



## SMALL BUSINESS AND PERSONAL LINES DURING THE COVID CRISIS

### CONTACT

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The coronavirus pandemic is affecting small businesses significantly, from dealing with loss of revenue to outfitting their employees for home-based work, the small business “backbone” of America is under stress. The insurance industry serving small businesses and personal lines has been impacted as well. Retailers need to understand changes, trends and likely outcomes in order to best serve their clients.

### CURRENT FOCUS: TRANSACTIONS

Right now, both retailers and carriers have shifted their focus to prioritizing daily transactions and how to adapt to work flow changes necessitated by stay-at-home orders.

“Going into this environment, there was a lot of churn in the market as market dynamics continued to push for improved performance on the back of rate increases and tightened underwriting guidelines. That quickly changed, at least temporarily,” says Tony Gresham, President of AmWINS Access Division. “In addition, we are also seeing significantly less competitive marketing on renewals as retailers adjust their priorities”

### UNDERLYING MARKET DYNAMICS UNCHANGED

Although the current focus of retailers and carriers has changed, underlying market dynamics have not. Over the last 12 to 18 months, carriers have taken steps to improve profitability, and those steps will continue post-recovery despite the fact that insurers’ loss ratios improved considerably during the first quarter of 2020.

“A good month or a good quarter doesn’t fix years of unprofitability,” Gresham says. “Insurers’ conversations with reinsurers and capital providers haven’t changed, meaning that when we have some return to normalcy, we will see carriers continue their effort to improve profitability.”

### REGULATORY CHANGES

In response to financial disruption faced by both businesses and consumers, the majority of state insurance departments have issued guidance on nonrenewals and cancellations, including moratoria in some cases.

“All our underwriters and retailers are trying to navigate ever-changing regulations. It’s different across every state, and sometimes changing on a daily basis,” says Nicola Golder, Senior Vice President, National Property Practice Leader, AmWINS Access.

“Right now, carriers can’t make the move they’d like to improve underwriting. The net effect is that for at least 60 days and potentially even 90 days, there will be no nonrenewals, no significant changes in underwriting, and a whole swath of policyholders who manage to delay significant changes in their policies,” Gresham says.

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ON YOUR TEAM.

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Carriers are also watching movement at the state level to require payment of business interruption (BI) loss caused by the pandemic, even though this loss is excluded on BI forms. “Carriers are concerned that states will come in and require payment without providing an adequate backstop. We’re seeing carriers very concerned about adding more property exposure in case those requirements come to light,” says Gresham.

## CARRIER FLEXIBILITY

Even in the absence of state moratoria, many carriers are publicly promising to help customers in distress.

“All our carriers have pledged to comply with state regulations as best as they interpret them. They’ve provided flexibility with payments, with changing payroll and sales estimates, and with how they manage a portfolio in general. They understand customers may not be able to comply with safety recommendations if they can’t hire a contractor to address deficiencies. We still need to underwrite the business, but there are many changes in light of current conditions,” Gresham says.

## NEW BUSINESS OPPORTUNITY

Despite the nationwide economic pause, there is still opportunity to write new business. However, the opportunities have a different appearance. In a resource strapped environment, existing clients need to come first. So, it is critically important that new business opportunities be well vetted, and purposefully marketed.

“The desire to market a risk widely to find the most competitive terms is offset by the fact that retailers don’t have their typical capability to do marketing. They need to lean on a wholesale partner that has the resources they can trust and rely on them as the most efficient way to complete a new business transaction,” Gresham says.

## TROUBLED CLASSES

Before the pandemic, carriers were already tightening underwriting on hotels, motels, restaurants and other hospitality businesses. Those restrictions have become even more pronounced.

“It remains a struggle to find capacity in this sector. There is a widening gap in the market day by day as carriers pull out of the space,” Golder says. “Carriers are concerned not just with poor underwriting results, but with increased moral hazard at distressed businesses.”

“We’re seeing carriers looking at current conditions as a reason to solidify the position they had already taken to pull out of these classes. As this crisis passes, we are going to see carriers keep their foot down from a risk selection and structure perspective. The solutions we are able to provide to retailers will be more important than ever in that climate,” says Troy Santora, Senior Vice President and General Liability Practice Leader, AmWINS Access Division.

## PERSONAL LINES

The personal lines market is holding its breath as the impact of the pandemic on real estate plays out.

“Typically, this time of year you have a lot of people buying and selling houses. We are already seeing a downward impact on new business submissions because people aren’t able to show their houses at the moment,” says Scott Sauter, Senior Vice President and Personal Lines Practice Leader, AmWINS Access Division. However, home construction is still considered an essential business in most states, so there is some opportunity for retailers to write new business.

## NAVIGATING THE MARKET

In a time of uncertainty, partnering with a wholesaler that understands market changes is essential. AmWINS is working closely with our carrier partners to understand their changes in operations and protocols, advocate for flexible payment terms, exposure basis relief, and policy extensions when possible, and ensure as little disruption as possible with regards to servicing, claims, binders, endorsements and renewals.

“We have established a highly competent, professional team that organizes and executes extremely well,” Gresham says. “We have a proven strategy for supporting our retailers needs and collaborating with carriers regardless of market conditions.”

