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State of the Market: Healthcare

The healthcare market remains in a state of flux with some pockets seeing softening, while others face a hard market.

With a blurring of lines between some risk retention groups (RRGs) and commercial lines carriers, as well as a trend to define standard coverage vs. E&S, the healthcare marketplace has become difficult to navigate.

In this healthcare-focused State of the Market report, our specialists dive into current market trends, impacts to capacity and pricing, and specific classes that are facing notable challenges.

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Overall Market Trends – Capacity and Pricing

Capacity remains available across the industry, both in the U.S. and in London, but carriers are being judicious and even cutting back in some areas like umbrella coverage. At the same time, underwriting focus has become more regional. Geographic areas once considered favorable venues are now seeing large jury verdicts and the litigation landscape has transformed in many states, making it challenging for underwriters.

Rate increases also vary by healthcare segment. For example, most allied health sectors are seeing flat or single digit rate increases (e.g., property and general liability), while miscellaneous facilities like correctional facilities and foster homes are seeing much higher increases.

New players are entering the healthcare marketplace. Although social inflation has hit healthcare particularly hard (what was once a $150,000 claim has now doubled), there has been an increase in the number of markets looking to enter the medical malpractice space. And, despite the appeal of lower costs at a time when most healthcare entities are looking for ways to save money, we expect – and have seen – movement to more quality coverages with established carriers except when it comes to small healthcare entities that will always be cost sensitive.

Notable Trends in Specific Segments

Long Term Care and Senior Living Facilities

Long term care and senior living facilities continue to face rising labor costs and staffing shortages, as well as an ongoing surge in professional liability claims as new employees are trained and experienced team members are stretched thin. The average claim is now approximately $250,000.

However, after significant rate increases in the past few years, we expect there will be some downward pressure in 2024 as carriers compete for the more favorable business. Where double digit increases were once the norm, entities with low loss ratios are now seeing single digit increases (5% to 10%) and even decreases for those with no losses. Coverages for D&O, EPL and cyber remain flat or at slight discount to retain renewals.

Attachments for these more attractive classes are also trending lower, except in California where retentions remain high. Underwriting remains tight, however, and we expect it will stay that way as the cases filed during the past three years work their way through the court system. The full impact of the COVID pandemic on loss runs has yet to be seen.

Facilities with less favorable loss ratios can continue to expect high attachment points, with an aggregate deductible or higher retention. And, regionally, we expect to see increased rates – up to 50% in some venues – to address the hard property market, especially in Southeast Florida and California.

Long term care and senior living facilities should be prepared for higher property deductibles and coinsurance, particularly when they are wood frame construction and/or located in CAT prone areas. Proper valuations are a must for underwriters as material costs remain high.

M&A activity in the long-term care and nursing home space remains strong. While economies of scale can be enticing, insureds should complete their due diligence when it comes to claims history. We have heard from carriers about surprises at renewal, with some combined entities finding insurance almost impossible to obtain as a result of unexpected loss ratios.

Hospitals

Hospitals are still reeling from the impacts of the COVID pandemic. For many, the most recent fiscal year is showing investment loss, labor costs that continue to rise and the grim reminder that COVID relief money has stopped. To balance their books, some hospitals are having to make tough decisions - what services should be maintained, will they need to lay off staff, etc. Such cost-containment measures will make the short list of management liability underwriting considerations at renewal.

But there is some good news. We have seen certain carriers that exited the market a few years ago return, bringing with them additional capacity and lower rates, creating more competition within the marketplace.

At the same time, consolidation within the industry continues. Rural hospitals have affiliated with larger hospital systems and private equity investments have increased. Underwriters remain cautious about both scenarios, but this influx of investment has helped smaller/regional players keep their doors open and make capital improvements.

Notable Trends in Specific Segments (continued)

Non-emergency Medical Transport

In an effort to control non-emergency medical transport exposure (NEMT), carriers continue to limit specialty auto coverage. Monoline coverage is particularly difficult to obtain, especially when it comes to senior care, while Medicare and Medicaid-focused transportation options remain a particular challenge for home health care agencies.

But it's not due to a lack of capacity. Carriers are working to determine whether they should cover what was once considered part of a commercial auto policy as a specialty program – and how it will affect their book of business if they do.

The increased cost to repair vehicles has impacted the entire industry. And while claims history will always be a factor, it matters now more than ever. Carriers are being very selective about risk, so time is of the essence. Submissions should be made 90 days in advance and insureds should be ready to answer questions about best practices and any existing or potential programs that may be implemented within the policy term that would alleviate potential for loss.

Be on the Lookout

The economy continues to impact the market overall. In the past 12 months, we've seen a rise in the number of small healthcare entities that have gone out of business, resulting in an increase in the number of tail endorsements being written.

At the same time, patients continue to seek alternatives to exorbitant hospital costs, resulting in exponential growth of therapy clinics, standalone emergency rooms and urgent care centers. Similarly, the telehealth market continues to grow, and we expect to see more programs dedicated to these types of businesses in the coming year.

Sexual abuse and molestation exposure remains a concern for all entities. London markets have added wording which clarifies coverage, and some carriers are offering lower sublimits. However, rates remain high for less than $1 million in coverages at a time when claims are increasing in both number and severity.

The London market still has capacity for correctional and foster care facility coverage, with a group of markets looking to expand their share within the space at a time when domestic coverage may be hard to find.

Overall Takeaway

The healthcare marketplace continues to evolve. With markets looking to establish more of a partnership, it’s important to work with a specialist who knows and understands the business. You need someone who is solutions-oriented and works with you to find the best coverage solution for your insured – for the long term.

Amwins healthcare specialists are immersed in the market and have deep relationships with top-rated carriers that can provide your clients with the coverage they need. Whether your client is looking for liability, property or even cyber, we’ve got you covered.

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