



# Earth(quake) Wind(storm) and Fire

That's the Way of the World.

# Panelists



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**HEALTHCARE MORTGAGEE ADVISORY COUNCIL**

Financing Seniors Housing for America



## Agenda

- Property Insurance Trends
- Insurance Hot Topics
- Liability Insurance Trends
- Specific Liability Insurance Issues
- Random Insurance Topics

# Why Do Commercial Property Insurance Premiums Continue to Rise?

Commercial property premiums continue to increase at renewal. There are multiple factors at play causing insurance premium costs to rise.

## CLAIM INFLATION (LOSS CREEP)

Insurers charge prices today that they anticipate will pay for future claims. However, loss estimates from catastrophic events, like Hurricane Ian, continue to grow. In addition, the impact of inflation coupled with continuing supply chain disruptions, labor shortages in many sectors, and the rising cost of construction and materials are resulting in claims that cost more than initially anticipated, which drives up premium prices.<sup>6</sup>



**2022**  
THE 3<sup>RD</sup> MOST  
COSTLY YEAR  
EVER  
FOR INSURERS<sup>1</sup>

**\$120B**  
Insurer Payments for  
Natural Disasters '22<sup>1</sup>



US Droughts  
**\$8B<sup>2</sup>**



## VALUATION CONCERNS

Recent research indicates that commercial assets have often been significantly undervalued. Uncertain about growing inflation, supply chain obstacles, or potential labor shortages, underwriters are scrutinizing property values more closely. As loss estimations become more difficult to obtain, rates will reflect an added layer of uncertainty.<sup>7</sup>

Hurricane Ian  
**\$50B+**  
September '22<sup>3</sup>

66k+ Wildfires  
7M+ Acres Burned

**\$11.2B<sup>4,9</sup>**

Throughout  
2022

11 Severe Storms  
10 Deaths

**\$22B<sup>5</sup>**

Throughout  
2022

## TIGHTER UNDERWRITING:

Carriers are offering less capacity to mitigate growing losses while maintaining or increasing minimum premium rates. New capacity entering the market is helping to lessen the push for increased rates; however, newer market participants are taking a more selective and disciplined approach to underwriting.



## HIGHER REINSURANCE COSTS:

Most reinsurance renewal rates will rise in 2023 as losses and inflation pressure property reinsurers. Insurers facing increased costs for capital and capacity will pass those expenses on to insureds as they strive to improve book composition through more technical pricing.<sup>8</sup>

## U.S. 2022 Billion-Dollar Weather and Climate Disasters



The map denotes the approximate location for each of the 18 separate billion-dollar weather and climate disasters that impacted the United States in 2022.



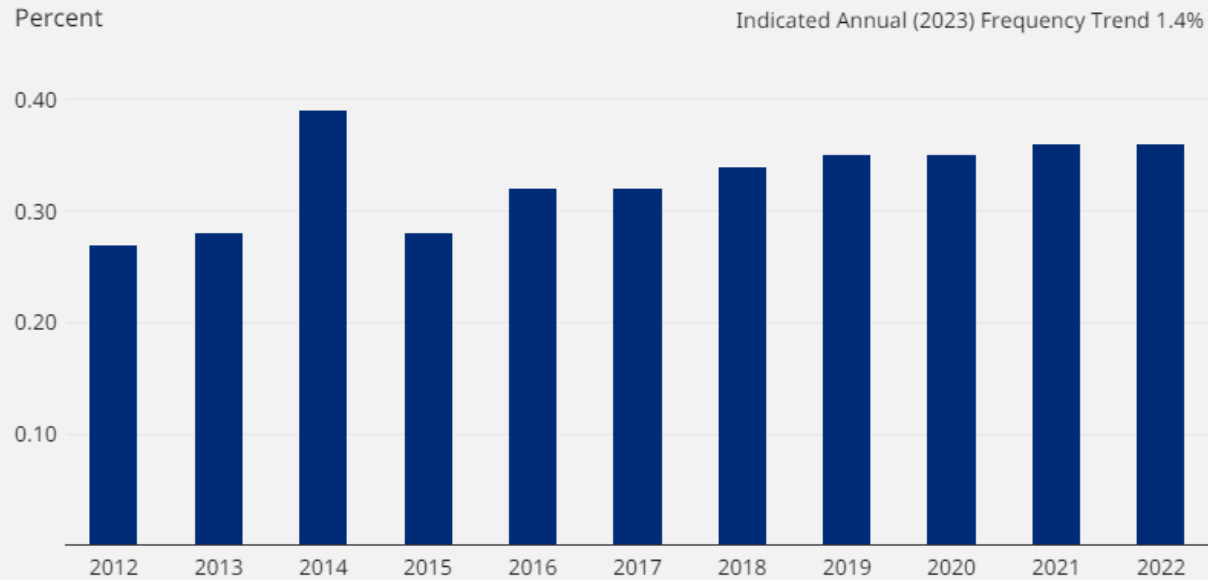
# Insurance Hot Topics

- Named Storm and Hail/Wind coverage.
  - Coastal states
  - Coverage limits
  - Deductible – market vs HUD
- Flood Insurance
  - Underwriting process for insurers.
  - Possibility of reducing cost.
- Business Income
  - BI Coverage Explained
  - Premium trend?

- Workers Comp
  - Use of technology to reduce claims.
  - And cost (e.g., telehealth,
- Covid 19
  - Workers Comp
  - Professional Liability
- Cyber Insurance
- Terrorism

# Liability Insurance Stabilizing?

## Senior Living Frequency

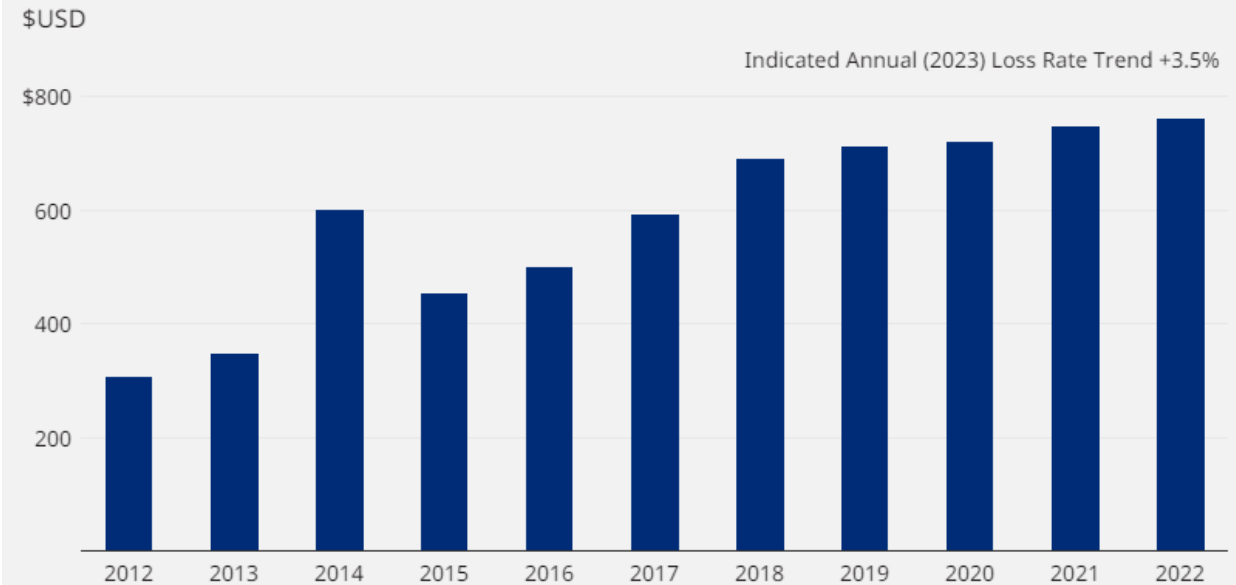


Source: Oliver Wyman

- Claims frequency up slightly, but trend slowed since 2017.

- Loss rate slowed significantly after 2017.

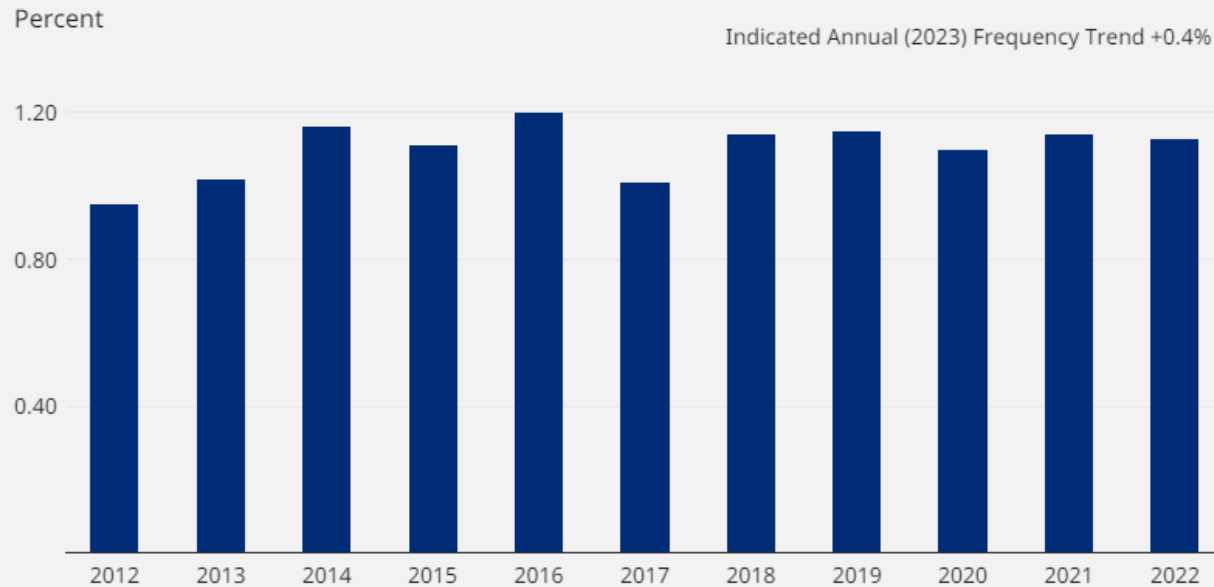
## Senior Living Countrywide \$1 Million Loss Rate



Source: Oliver Wyman

# Liability Insurance Stabilizing?

## Long-Term Care Frequency

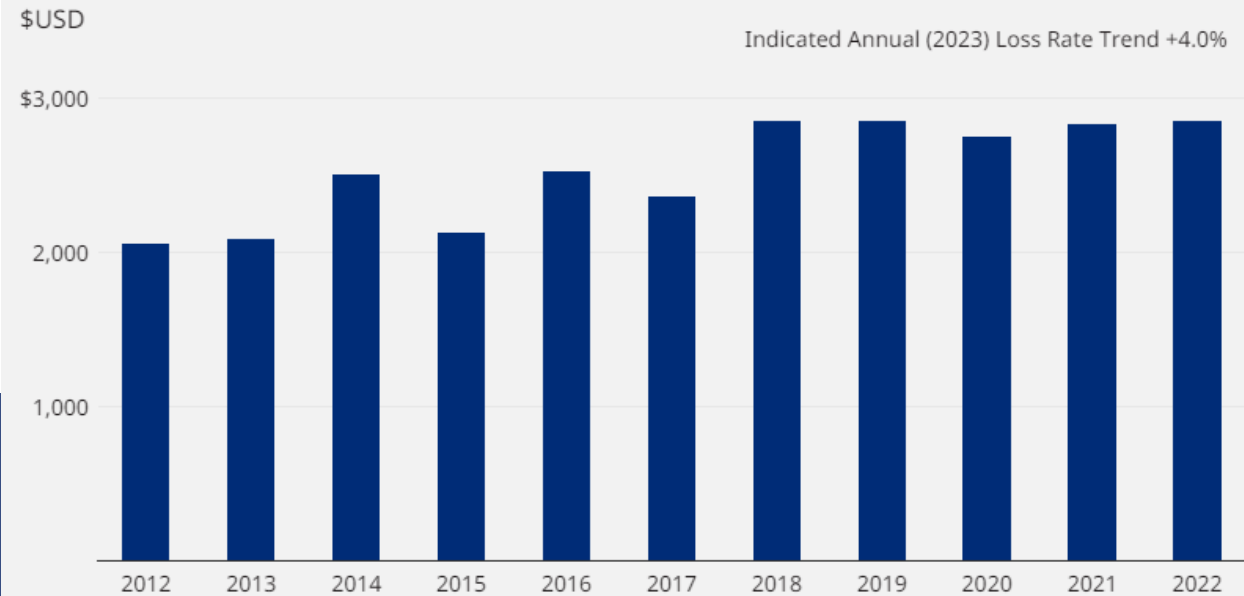


Source: Oliver Wyman

- Claims frequency for long-term care largely stable since 2018.
- High point in 2016.

- Loss rate also stable since 2018.
- Big spike in 2014 appears to be mostly CA.

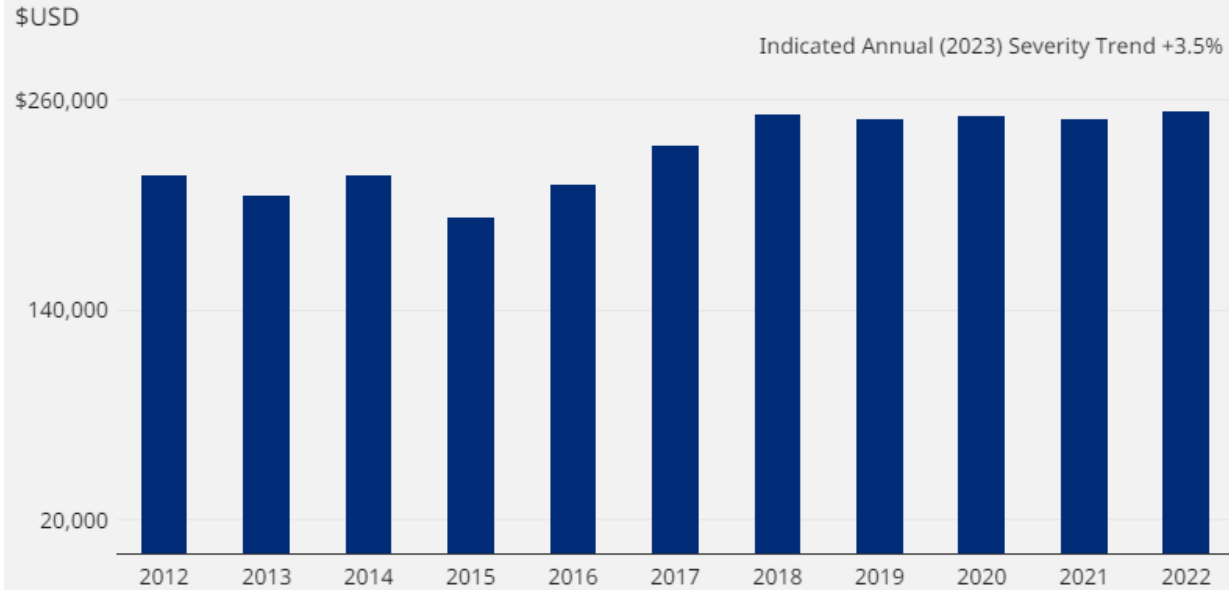
## Long-Term Care Countrywide \$1 Million Loss Rate



Source: Oliver Wyman

# Liability Insurance Stabilizing?

## Long-Term Care Severity

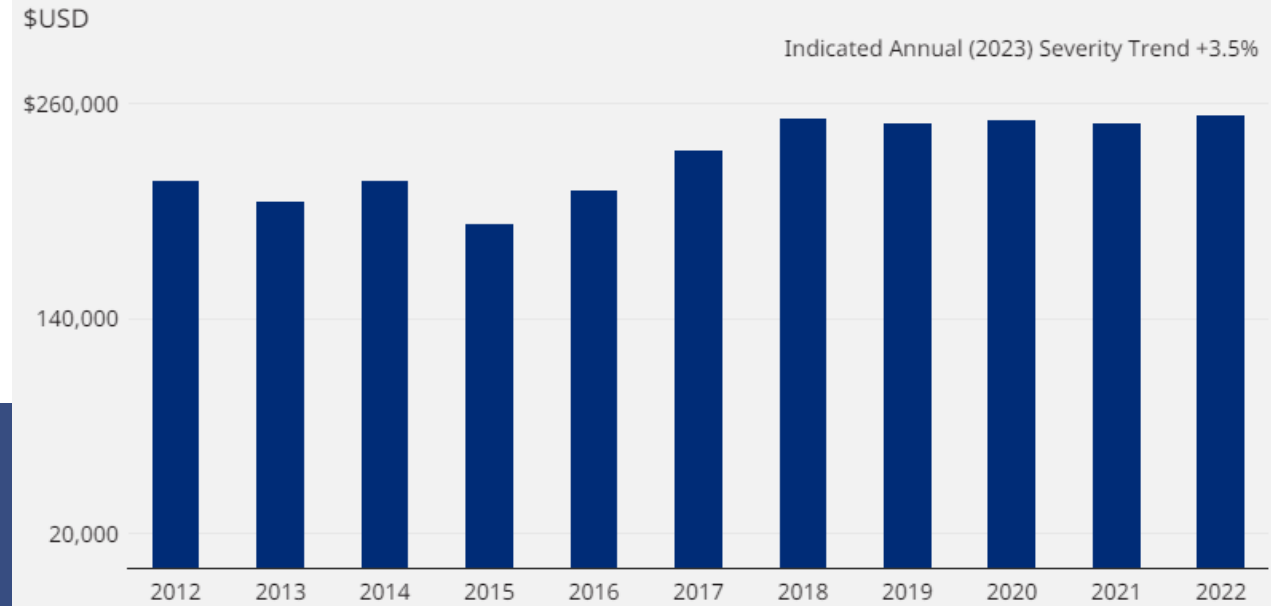


Source: Oliver Wyman

- Claims frequency for long-term care largely stable since 2018.

- Loss severity actually down since 2018.

## Long-Term Care Severity

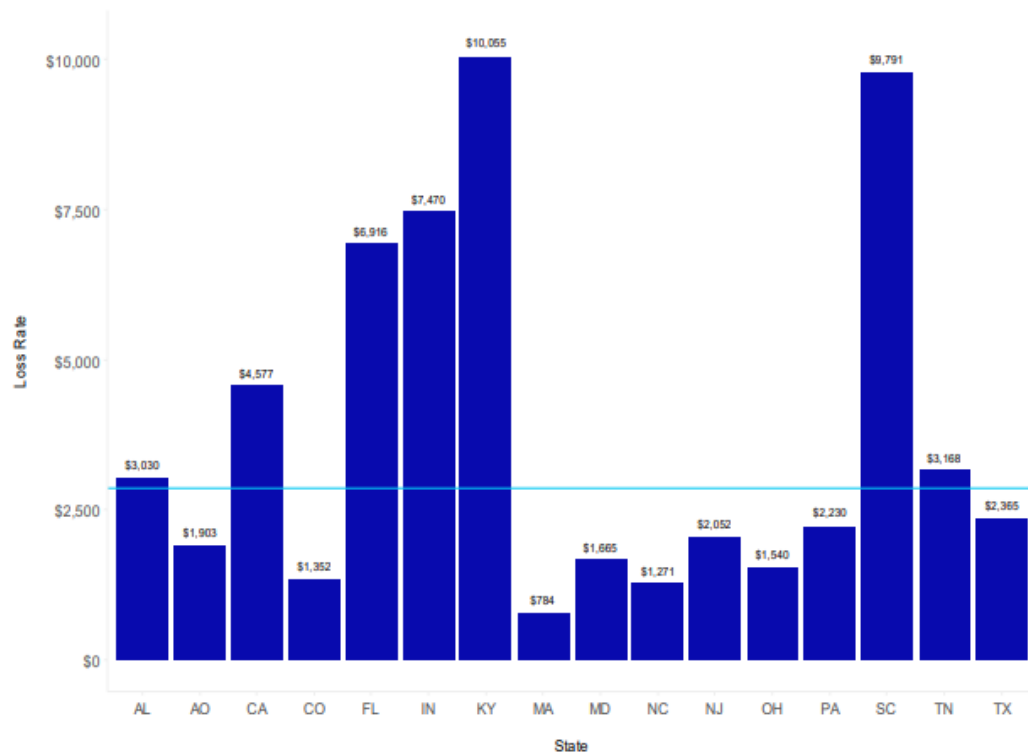


Source: Oliver Wyman



# Some States Remain High

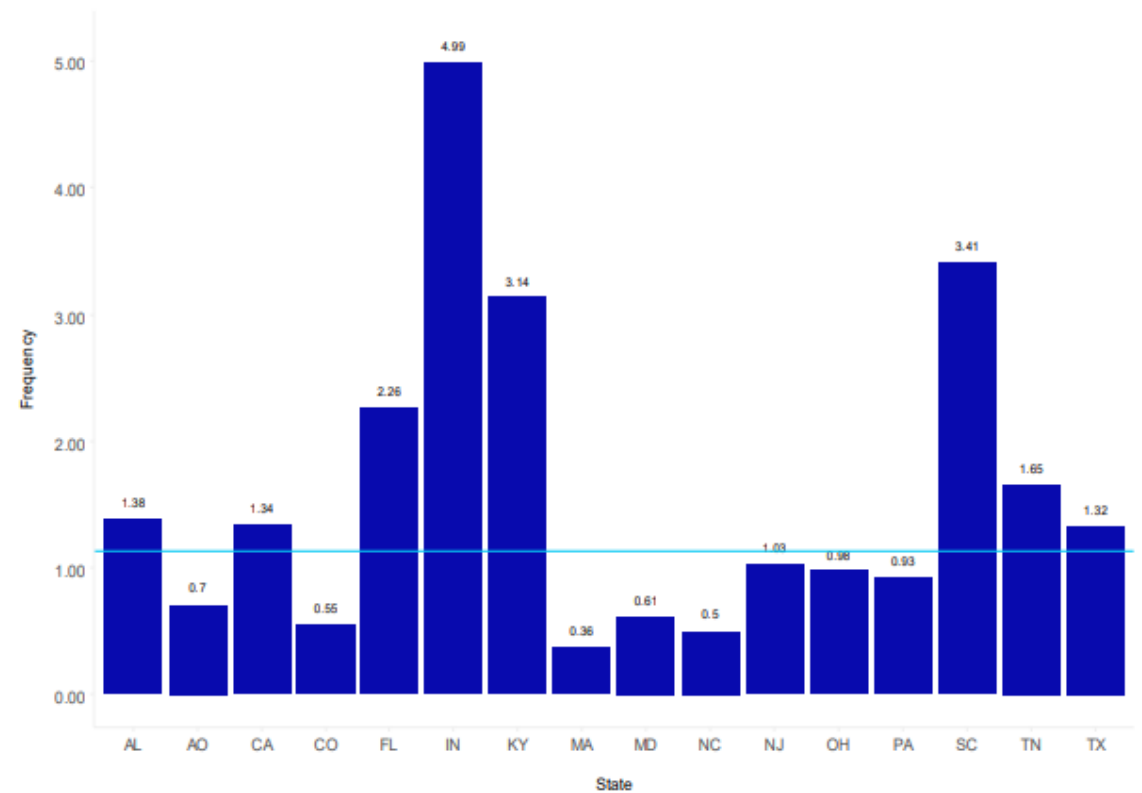
Figure 45: Long-Term Care Loss Rate



- SC big increase in 2018, but stable since then.
- CA stable since 2016, after massive jump in 2014.
- Kentucky leveled off since 2016, after stepwise jumps from '13-'16

- IN frequency trending down but still highest in country.
- High loss rates generally correlate to frequency.

Figure 46: Long-Term Care Frequency



<b>Cause of Loss</b>	<b>Claims Closed with Payment</b>	<b>Percent of Total Claims Closed with Payment</b>	<b>Paid Indemnity and Expense (2023 Cost Level)</b>	<b>2023 Closed Claim Severity</b>
Fall: Resident	1960	52.77%	\$492,091,744	\$251,067
Fall: Non-resident	96	2.58%	6,318,322	65,816
Fracture: Non-fall	132	3.55%	30,256,085	229,213
Skin / Wound Injury	589	15.86%	180,327,950	306,160
Elopement/ Missing Resident	17	.46%	7,228,078	425,181
Abuse	179	4.82%	48,261,336	269,616
Transfer Injury	91	2.45%	21,003,095	230,803
Medication Variance	126	3.39%	36,625,105	290,675
Medical Records Request (MRR)	30	.81%	2,206,782	73,559
Infection <sup>3</sup>	434	11.69%	156,838,266	361,378
No-Injuries	9	.24%	416,093	46,233
Choking	51	1.37%	19,636,001	385,020

# Changes and Recommendations

- Handbook proposed changes:
  - Windstorm
  - Property limits
  - Flood insurance
  - Umbrella
  - Financing premiums
  - Ordinance and Law



- Reminders
  - Waivers:
    - Submit with Firm Application.
    - Include cost of compliant coverage or declinations.
    - Be realistic about what is a true cost burden.
    - Provide mitigation.
  - 50+ PLI Review reminder
    - When required?
      - New Credit
      - CHOPs
    - Use format in “Documents and Forms for Underwriting 223(f) Loans.”



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