



## 5 STRATEGIES FOR SUCCESSFUL SMALL BUSINESS RENEWALS DURING COVID

### CONTACT

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As the U.S. economy continues to work through its phased reopening, including pullbacks and re-starts, many small businesses are struggling and an untold number may fail. However, new ventures have emerged to capitalize on this changing opportunity. COVID-19 has impacted insurers as well, presenting both known and unknown challenges that may reinforce rate and coverage tightening that began before the pandemic.

“The market correction began in late 2018 and early 2019, with notable hardening seen in the six months leading up to the pandemic,” says Troy Santora, senior vice president of AmWINS Access. “Although the more meaningful and dramatic corrections were felt in the SME and middle market brokerage space, binder ‘main street’ businesses were not immune and saw increasing pressures pre-pandemic.”

The challenge for insureds, retailers, wholesalers and carriers will be understanding what insurable risks look like over the next 12 to 24 months, and possibly beyond, as well as how to place and renew those accounts. This article will provide guidance for retailers in navigating the complex small business marketplace.

### COVID IMPACTS

With respect to General Liability, it is a reasonable hypothesis that many business (primarily hospitality, real estate and some retail) exposures have changed and premises claims will likely be down through the period of “shelter in place” and for some time following.

“That said, some businesses that saw increased demand, such as grocery stores, bodegas and convenience stores, could potentially see an increase of slip and falls and other premises-related claims. In either case, what we do not completely appreciate at present is the impact of loss behavior to rate and coverage levels,” Santora says.

Lessors-Risk Only (LRO), Habitational and Hotel/Motel risks will be challenged by depressed occupancy rates. Mainstreet mercantile risks will be concerned with covering the cost of overhead as foot traffic builds. In construction, while all signals suggest residential construction will continue to grow, the picture is less clear in commercial.

Property risks will also present a unique set of underwriting challenges for both the physical property as well as the concerns surrounding business income coverage. Nicola Golder, senior vice president of AmWINS Access, explains: “The retailer, wholesaler and carrier need to acutely understand the changing exposure when considering certain risks may be far less occupied than they were prior to COVID-19. A partially occupied building presents opportunity for increased severity from losses more commonly associated with vacant buildings and, unfortunately, underwriting around moral hazard becomes a very real concern.”

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“The retailer and wholesaler have the shared responsibility to protect the insurable interest(s) of the small business while ensuring risk clarity to the carrier,” says Golder. “With respect to business income coverage, insureds will continue to have need for coverage while carriers wait to see the impact of regulation or legislation determinations on the strength and holding of the current and standard policy wordings that requires direct physical loss for coverage to apply.”

“Irrespective, and as we have seen in the past, carriers will continue to strengthen the wording of their policies to eliminate possible ambiguities,” says Tiffany McPartland, branch leader of AmWINS Access in Redondo Beach, California. “Each carrier will independently determine the best timing and approach of making changes.”

## 5 ESSENTIAL SUCCESS STRATEGIES

In this challenging and rapidly changing environment, there are five essential tips for retailers to understand new client businesses and retain renewal business.

1. **Verify exposures.** Don't assume that a risk is the same at renewal as it was before. “Underwriting renewals with fresh information are more important than ever,” McPartland says.

In some cases, operations may have changed significantly. “We're seeing hotels and motels where the insured entered into agreements with local governments to house the homeless. Other businesses are 'reinventing' themselves, such as clothing manufacturers making masks and cosmetic companies and distilleries making hand sanitizer. Those changes can have significant impact on rates, coverages and overall underwriting acceptability,” says Michele Plaisant, executive vice president and branch leader of AmWINS Access in Morgan Hill, California

2. **Assess the financial health of your clients.** Many risks have been impacted by “safer-at-home” orders. Some classes have continued to function throughout, such as contractors, groceries and convenience stores. Others have struggled.

“Watch for red flags. If something doesn't look or feel right, it probably isn't,” says Plaisant. “For example, if sales have gone down, it would be odd for the insured to request an increase in the Business Income limit.”

3. **Look for new ways to gather information.** The business climate is more fluid than before and will continue to be so for the foreseeable future. Traditional ways of gathering information on an account need to be augmented with other sources.

“As opposed to being able to walk through facilities and see new operations or products, retailers may need to ask pointed questions and have direct conversations with clients about operational changes,” Plaisant says. “They may also need to look to social media to uncover changes. In some cases, a company's operations are changing at such an accelerated rate that in the rush to meet demand, they're not updating their websites or other places where they maintain information.”

4. **Present the most complete renewal package.** Retailers need to leave the underwriter with as few unanswered questions as possible. “Using supplemental applications to suss out information is extremely important,” Santora says. “Ask as many questions as possible and then present all the information.”

5. **Get to market early.** Underwriters are feeling the time-crunch with increased business flow and the many mid-term changes taking place across existing accounts. “Get to market early in order to best negotiate with underwriters and be prepared to re-market accounts,” says McPartland. “To obtain the most favorable rates and terms, it's also important to partner with wholesalers who understand the market and have a proven ability to build and maintain relationships with underwriters.”

## SUMMARY

Although pandemic conditions differ across states and regions, the insurance challenges facing buyers and brokers across the U.S. share many similarities. Yet despite these challenges and the continued hardening market, there is opportunity for retailers to write and retain business.

“Each carrier will take their own approach as to how COVID-19 impacts their view of policy wordings, risk selection, pricing and their appetite in general,” Golder states.

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“Although how we are all thinking about risk is changing due to uncertainty, most underwriters still have their doors open. They still want, and need, to write business. Our job as a wholesaler is to stay connected with our carrier partners in order to avail the best solutions to our retailers and the insureds.”

We are going through a new phase and whether this becomes the “new normal” in the industry, these tips will help retailers fine tune their understanding of small businesses and capitalize on the opportunity afforded by increased knowledge.

