

LIABILITY AND PROPERTY COVERAGE INNOVATIONS

ECONOMIC FACTORS

- Fewer claims and costs: work comp, health, auto (however, expect to see work comp presumption claims and costs for COVID increase)
- Greater claims and/or costs: employment, law enforcement, unemployment
- Legislation limiting liability for COVID-19
- Litigation expenses increasing: social inflation, coverage denials, law enforcement, elections

- Significantly declining public entity revenue (circumstances vary by jurisdiction)
- Increased costs of PPE, facility costs for disinfecting
- Stock market volatility
- Less interest earnings (and liability discount factors)
- Strong pool net position; but reserves being used to help members

- Uncertainty on all fronts – economic impacts not yet fully understood
- Financial gap to close differences between current pool coverage for members and reinsurance realities of exclusions (how do we fund newly retained risks)
- Not sure how occurrence language will be applied by reinsurers to pandemic claims

MEMBER INTERESTS

- Meet community demands for services in facilities that are safe
- Increased distance learning (schools)
- Cybersecurity protections for teleworkers
- Finding new funding sources

- Need for continuing information, service from pool; but competing interests and time constraints to focus on coverage or risk management
- Getting work comp coverage for employees who have risk of exposure

- HR challenges to continue benefits, navigate new FSA rules, etc.
- Not enough staffing bandwidth to do all work needed
- Need to do all the same training, education with fewer resources

COVERAGE INNOVATIONS

IN PLACE

- Open meeting protection
- COVID exclusion or sublimit
- Some property coverage for cleaning/disinfecting
- Liability coverage for correctional facilities, inmates
- Gave back 8–15% of premiums due to less exposure (not exactly coverage, but related)
- Closing claims faster because courts are closed (not exactly coverage, but related)

EMERGING

- Expansive cyber protection
- Finding a way to sublimit rather than exclude communicable disease
- Presumption coverage for COVID work comp claims
- Removed the “indirectly” language related to COVID-19 coverage (to expand)
- Focusing on flexible payment terms / equity returns as opposed to coverage expansion
- How to cover work-from-home claims (work comp and use of personal equipment)

PROSPECTIVE

- Pandemic coverage
- Changing coverage from per-occurrence basis to per-employee
- Changing law enforcement presence in schools
- Non direct physical loss business interruption

REINSURANCE REALITIES

- Communicable disease exclusion (often non-negotiable)
- Broad exclusions being sought – not just communicable disease (brain injuries, sexual abuse and molestation)
- Increased property deductibles/retained loss requirements

- Lloyd’s decisions and underwriting (or refusal to underwrite) are driving market
- Continuing (worsening) hard market and reduced capacity in market; increased reinsurance/excess costs

- Jurisdictional differences make comparison of reinsurance terms, pricing difficult (tort caps, immunities)
- Higher self-insured retentions
- Loss of police qualified immunity could be very damaging for reinsurance relationships

HISTORICAL COVERAGES IMPORTANT RIGHT NOW

- Cyber liability
- Business interruption and supply chain disruption

- Workers’ compensation
- Contract coverage (especially labor contracts)