

IMPORTANT COVID-19 UPDATE

EXECUTIVE RISK MARKETPLACE UPDATE

This update provides the latest insights on how COVID-19 is impacting the executive risk marketplace and what information you may be asked during your upcoming renewal. We are here to help! Please reach out to your Conner Strong & Buckelew representative who can provide you with the best options available in the marketplace and answer any questions you may have during these difficult times.

CURRENT MARKETPLACE

The Professional and Executive Liability Insurance sector was already disrupted prior to the pandemic. Public D&O insurers were already reeling from years of underpricing, adverse loss development, and record levels of claims activity. Private Management Liability insurers were also experiencing spikes in both D&O and EPL losses. Insurance companies were willing to walk away and lose business, rather than continue to utilize terms and conditions that they viewed as inadequate. Both public and private D&O insurers are bracing for a potential wave of claims stemming not only from direct action or inaction with regard to COVID-19 issues, but more so from the expected deluge of insolvencies and bankruptcies that are likely to result from pandemic related demand destruction.

Cyber underwriting results had also begun to deteriorate before the start of the pandemic. The rapid increase in the number of ransomware attacks and the losses associated with those attacks had driven Cyber insurers to already begin seeking premium increases from their larger policyholders. Cyber insurers now fear a further spike in claims as a result of both the increased susceptibility of a very anxious population to phishing attacks and an enormous amount of softer targets as companies, municipalities, schools, churches, families and nearly everyone else continues to operate through remote technology that has never been tested on this scale.

The COVID-19 outbreak has exacerbated matters, further dislocating an already disrupted insurance marketplace.

INSURANCE COMPANY RESPONSE

In these uncertain times, insurance companies are grappling with how best to approach their existing business and new business opportunities. Generally speaking, insurance companies are acting as reliable trading partners and being responsible. Underwriters are weighing risks and adjusting premiums, retentions and terms and conditions. Many are providing options, with varying levels of coverage and corresponding premiums and retentions.

At the other end of the spectrum, there have been several insurance underwriting facilities that have placed a moratorium on writing new business, broadly adopted communicable disease exclusions on policies and/or significantly altered their underwriting approach to effectively eliminate themselves from being a viable option.

We are actively tracking the various carrier responses to prepare for upcoming renewals. Our senior management and trading partners are also regularly conducting conference calls with insurers so that we can discuss and negotiate underwriting stances as required.

UNDERWRITING APPROACH

Generally speaking, in these unprecedented times, insurance companies are being careful with deploying their underwriting capital. As discussed above, insurers were already reducing their limits and increasing retentions on more difficult placements. We expect that trend to gain momentum for policyholders who are particularly exposed to the effects of the pandemic. Further, in order to attain a comfort level, many underwriters have developed fairly extensive lists of underwriting questions on this topic.

The following list breaks down the underwriting questions into macro level risk factors. Please note that this is not an exhaustive list - nor is this a list of questions that will be asked of every policyholder. The specific questions of each policyholder will be dependent on their unique set of risk factors. If you are in the retail, hospitality, or healthcare industry, or if you are dependent on those industries, we expect the market to be increasingly challenging. We are prepared to assist you.

Balance Sheet

- Liquidity - with possible questions on cash management
- Debt structure, including ratings, maturities, covenant compliance, payment schedules, and the ability to restructure
- Ability to collect from customers
- Credit line draw downs
- Access to additional capital

Operational

- COVID-19 impact on revenues
- Expense reductions
- Burn-rate
- Changes to planned capital expenditure



- Supply chain interruptions and contingency plans
- Changes to guidance as a result of COVID-19

Workforce

- Success of remote work arrangements
- Detail on RIFs resulting from the pandemic
- Plans on providing severance packages in exchange for executed waivers
- Compliance with employment and labor laws in connection with remote work arrangements
- Compliance with the WARN act and other laws in connection with business closures
- COVID-19 related employee health and safety issues
- Policies on deciding who to rehire as the pandemic subsides

Data Protection

- General discussion of a policyholder's remote work system security
- Movement of all/substantially all of an organization's operation to a remote environment
- Security protocols and training for remote workers
- Access employees have to PII/PHI on a remote basis/data stored or kept on employee devices
- Company reliance on external cloud providers

Strategic

- Reduction or suspension of dividends
- Potential sale of the organization, or its parts, as a result of the pandemic
- Potential acquisitions of other organizations, or their parts, impacted by the pandemic
- Strategic alternative considerations in light of COVID-19

Please visit our [COVID-19 Resource Center](#) for more information.

This update was brought to you by the Conner Strong & Buckelew Executive Risk Practice Group and RT ProExec.

ABOUT CONNER STRONG & BUCKELEW'S EXECUTIVE RISK PRACTICE GROUP

Conner Strong & Buckelew's Executive Risk Practice Group focuses on D&O, Employment Practices, Crime, Cyber and other insurance that can help protect our clients and their personnel. This group is made up of seasoned professionals with extensive experience placing the most difficult coverage who can help you identify and implement an insurance program addressing your corporate and personal exposures.

ABOUT RT PROEXEC

RT ProExec is the Professional & Executive Liability Division of R-T Specialty, LLC. R-T Specialty, LLC is an independent wholesale insurance brokerage firm that provides Property, Casualty, Transportation and Professional & Executive Liability insurance solutions to retail brokers across the country. Their proven leadership, deep talent pool, and commitment to coverage and service has made them one of the largest wholesalers in the Professional & Executive Liability insurance marketplace.

