

## STATE OF THE PROFESSIONAL LINES & CYBER MARKET

### CONTACT

To learn more about how AmWINS can help you place coverage for your clients, reach out to your local AmWINS broker.

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*Courtesy of AmWINS Group, Inc.*



ON YOUR TEAM.

### PROFESSIONAL LINES & CYBER

*Differing conditions exist across the professional liability market, with indications of hard market pricing appearing in certain segments.*

#### PROFESSIONAL

Professional liability is a tale of multiple markets. While miscellaneous professional lines continue to be soft, healthcare and private/non-profit D&O are seeing noticeable market shifts. “What is happening in the Healthcare and Aging Services market is as close to a hard market as we have seen in years. Markets are pulling out, claims are horrific and premium increases are outrageous. We have seen renewal pricing come in two to five times the expiring premium and still renew,” says David Lewison, senior vice president and national professional lines practice leader for AmWINS Group, Inc.

#### MANAGEMENT LIABILITY

In non-profit D&O, the market is very soft for traditional charitable foundations. Pricing can be well under \$1,000 per million of limit and be bound with limited underwriting information. However, the story is different for healthcare-related risks. The insurers have been continuously hit hard with antitrust-related claims arising from mergers and acquisitions, as well as territorial monopolies. The uncertainty around government-sponsored healthcare continues to add to the complexity in this class.

In Private D&O, many insurers are dealing with the increased cost of bankruptcy-related claims, intellectual property-related claims from hiring key employees away from competitors, shareholder claims hitting the large, “new economy” private companies that look like public D&O claims, regulatory actions and antitrust. Some of the larger insurers are reevaluating their underwriting appetite, which will lead to higher rates and movement of renewals. Nevertheless, there is still plenty of capacity, so it cannot be classified as a hard market.

#### EMPLOYMENT PRACTICES LIABILITY

In 2017, the issue of sexual harassment – especially in the workplace – gained greater awareness as allegations of inappropriate behavior by high-profile individuals were constantly in the news. In many cases, sexual harassment lawsuits seriously impacted businesses and their respective insurers. As social tolerance of sexual harassment decreases, employers must consider the risk to their businesses as a result of harassment committed by an employee. In addition, wrongful termination claims filed by the accused harasser when they disagree with the allegations are likely to increase.

Employment practices liability insurance policies offer benefits beyond defending and covering losses. Many insurers provide risk management services specific to employment

practices. These services could become more valuable in this litigious environment.

“EPL placements vary in complexity. Finding the right market will be determined by employee count, industry, geography, need for Wage & Hour coverage and claims history. We are seeing places like California and Florida, where loss experiences are high, continue to be a challenge for many insurers. AmWINS places EPL accounts with more than 75 markets, so we can provide many options for protecting your client,” says Lewison.

## CYBER

With cyber attacks on the rise, interest in cyber insurance continues to grow. In terms of cyber security breaches, 2017 was the worst on record, with over 5,200 breaches exposing 7.8 billion files. The business sector accounts for 39.4% of breaches, followed by medical and government.<sup>1</sup> Estimates of global cyber crime costs are currently in the range of \$400 billion per year, with analysts predicting that annual losses could increase to a trillion dollars within the next few years.

Although many stand-alone markets for the coverage exist, because the division between cyber and professional risk is sometimes unclear, placing coverage with a professional lines market on a consolidated form remains the best practice to avoid coverage gaps when an account has both E&O and cyber risk.

“If you write D&O and a cyber event triggers a D&O claim, how will that claim be handled? Will you have a denial of claim by both insurers? Coordination of coverage is key,” says Lewison.

In the coming months, all signs indicate a continuation of soft professional liability market conditions. In this diverse marketplace, it is essential to partner with a wholesaler that devotes the time and resources to understanding the spectrum of the professional lines and cyber arena.

“This is a market where a wholesaler can add value to a retailer through specialization that the retailer can then bring to the client. We can answer questions for retailers on how to cover a particular risk, especially because there are many different forms, terms, and conditions,” says Lewison.

<sup>1</sup> Data Breach Quick Review Report, January 2018, Risk Based Security

## RENEWAL PRICING TRENDS

### Professional Lines & Cyber Renewals – Rolling Quarterly

