

STATE OF THE PROFESSIONAL LINES MARKET - Q4 2019

CONTACT

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Courtesy of AmWINS Group, Inc.

Conditions vary widely across the professional liability insurance sector, highlighting the importance of wholesale partnerships.

Professional Lines has always been a diverse market that defies a single characterization of condition. For instance, financial institutions remain competitive with relatively stable capacity, whereas opposite conditions exist for health care facilities and others. Only by looking at individual segments can a complete picture of the professional lines market be painted.

DIRECTORS AND OFFICERS

The D&O space has traditionally been a tale of two markets: private, which was competitive, and public, which was not. Although that is still the case overall, the private D&O market has seen some firming. “Carriers are pushing rate and expecting to get it,” says Kevin Dorse, Executive Vice President, AmWINS Brokerage of Georgia.

Although there have been some new entrants into the public D&O space, the market remains firm, especially for IPOs, technology, and biotech operations. In particular, the IPO D&O market is the hardest in history, with only a handful of markets writing primary.

“Premiums are through the roof, and \$750,000 retentions have gone to multiple millions,” says Dorse. “However, we still have carriers out there willing to come in and pick up accounts.” This rate environment should be consistent for the next 12 months.

In excess public D&O, capacity is an issue, and the market is incredibly firm. Excess pricing is typically three times more expensive for the primary, often running at 90-110% rates. Underwriters are currently overwhelmed by submissions and are working with those they know and trust.

“When the market is hard, more communication is essential. Suggesting creative alternatives that an underwriter may accept are a way to differentiate your submission from others,” says Dorse.

MEDICAL PROFESSIONAL

Medical professional liability continues the hardening seen throughout 2019. “There are fewer and fewer players in the space, including recent withdrawals of Swiss Re and OneBeacon,” says Philip Chester, CPCU, Senior Vice President, AmWINS Group.

Long-term care is one of the toughest sub-sectors, with markets taking double-digit increases and demanding higher retentions. Carriers are also taking a stricter position on drug and alcohol rehab facilities and correctional facilities.

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ON YOUR TEAM.

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“There have always been a limited number of players for correctional health, and it’s becoming more limited,” says Chester. “This typically is a frequency-driven class. Prisoners have a lot of time and flood carriers with meritless claims that have to be defended. Carriers that had low retentions paid an exorbitant number of claims.”

Markets also are looking more closely at underwriting sexual misconduct exposure. “Plaintiffs’ attorneys are more aggressive and we are seeing more severity,” Chester says. “We have seen several markets cut back on abuse and molestation limits.”

FINANCIAL INSTITUTIONS & CYBER

Financial institutions, including private equity, hedge funds, banks, and other asset management firms, are a bright spot in the professional lines market, remaining stable with ample capacity available, particularly for small- and mid-sized accounts.

Cyber is a key coverage for the financial sector and remains a highly competitive market. “There are a plethora of markets and coverage is ridiculously broad in some cases,” Dorse says. “Even if you run across a carrier not looking to write certain cyber coverages, there are so many carriers that it’s not a problem.”

“We are seeing \$1,500, even \$1,000 premiums, and that is concerning,” Chester says. “At some point that has to come to roost because of the claim activity out there.”

OTHER LINES

Employment Practices Liability (EPL) continues to firm, particularly in problem jurisdictions. “California is an absolute nightmare right now, but there are markets willing to do it outside the real hotbed areas like Orange County,” says Dorse. Accounts that have seen significant growth in staffing may have an easier time digesting increasing higher premiums for EPL, based on cost per employee.

Architects & Engineers is seeing a bit of firming, especially for the more challenging areas of design, but there is still is a great deal of capacity for wholesale brokers.

