audited Financials (2 years)

# Example of Carrier Response to New Submission

**In order to consider quoting, we will need a full submission:**

**General:**

5 Years of Currently Valued Loss Runs (within the last 3 months) for each Line of Business  
2 Years of Audited Financial Statement (Income Statement and Balance Sheet)  
Acord Application for all Lines of Business (including Complete COPE, Limits and Deductibles)  
Insured's Organizational Chart  
Insured's Admission Agreement

**General Liability:**

Aging Services New Business CNA Supplemental Application (Attached)\* - Please note that this application is required for quoting new business  
Current Copy of License for Each Facility  
Current State Survey Including Plan of Correction (POC)  
Policy and Procedures for: Skin Care, Elopement, and Fall Prevention  
Resume for Administrator and Director of Nursing  
Description of Behavior Health Exposure (if any)

*\*Page 4 of Supplemental Application: Behavioral Health Section:*

1. Please only include the number of residents that have a primary diagnosis related to one of the behavioral health categories listed. CNA defines "primary diagnosis" as the primary medical need and reason for admission into the facility.  
2. If a resident has more than one Behavioral Health need, please only document the resident once in the category that is most applicable to their diagnosis.

**Property:**

Signed Statement of Values  
CNA Business Income Worksheet (Attached) - **Please note that this application is required for quoting new business.**  
For Frame and Joisted Masonry construction, confirmation is needed if sprinklers are NFPA 13 (sprinklers in attics and closets) or NFPA 13R (NO sprinklers in attics or closets).

**Auto:**

Drivers List, including any family members to whom a vehicle is furnished and any employee who may regularly operate a vehicle for business  
Aging Services Auto Supplemental Application - **Please note that this application is required for quoting new business.**  
Vehicle Schedule (include VIN numbers, garaging city, state and zip code, as well as cost new)

**Umbrella/Excess:**

Completed/Signed Acord Applications for the Umbrella  
Underlying Information for Auto Carrier, Limits, Policy Number, Effective Date and Premium  
Underlying Information for WC Carrier, Limits, Policy Number and Effective Date



*Risk Management Strategy + Insurance Expertise = Stability/Growth*

- Founded in 1971, HAUSER is an insurance brokerage firm serving the private equity space, as well as local business communities through personal networks
- Serve through a needs-based approach in which we seek to understand first and execute accordingly
- Examples of the industries we currently serve: Healthcare, Senior Living, Manufacturing, Hospitality, and Real Estate
- **SERVICES OFFERED – TEAM OF EXPERTS APPROACH**
  - Professional, Management, and Cyber Liability – Advisory & Placement
  - Commercial Insurance – Advisory & Placement
  - Risk Management Plan Design and Implementation
  - Transactional Liability (Reps & Warranty Insurance, Tax Indemnity, etc.)
  - Captive Insurance Formation (Group, Micro, Single Parent, Protected Cell, etc.)
  - Commercial and Construction Surety
  - Claims Management and Advocacy (Attorney on Staff)
  - Personal Insurance – Advisory & Placement (Home, Auto, Life, Key Man, etc.)
  - Employee Benefits/Executive Benefits – Advisory & Placement
  - 401(k) Retirement Plan Consulting



# HAUSER TEAM BIOS

---

# Walter W. Constantine, CPCU, ARM, CRIS, AINS



## Senior Risk Consultant | Commercial Risk

With 9+ years of experience, Walter Constantine currently serves as a Senior Risk Consultant on Hauser's Commercial Risk team. His responsibilities include insurance brokerage, general consultation and risk management plan design for middle market and large private companies. Industries of expertise include **health care, real estate, senior living**.

Prior to joining Hauser, Walter was with Aon for 5 years as an Account Executive/Broker within the middle market and large private business segment. In his first two years, Walter led a team managing \$1.5M of revenue for a variety of different clients. Next, he spent 3 years in Aon's construction group serving as a local resource to producers and construction clients. Walter began his insurance career in production with a private agency in 2011 (now owned by BB&T/McGriff).

## Education

MBA Candidate, Finance & Law, Georgia Institute of Technology  
Master of Education, Counseling and Human Development, University of Georgia  
Bachelor of Arts, Religion/Psych Minor, Presbyterian College

## Contact Info:

Mobile: 404-317-2480

Email: [wconstantine@thehausergroup.com](mailto:wconstantine@thehausergroup.com)

# Michael Radak, J.D.

## Vice President | Claims

Building on more than 15 years of experience with corporate insurance claims, Mike Radak leads Hauser's Claims Division, conducts risk and loss control analysis of client accounts, and manages the administration of loss experience with associated carriers.

Before Mike joined Hauser in 2019, he was a partner with a successful insurance defense law firm in Chicago, IL, routinely defending lawsuits with multi-million-dollar exposures for corporate and insurance clients. As a seasoned litigator, Mike brings invaluable insight to the claims handling process. He is an expert on the claims process, assisting and counseling our clients from the first notice of loss through resolution of the claim.

## Education

Bachelor of Arts, University of Illinois, Urbana-Champaign  
Juris Doctor, DePaul University College of Law

## Professional Associations

J.D.

