The Nonprofit Insurance Crisis: 
What You Need to Know and What You Can Do

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The Nonprofit Insurance Alliance
A hand for insurance. A heart for nonprofits.
Agenda

• Market Conditions
• Factors Driving Market Conditions
• Navigating Your Renewal: Positioning Your Agency for the Best Possible Renewal Outcome
• Risk Management Best Practices
• Alternative Options – What YOU Can Do
The Nonprofit Insurance Crisis: What You Need to Know and What You Can Do

Market Conditions
Market Conditions
Hard Market vs. Soft Market

The property/casualty insurance market is cyclical.

A period of rising premiums and reduced capacity – known as a **hard market** – is followed by a typically longer period of falling rates and expanding capacity – which is known as a **soft market**.
Market Conditions
Market Cycles

[Graph showing annual change in the industry's net premiums written, with labels for hard and soft markets and specific percentage changes.]
### Market Conditions

**Commercial Property/Casualty Market Index: Q3 2020**

<table>
<thead>
<tr>
<th></th>
<th>By Account Size</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>SMALL</td>
<td>MEDIUM</td>
<td>LARGE</td>
<td>AVERAGE</td>
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<tr>
<td>Third Quarter 2020</td>
<td>7.1%</td>
<td>12.7%</td>
<td>15.3%</td>
<td>11.7%</td>
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<tr>
<td>Second Quarter 2020</td>
<td>7.3%</td>
<td>11.0%</td>
<td>14.2%</td>
<td>10.8%</td>
</tr>
<tr>
<td>First Quarter 2020</td>
<td>5.5%</td>
<td>9.8%</td>
<td>12.6%</td>
<td>9.3%</td>
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<tr>
<td>Fourth Quarter 2019</td>
<td>5.2%</td>
<td>8.0%</td>
<td>9.4%</td>
<td>7.5%</td>
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<tr>
<td>Third Quarter 2019</td>
<td>4.4%</td>
<td>6.8%</td>
<td>7.6%</td>
<td>6.2%</td>
</tr>
<tr>
<td>High</td>
<td>20.8%</td>
<td>31.7%</td>
<td>33.0%</td>
<td>28.5%</td>
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<tr>
<td>High Date</td>
<td>4Q001</td>
<td>4Q001</td>
<td>4Q001</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>-10.0%</td>
<td>-15.0%</td>
<td>-15.9%</td>
<td>-13.6%</td>
</tr>
<tr>
<td>Low Date</td>
<td>1Q08</td>
<td>3Q07</td>
<td>3Q07</td>
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*Source: The Council of Insurance Agents & Brokers.*

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Market Conditions

Commercial Property/Casualty Market Index: Q3 2020
Market Conditions
Commercial Property/Casualty Market Index: Q3 2020

Respondents Reporting a Decrease in Underwriting Capacity

<table>
<thead>
<tr>
<th></th>
<th>3Q20</th>
<th>2Q20</th>
<th>1Q20</th>
<th>4Q19</th>
<th>3Q19</th>
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<tbody>
<tr>
<td>Umbrella</td>
<td>90%</td>
<td>86%</td>
<td>82%</td>
<td>75%</td>
<td>72%</td>
</tr>
<tr>
<td>D&amp;O</td>
<td>67%</td>
<td>56%</td>
<td>50%</td>
<td>36%</td>
<td>32%</td>
</tr>
<tr>
<td>Commercial Property</td>
<td>79%</td>
<td>76%</td>
<td>70%</td>
<td>77%</td>
<td>74%</td>
</tr>
<tr>
<td>Employment Practices</td>
<td>45%</td>
<td>52%</td>
<td>48%</td>
<td>34%</td>
<td>14%</td>
</tr>
<tr>
<td>Business Interruption</td>
<td>52%</td>
<td>45%</td>
<td>32%</td>
<td>16%</td>
<td>29%</td>
</tr>
</tbody>
</table>
Market Conditions

Commercial Property/Casualty Market Index: Q3 2020

Market Continues to Harden
- Increased premiums
- Capacity reduction
- Strict underwriting

Rate Increases Across All Lines
- 12th consecutive quarter of increased premiums
- End of 21 quarters of decreasing WC premiums
- Umbrella and D&O premiums increased the most

Nonprofit Sector
- Nonprofit insurance marketplace showing signs of distress for years
- Abuse and Professional particularly challenging
- Now colliding with an industry wide hardening

Drivers
- Social Inflation
- Nuclear verdicts
- Tort law
- Consistent underpricing
The Nonprofit Insurance Crisis: What You Need to Know and What You Can Do

Factors Driving Market Conditions
Driving Factors
Increased Public Awareness

**The New York Times**

*U.S.A. Gymnastics Offers $215 Million to Larry Nassar Victims*
A lawyer for more than 200 women and girls who accused Mr. Nassar of abuse called the offer “unconscionable.”

**abc NEWS**

*Penn State Settles 25 Suits in Jerry Sandusky Case*
The university settled with 25 men who said they were abused by Sandusky.

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Driving Factors
Statute Reform

2019 SOL REFORM
New SOL Laws Now in Effect for Child Sex Abuse in 23 States & D.C.

9 Extended Criminal SOL
IA, IN, ME, NY, NC, ND, PA, UT, WA

13 Eliminated Criminal SOL
CO, CT, IL, MT, NE, NV, NY, PA, TN, UT, VT, WA, DC

15 Extended Civil SOL
AL, AZ, CA, CT, IL, MT, NJ, NY, NC, PA, RI, TN, TX, UT, DC

1 Eliminated Civil SOL
VT

9 Window or Other Revival Law
AZ, CA, MT, NJ, NY, NC, RI, VT, DC

29 States Introduced SOL Reform for CSA

15 States Have Bills to Extend Criminal SOL
AZ, FL, GA, IN, KY, MI, NJ, NM, OH, OK, UT, VA, WV, WI

14 States Have Bills to Eliminate Criminal SOL
AK, AZ, FL, GA, HI, IA, KY, MI, MS, NH, NJ, NM, OH, OK

8 States Have Bills to Extend Civil SOL
GA, HI, KY, OH, SC, SD, WV, WI

15 States Have Bills to Eliminate Civil SOL
CO, FL, IN, IA, KS, KY, MD, MS, MO, NH, NJ, NM, OH, WV, WI

16 States Have Bills to Open Revival Window/Law
FL, GA, IN, IA, KS, KY, MD, NM, NY, OH, SC, SD, VA, WV, WI, WI

www.childusa.org *as of 4/8/2020

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Driving Factors

Social Inflation

- Media Influence
- Diminished Value of Money
- Erosion of the Middle Class
- Juror Distrust
- Anti-corporate sentiment (non-profits no longer immune)
- Remedy culture – someone has to pay

Median Value of a Single Fatality by Disposition Year
Driving Factors

Litigation Financing
Driving Factors

Nuclear Verdicts

- Number and size of large verdicts against carriers has skyrocketed last 5 years
- These verdicts force insurance companies to increase rates
- Unable to absorb rate hikes – many carriers go out of business
Driving Factors

Distracted Driving

- Texting
- Using a Cell Phone
- Talking to Passengers
- Grooming
- Using a Navigation System
- Adjusting the Radio or CD Player
- Drowsy Driving

2,841
Number of People Killed by Distracted Driving in 2018*

* National Highway Traffic Safety Administration

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Insurance is a Cyclical Industry

- Prices are lowered during periods with no catastrophic claims
- After large natural disasters, prices are typically increased or expose to certain risks is reduced
- Current price increases due to hurricanes, wildfires & other catastrophes in 2017 and 2018
- Carriers are paying more for non-catastrophe claims
Insuring Physical & Sexual Abuse

- Abuse gets affirmative coverage/its own stand-alone liability tower of coverage
- A competitive soft market develops for the next 30 years
- HHS organizations become accustomed to having higher and higher limits

1980’s

- Insuring an illegal act against public policy
- No affirmative coverage, most policies silent. If not specifically excluded then it’s included
- Concept of vicarious liability

1990’s

2020

- Corrective action needed and insurance market rapidly contracts for sexual abuse coverage (and in some instances Professional Liability)
The Issues

- Prolonged Soft Market Conditions (lower rates / more expansive coverage)
- Consistent underpricing
- Social inflation, tort reform = more claims, higher payouts, nuclear verdicts.

Corrective Action

- Rate increases
- Reduction in capacity
- Changing carrier/underwriting appetite

Summary
The Nonprofit Insurance Crisis: What You Need to Know and What You Can Do

Navigating Your Renewal: Positioning Your Agency for the Best Possible Renewal Outcome
Navigating Your Renewal
Positioning Your Agency for the Best Possible Renewal Outcome

Reduced Capacity = Supply/Demand Concerns

- Start early
- Be prepared to provide more information than what has ever been requested before
- Endeavor to respond to inquiries and requests for information in a timely manner
- Unbundle the Decision: Select your broker first
- Adopt a culture of risk management

Will our organization be viewed more or less favorably than other peer organizations…?
Navigating Your Renewal

Unbundle the Decision: Broker Selection

TRADITIONAL APPROACH TO INSURANCE

Broker A → Insurance Company A (REJECTED)
Broker B → Insurance Company B → REJECTED
Broker B → Insurance Company C
Broker B → Insurance Company D → UNCOMPETITIVE
Broker B → Insurance Company E → POOR TERMS

Broker C

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Navigating Your Renewal
Unbundle the Decision: Broker Selection

**Benefits of Selecting Your Broker First**
- Streamlines the process for you
- Ensures consistency
- Drives competition

**STREAMLINED APPROACH TO INSURANCE**

Insurance Carrier A
Insurance Carrier B
Insurance Carrier C
Insurance Carrier D
Insurance Carrier E

QUOTE
QUOTE
QUOTE
QUOTE
QUOTE

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Navigating Your Renewal
Unbundle the Decision: Broker Selection

Your broker is one of the most highly compensated members of your team, tasked with ensuring the financial future of your organization post-catastrophic loss.

Considerations When Selecting a Broker Partner

- Full Market Access
- Strong Underwriting Relationships
- Premium volume
- Profitability
- Industry Expertise/ Specialization
- Risk Management/ Loss Control Offerings
Brown & Brown - Lehigh Valley, is a wholly owned subsidiary of Brown & Brown, Inc., a publicly owned company with headquarters in Daytona Beach, Florida. As an independent insurance intermediary, Brown & Brown provides a variety of insurance products and services through our licensed subsidiaries.

- **5th**: Fifth largest insurance brokerage firm in the US as ranked by Business Insurance
- **1.9B**: Revenues are greater than $1.9B and premiums placed exceed $19B
- **240**: Employs more than 8,500 teammates with 240 locations across the globe
- **75+**: Providing superior service to our customers for more than 75 years

Local presence. Global resources.
Navigating Your Renewal
Unbundle the Decision: Broker Selection

**Example of Agency RFP Letter**

{Agency} is requesting proposals for its property, casualty, cyber, and executive risk broker services. The main purpose of this RFP is to gather information from qualified vendors to determine the candidate that will best accommodate the current and future needs of {Agency}.

Nothing said or implied during the RFP process shall be construed to commit {Agency} to any further action or particular course of action on this initiative. Furthermore, nothing said or implied during this process shall in any way obligate {Agency} to contract with or otherwise enter into any agreement with any particular vendor.

**Response Submission Instructions and Deadline:**

- Vendors are required to submit the proposal electronically via email to: {Insert}
- The deadline for responding to this RFP is: {Insert}

**Requested Information:**

1. Please provide a brief description of the agency, its services, and qualifications. Information provided in this section should include but is not limited to:
   a. The number of years providing insurance brokerage services
   b. Number of employees
   c. Approximate number of clients
2. Briefly describe the agency’s qualifications and relevant experience in providing insurance programs and services for Non-profit and/or Health & Human Service organizations similar in budget, size and risk exposure to {Agency}.
3. Provide 5 relevant client references.
4. Please list and describe the background and experience of the primary account executive and other support personnel who would be assigned to work with {Agency}.
5. Please provide a list of carriers for each given type of coverage as outlined in the introduction which you would use to provide insurance price quotes.
6. List the agency’s top five (5) insurance markets as measured by premium volume. List total premium for each.
7. Describe the steps you would take in reviewing our current program.
8. Outline your renewal process.
9. Describe your agency’s safety, risk management and loss prevention services.
10. Describe your agency’s process for claims administration.
11. Describe how you support your Non-profit clients outside the scope of the broker relationship.
Navigating Your Renewal
Adopt a Culture of Risk Management

Definition of culture

1a: the customary beliefs, social forms, and material traits of a racial, religious, or social group also: the characteristic features of everyday existence (such as diversions or a way of life) shared by people in a place or time

b: the set of shared attitudes, values, goals, and practices that characterizes an institution or organization; a corporate culture focused on [safety and risk management]

c: the integrated pattern of human knowledge, belief, and behavior that depends upon the capacity for learning and transmitting knowledge to succeeding generations
The Nonprofit Insurance Crisis: What You Need to Know and What You Can Do

Risk Management Best Practices
Risk Management Best Practices

• Written Policies & Procedures
• Screening/Selection
• Training
• Monitoring/Supervision
• Participation
• Reporting/Responding
• Accountability
• Buy-In
Risk Management Best Practices
Written Policies & Procedures

- Physical Contact
- Verbal Interaction
- One-on-One Interaction & Off-site Contact
- Electronic Communication
- Gift Giving
Risk Management Best Practices
Screening/Selection

- Standard application including signed Code of Conduct
- Fact-to-face behavioral based interview
- Background checks
- Reference checks
Risk Management Best Practices

Training

**WHEN**
- At time of hire and annually
- Prior to access to vulnerable population
- Periodically prior to high risk activities

**WHAT**
- Prevention and detection
- Preventing Abuse between consumers
- Mandated reporting
- Organizations policies and procedures
**Risk Management Best Practices**

**Monitoring & Supervision**

**High Risk Activities/Architectural Risks**
- Overnights
- Bathrooms, locker rooms, aquatics
- Personal Care
- Transportation
- Periods of Transition
- Mixed Age Groups
- Isolated areas/rooms
- Rooms without windows
- Playgrounds
- Residential Spaces
- Outdoors/wilderness

**Managing Risk**
- Structured activities at all times
- Check in/out procedures
- Maintain ratios
- Bathroom/locker room procedures
- Groups separated by age
- Line of site supervision
- Limit one-on-one exposure
- Internal keys, fobs, locks
- Interior/exterior cameras
- Unobstructed windows
- Written procedures for trips, overnights, etc.
- Maintain a **ZERO** tolerance policy
Risk Management Best Practices

Participation

- Involve parents/guardians and consumers/participants
- Recognize & name feelings, provide rules, set expectations
- Teach to recognize boundary violations
- Empower consumers/participants to protect themselves from abuse
- Provide parents/guardians and consumers/participants with multiple ways to report concerns
**Risk Management Best Practices**

**Reporting/Responding**

**WHY DON’T PEOPLE REPORT**

- Shame, guilt
- Afraid nobody will believe them
- Dissociate and don’t remember details
- Painful to recount the experience
- Perp. may be the trusted one
- Embarrassed

- Respond to red flag behaviors
- Be consistent
- Use a continuum of responses
- Have written procedures in place
Risk Management Best Practices
Accountability & Buy-In

**Accountability**

Doesn’t always need to be associated with punishment

Promote success as a positive approach to accountability

**Buy-In**

Leadership must not only talk the talk, but walk the walk

Is your board on board?
The Nonprofit Insurance Crisis: What You Need to Know and What You Can Do

Alternative Options
Alternatives to For-Profit Insurance Companies

Risk Retention Groups (RRGs)

Insurance carrier alternative that can provide affordable coverage to specialized niches of the marketplace – like nonprofit organizations.

What is an RRG?

• Special purpose insurer authorized by Congress
• Can underwrite all types of liability risks for its members
• An RRG is owned by its members
Benefits of an RRG

- **100% focused** - on just one sector, by law
- **Specialized coverages** - deep expertise created over years of underwriting and managing claims
- **Risk management** - created for its members
- **Responsible only to its members** - not investors
- **Committed** - to the long-term health of its members
- **Board** - is elected by its members
- **Regulated** - by the same standards as commercial insurance companies
Nonprofits Insurance Alliance (NIA)

- Proudly supporting nonprofits for 30+ years
- Has 501(c)(3) nonprofit charitable status itself
- AM Best Rating of A VIII (Excellent)
- Currently insures 20,000+ nonprofits nationwide
- Stable source of reasonably priced liability insurance coverages
- Helps members develop & implement successful loss control programs
- 2019 Financial results:
  - Premiums: $154.3 million
  - Assets: $576.4 million
Find Out More

We only work through brokers

Ask your broker for a quote
OR
Get a referral to a broker

Get a Quote

Insurancefomonprofits.org/GetaQuote
The Insurance Crisis: What You Can Do

Nonprofit Property Protection Act
• HR 4523

Letter of Support
• Send to Congressmen in your district
• Add your name to the letter to Congresswoman Waters, Chairwoman of the House Financial Services Committee

Promote to Your Nonprofit Network
• Do you know other nonprofits who are struggling to obtain insurance coverage?
• Let’s keep nonprofits strong by working together!