

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

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# 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

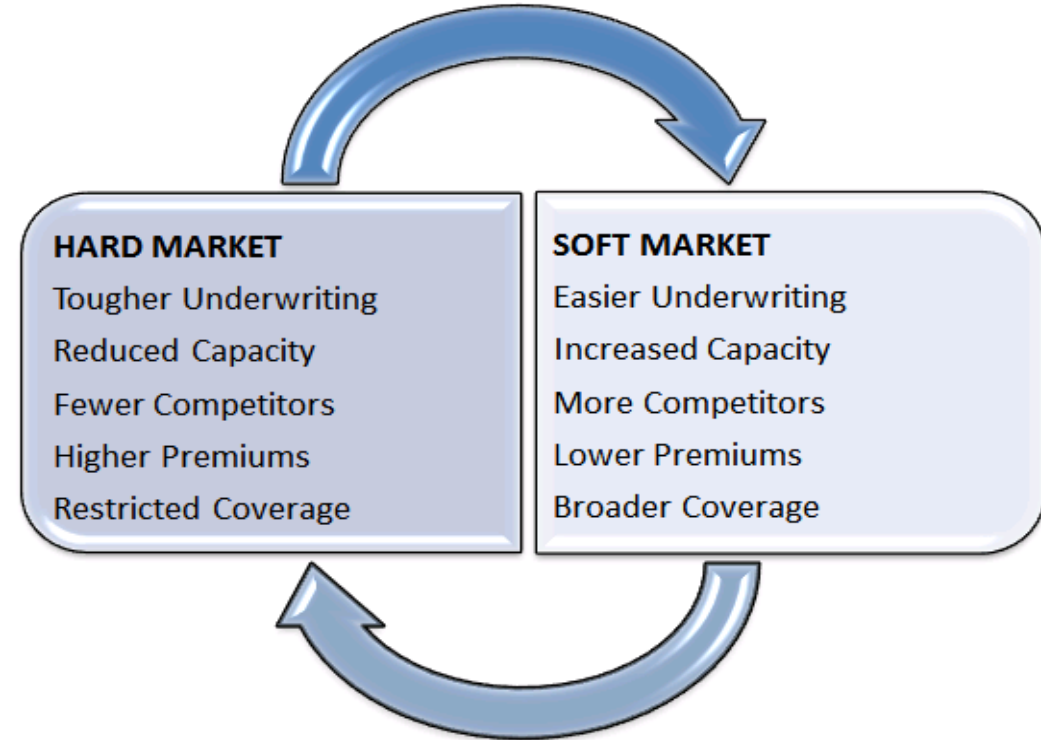
The property/casualty insurance market is cyclical.

A period of rising premiums and reduced capacity –

known as a **hard market**, is followed by a typically

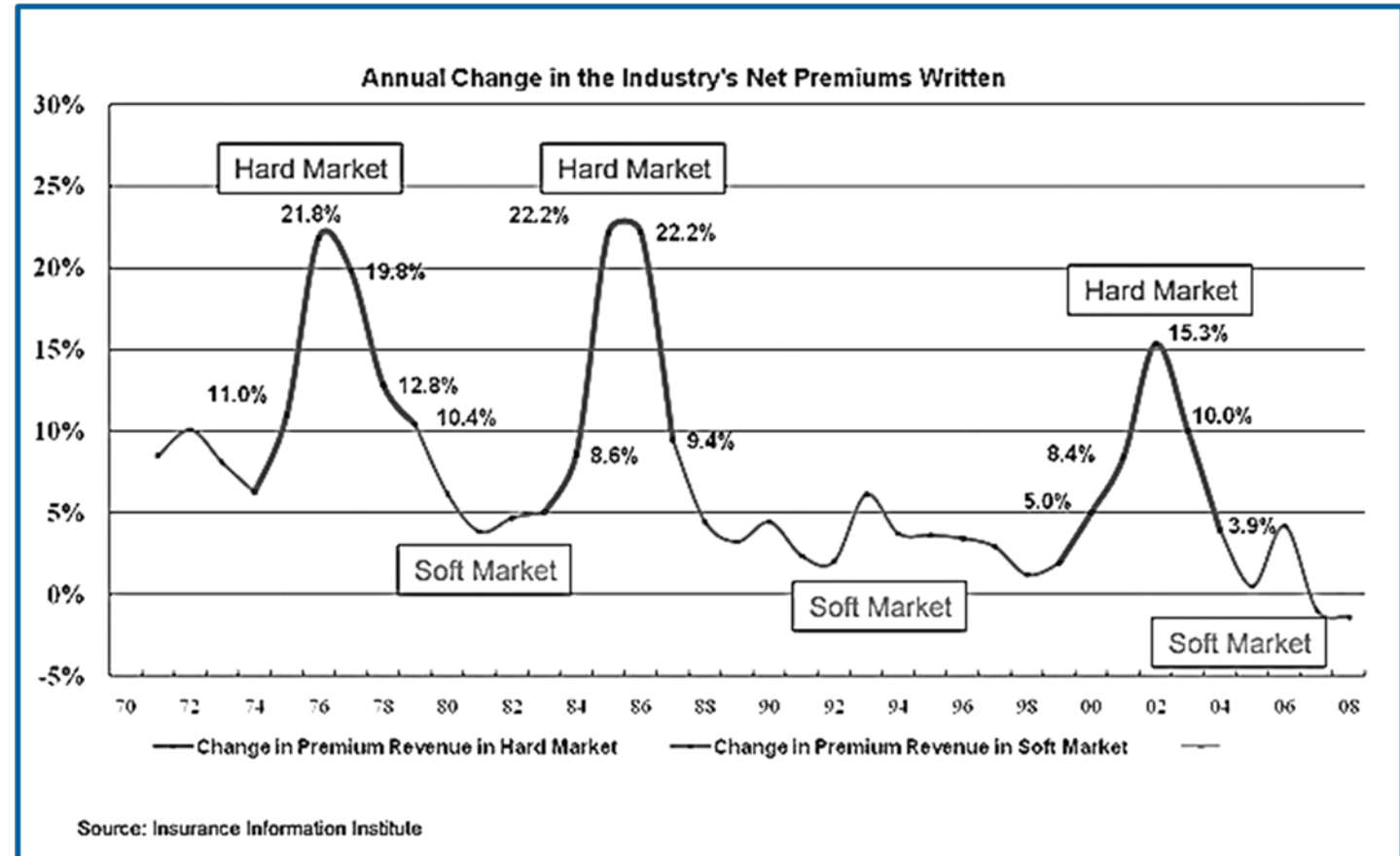
longer period of falling rates and expanding capacity –

which is known as a soft market.



# Market Conditions

## Market Cycles



# Market Conditions

## Commercial Property/Casualty Market Index: Q3 2020

### AVERAGE COMMERCIAL PRICING INCREASES

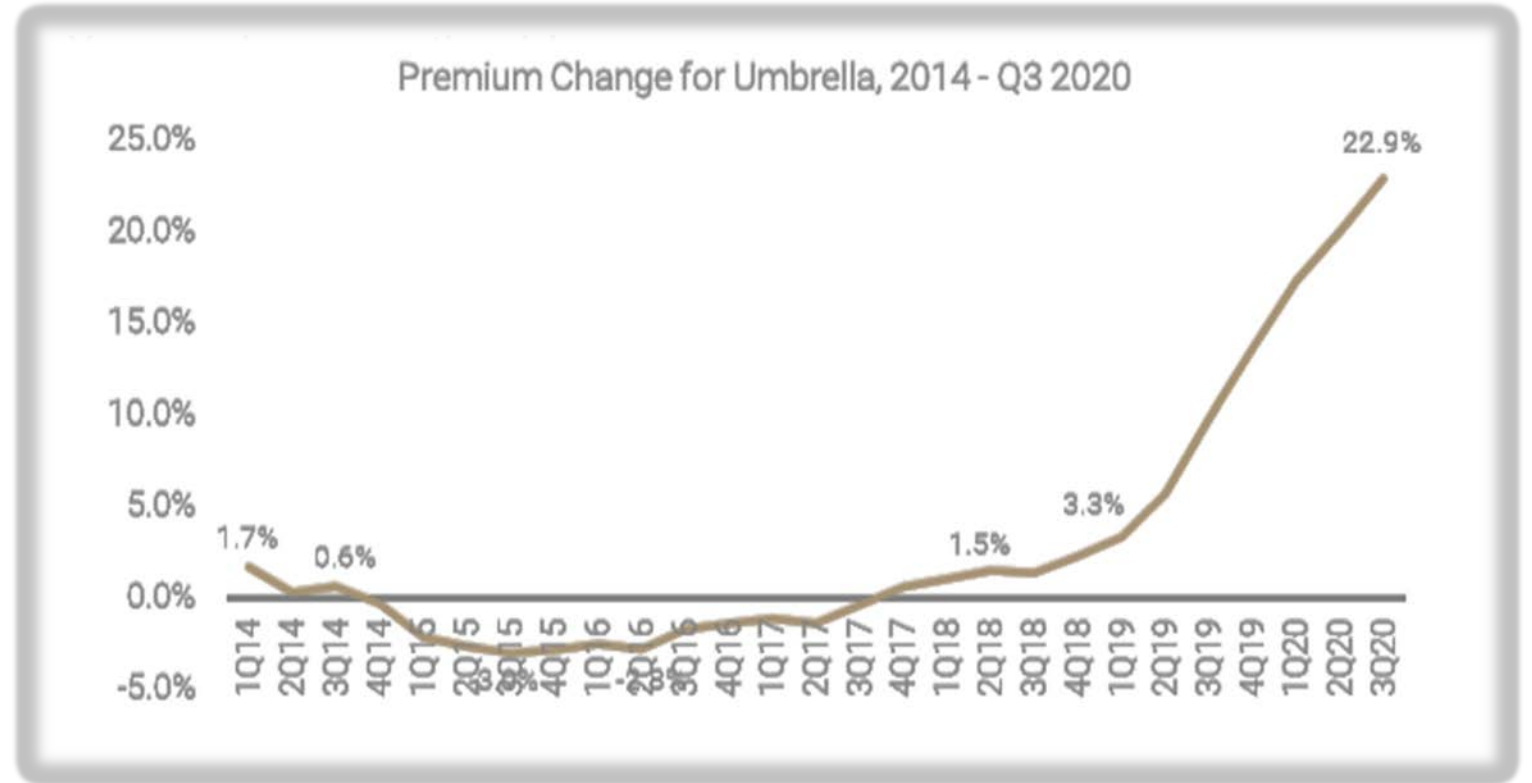
	By Account Size <b>SMALL</b>	<b>MEDIUM</b>	<b>LARGE</b>	<b>AVERAGE</b>
Third Quarter 2020	7.1%	12.7%	15.3%	11.7%
Second Quarter 2020	7.3%	11.0%	14.2%	10.8%
First Quarter 2020	5.5%	9.8%	12.6%	9.3%
Fourth Quarter 2019	5.2%	8.0%	9.4%	7.5%
Third Quarter 2019	4.4%	6.8%	7.6%	6.2%
High	20.8%	31.7%	33.0%	28.5%
High Date	4Q01	4Q01	4Q01	
Low	-10.0%	-15.0%	-15.9%	-13.6%
Low Date	1Q08	3Q07	3Q07	

Source:

The Council of Insurance Agents & Brokers

# Market Conditions

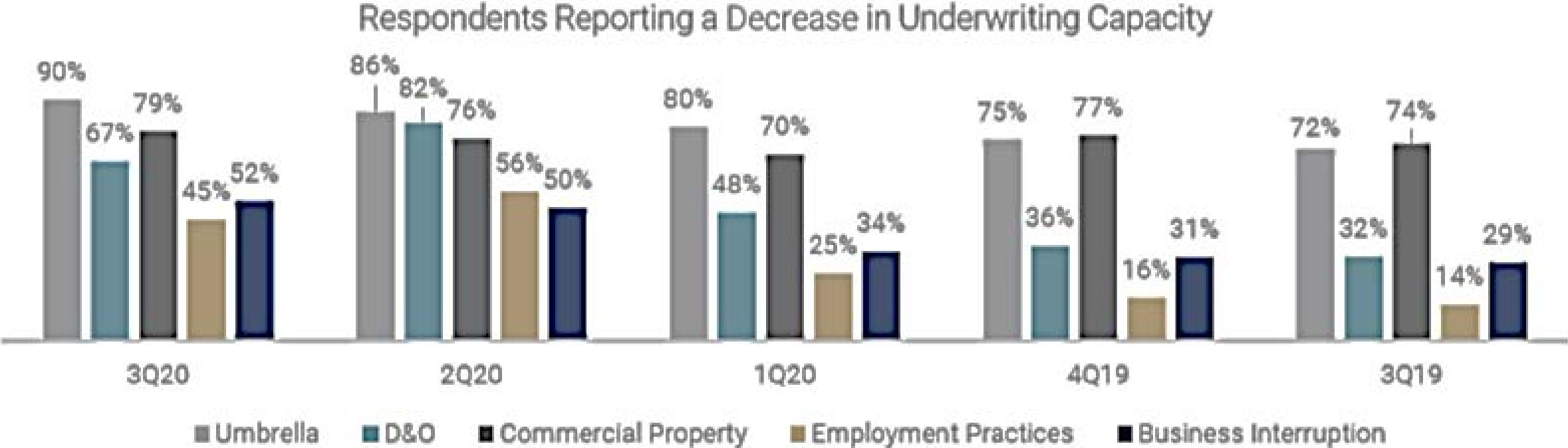
Commercial  
Property/Casualty Market  
Index: Q3 2020



THE COUNCIL

# Market Conditions

## Commercial Property/Casualty Market Index: Q3 2020





# 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



# Driving Factors

## Statute Reform



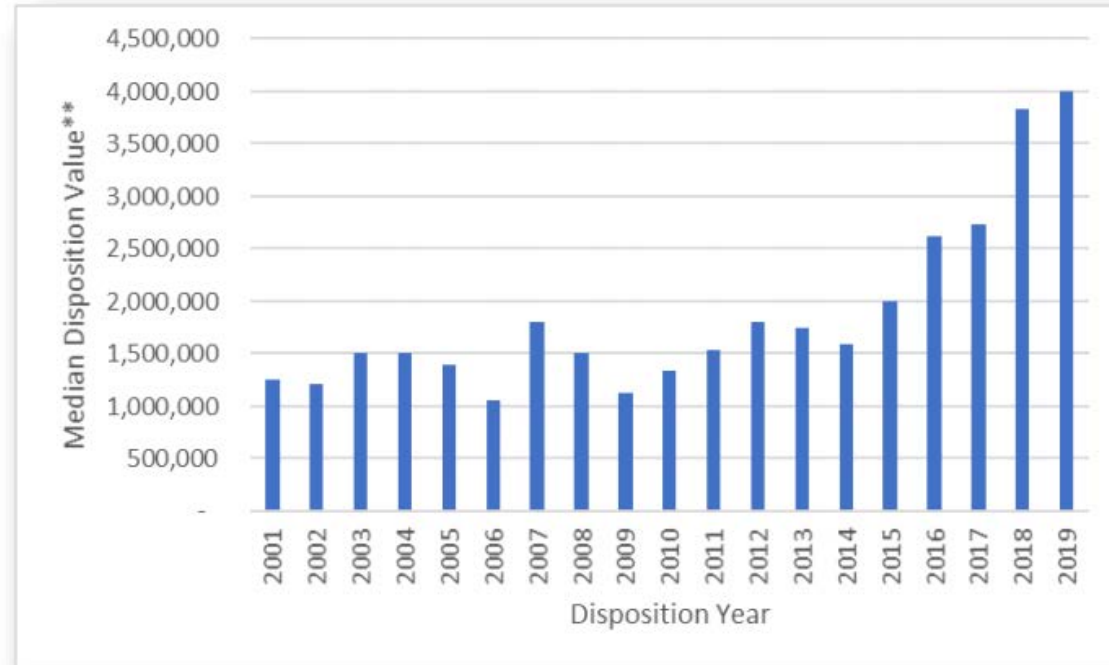
[www.childusa.org](http://www.childusa.org) \*as of 4/8/2020

# 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

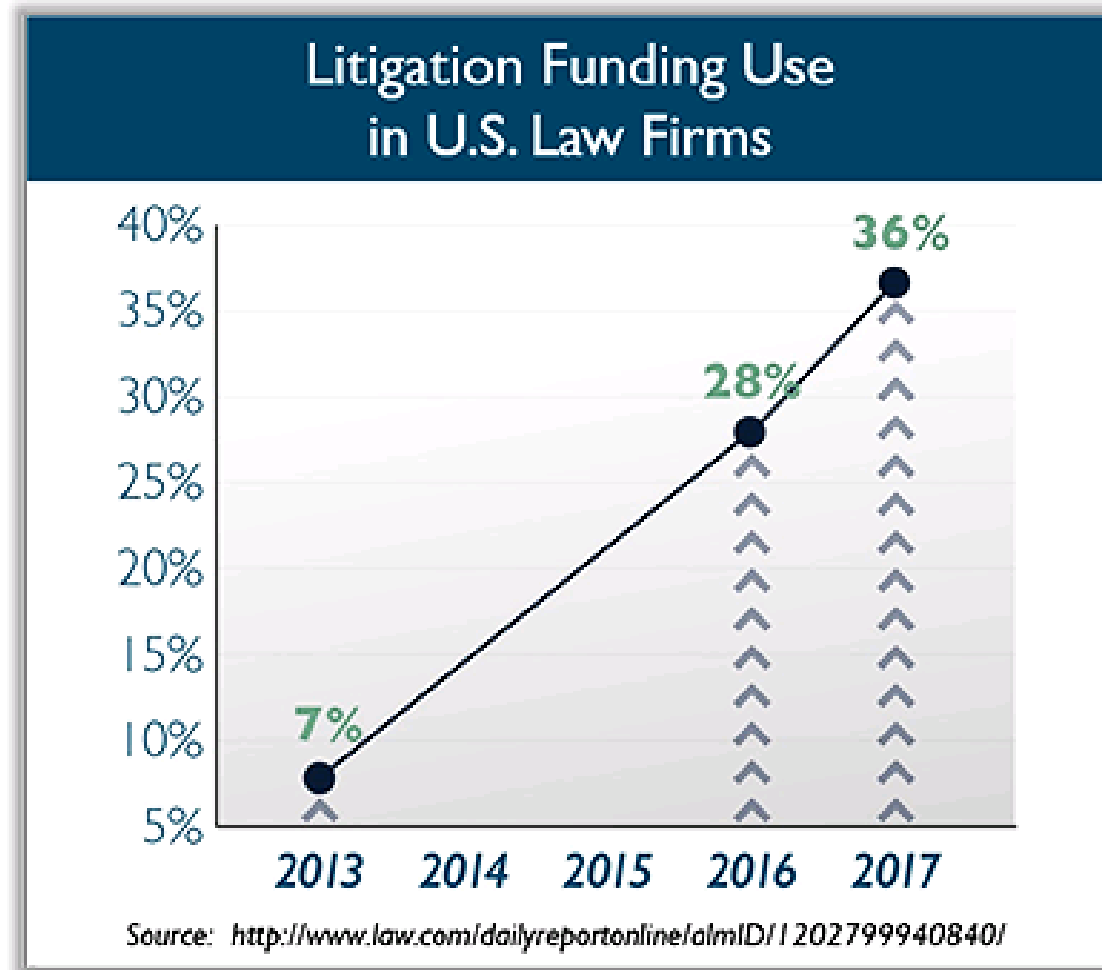


\*\*Dollars



# Driving Factors

## Litigation Financing



# Driving Factors

## Nuclear Verdicts

### Nuclear Verdicts:

Judgments in excess of \$10 million  
(or is considerably high as  
compared to the injuries and/or  
damages)

- 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

Distracted Driving

2,841

Number of People Killed by  
Distracted Driving in 2018\*

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

\* National Highway Traffic Safety Administration



# Driving Factors

## Catastrophic Weather Events



### Insurance is a Cyclical Industry

- Prices are lowered during periods with no catastrophic claims
- After large natural disasters, prices are typically increased or exposure 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)

# Driving Factors

## Summary

### 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

# 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

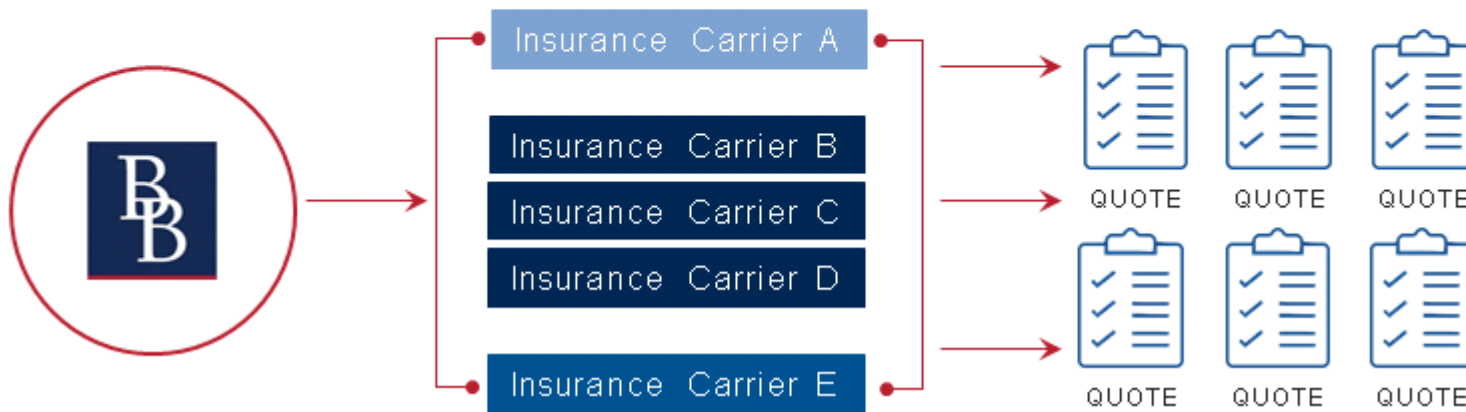
### TRADITIONAL APPROACH TO INSURANCE



# Navigating Your Renewal

## Unbundle the Decision: Broker Selection

### STREAMLINED APPROACH TO INSURANCE



### Benefits of Selecting Your Broker First

- Streamlines the process for you
- Ensures consistency
- Drives competition

# 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 SNAPSHOT

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.

5<sup>th</sup>

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. Please 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

*Policies and Procedures*

---

### Screening Checklist

Applicant Name: \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

**Applications**

- ☐ Standard application submitted.
- ☐ Application reviewed for 100% completion.
- ☐ Application reviewed for High-Risk indicators.

**Background Checks**

- ☐ Applicant informed that background checks will be conducted.
- ☐ Appropriate paperwork utilized to obtain written consent for background check from applicant where check done through third-party provider.
- ☐ Criminal background check completed.
- ☐ Driver's license check completed (where appropriate).

**Interviews**

- ☐ Applicant interviewed.
- ☐ Standard interview questions used.
- ☐ Interview responses documented.
- ☐ High risk responses from the application addressed in the interview.
- ☐ Interpretive guide used to evaluate applicant responses.

**References**

- ☐ Required number of references contacted.
- ☐ Reference forms completed for each reference.
- ☐ Reference information reviewed for High Risk indicators.
- ☐ Interpretive guide used to evaluate reference information.

**Final Evaluation**

- ☐ Screening processes fully completed.
- ☐ Essential Skills Evaluation completed.
- ☐ Risk Evaluation completed.
- ☐ Information reviewed by at least two people.
- ☐ Applicant informed of the decision.
- ☐ Screening documentation properly filed.

Signature of Screening Manager \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_

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Our Passion. Your Protection.

# 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

[Insurancefornonprofits.org/GetaQuote](https://Insurancefornonprofits.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!



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