

Across the Board:

Insurance for
Today's Market



Photo credit: Horse Racing Foto by Softeis, 28/05/2005 at Galopp Riem 05/06/2005, Munich, Germany.

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

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HUD - ORCF
Supervisory Account Exec.



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PROPEL INSURANCE
Director, Senior Care - East



Heather Cox
WALKER & DUNLOP
FHA Closing Manager



Jennifer Tadlock
HUD - ORCF
Supervisory Account Exec.

Agenda:

MAY	JUNE	JULY	AUGUST	SEPTEMBER
MAY 24 Ruidoso Futurity Trials	JUNE 1 Mountain Top Derby Trials (QH)	JULY 5 Zia Futurity Trials	AUGUST 4 Rio Grande Señorita Futurity \$125,000	SEPTEMBER 1 All American Derby \$700,000 (G1)
MAY 25 Ruidoso Futurity Trials	JUNE 2 Ruidoso Maiden Stakes Trials Jess Burner Stakes \$50,000	JULY 6 Zia Derby Trials	AUGUST 9 Rio Grande Señor Futurity \$125,000	SEPTEMBER 2 All American Oaks \$500,000 (G1)
MAY 26 Ruidoso Derby Trials	JUNE 7 Mountain Top Futurity Trials (TB)	JULY 13 Rainbow Derby \$750,000 (G1)	AUGUST 10 All American Futurity Trials	SEPTEMBER 2 All American Invitational Stakes \$100,000
MAY 27 John Andreini Memorial Stakes \$45,000	JUNE 8 Ruidoso Derby \$850,000 (G1)	JULY 14 Rainbow Oaks \$350,000 (G1)	AUGUST 11 All American Futurity Trials	SEPTEMBER 2 All American Gold Cup \$250,000 (G1)
MAY 31 Mountain Top Futurity Trials (QH)	JUNE 9 Ruidoso Invitational Stakes \$100,000	JULY 14 Rainbow Invitational Stakes \$100,000	AUGUST 11 All American Oaks Trials	SEPTEMBER 2 All American Juvenile Stakes \$200,000
	JUNE 9 Ruidoso Futurity \$1,000,000 (G1)	JULY 14 Rainbow Futurity \$1,000,000 (G1)	AUGUST 11 All American Derby Trials	SEPTEMBER 2 All American Futurity \$3,000,000 (G1)
	JUNE 9 Ruidoso Juvenile Stakes \$100,000 (G3)	JULY 19 Rainbow Juvenile Stakes \$100,000	AUGUST 17 John Deere Ruidoso Downs Juvenile Challenge \$75,000 (G3)	
	JUNE 15 Mountain Top Derby (QH) \$150,000	JULY 19 Rio Grande Señorita Futurity Trials	AUGUST 17 Adequan Ruidoso Downs Derby Challenge \$50,000	
	JUNE 15 Ruidoso Maiden Stakes \$100,000	JULY 20 Rio Grande Señor Futurity Trials	AUGUST 18 Ruidoso Downs Distaff Challenge \$30,000 (G3)	
		JULY 20 Zia Derby \$175,000 (RG2)		
		JULY 20 Zia Stakes \$50,000 (RG2)		

Photo credit: Ruidoso Downs Race Track & Casino.

- Required Insurance Coverages
- Professional/General Liability Insurance
 - Coverage Requirements and Blanket Waivers
 - Captives/RRGs and Fronting Policies
 - Current Challenges & Market Trends
- Property Insurance
 - General Requirements
 - Additional Coverages
 - Current Challenges & Market Trends
- Other Types of Insurance:
 - Crime/Employee Dishonesty
 - Cyber Insurance
 - Employment Practices Liability
- Q & A

The Basics: HUD-Required Insurance Coverages

Every residential care facility insured under the 232 loan program is required to carry the following types of insurance coverage:



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LIABILITY INSURANCE

- General
- Professional
- Excess*
- Auto*
- Directors/Officers*

* Optional or as applicable

PROPERTY INSURANCE

- Ordinance & Law*
- Flood*
- Windstorm
- Earthquake*
- Sinkhole/Mine*
- Business Income
- Builders' Risk*

* As applicable

WORKERS' COMPENSATION INSURANCE

FIDELITY BOND/ CRIME/ EMPLOYEE DISHONESTY

General & Professional Liability Insurance

CURRENT LEAN HANDBOOK* COVERAGE REQUIREMENTS:

- GL policy basis must be per occurrence
- Limits: \$1MM per occurrence/
\$3MM aggregate
- Maximum Deductible: \$25,000
- \$3MM GL policy aggregate limit
must be per location
- Additional \$5MM umbrella
liability coverage required for
blanket policies covering 10+
facilities
- Carrier rated “A-” or higher from
A.M. Best; “A” or higher from
Demotech



Photo credit: Jeff Blake for Louisville Magazine, March 2011 issue

BLANKET WAIVERS & PROPOSED HANDBOOK CHANGES:

- GL policy basis can be claims-
made when combined with PL
coverage (OHP 1336)
- Lower coverage limits allowed in
specific states (IN, KY, LA, PA, TX)
- Max. deductible increased to
\$100,000 (OHP 1889)
- \$3MM GL policy aggregate limit
can be per policy; umbrella
coverage not required for 10+
facilities (OHP 2054)

State-Specific PL Waivers:

Waiver Number	State	4232.1 Rev 1 - Section II - Production - Appendix 14.1, IV A
OHP 0687	Indiana	Waives the minimum required professional liability insurance limits of \$500,000 per occurrence and \$1,500,000 aggregate limits required under the IN PCF.
OHP 0750	Kansas	Waive the minimum required professional liability insurance limits of \$1,000,000 per occurrence and \$3,000,000 aggregate and allow HCSF participants to have PLI limits that are consistent with the Kansas HCSF health care provider requirements. After 01/01/2022: Providers must have \$500,000 per occurrence and \$1,500,000 aggregate PLI coverage. Providers may select between two additional coverage HCSF options: HCSF Option 1: \$500,000 per claim, \$1,500,000 aggregate. HCSF Option 2: \$1,500,000 per claim, \$4,500,000 aggregate.
OHP 1158	Louisiana	Waives the minimum required professional liability insurance limits of \$1,000,000 per occurrence/\$3,000,000 aggregate and allows the amounts set by the Louisiana Medical Malpractice Act: Insurance of \$100,000/\$300,000 or a pledge of \$125,000 in self-insurance to the custody of the state treasurer; plus, any surcharge required by the Louisiana Insurance Rating Commission.
OHP 1194	Pennsylvania	Waives the minimum required professional liability insurance limits of \$1,000,000 per occurrence and \$3,000,000 aggregate and allows \$500,000 per occurrence and \$1,500,000 aggregate PLI limits.
OHP 1779	Texas	<u>Appendix 14.1, IV, A.1.a</u> Waives the minimum required \$1,000,000 per occurrence limit and allows a \$250,000 PLI per occurrence limit. <u>Appendix 14.1, IV, A.1.b</u> Upon acceptable review, waives the minimum required PLI annual aggregate limit of \$3,000,000 and allows a PLI annual aggregate limit of \$250,000. If the project(s) have a combined PL/GL policy, and upon acceptable review, then this waiver also allows: <u>Chapter 14.6 C 3.a</u> Waives the minimum required \$1,000,000 per occurrence limit and allows a \$250,000 GL per occurrence limit. Waives the minimum required GL per location annual aggregate of \$3,000,000 and allows GL per location annual aggregate limits of \$250,000.



GL/PL Self-Insurance

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Captives/Risk Retention Groups (RRGs)

- Coverage Limits: \$1MM per occurrence/\$3MM aggregate
- Max. SIR: \$100,000
- Fronting Policies:
 - Carrier rated “A-” or higher from A.M. Best; “A” or higher from Demotech
 - Must be domiciled in the U.S.

Additional Documentation Required in the HUD Application:

- Evidence of Insurance escrow or LOC
- Actuarial study
- Financial statements for Captive/RRG

GL/PL: Current Challenges and Market Trends

- Length of the HUD queue
- Increasing annual premiums and cost to obtain compliant coverage
- Higher Deductibles

Be sure to utilize the tools and resources available on the ORCF website!

FUN FACT:

Falls are the largest driver of PL claims, accounting for nearly 50% of all claims paid by long-term care facilities.

(Reported by John Roszkowski of McKnights Long Term Care News on 10/3/2024)

Cause of Loss	Claims Closed with Payment	Percent of Total Claims Closed with Payment	Paid Indemnity and Expense (2024 Cost Level)	2024 Closed Claim Severity
Fall: Resident	1,840	46.88%	\$448,847,317	\$243,939
Fall: Non-resident	140	3.57%	\$8,205,373	\$58,610
Fracture: Non-fall	148	3.77%	\$35,462,907	\$239,614
Skin/Wound Injury	773	19.69%	\$220,189,347	\$284,850
Elopement/Missing Resident	23	0.59%	\$5,826,032	\$253,306
Abuse	187	4.76%	\$52,383,903	\$280,128
Transfer Injury	111	2.83%	\$26,168,849	\$235,755
Medication Variance	139	3.54%	\$38,646,631	\$278,033
Medical Records Request (MRR)	59	1.50%	\$8,482,899	\$143,778
Infection ⁶	461	11.75%	\$153,144,130	\$332,200
No-Injuries	9	0.23%	\$1,328,576	\$147,620
Choking	35	0.89%	\$13,798,092	\$394,231

Source: "2024 General and Professional Liability Benchmark Report for senior living and long-term care providers", Oliver Wyman of Marsh McLennan

Property Insurance

GENERAL REQUIREMENTS:

- “Special Form” policy must be free from Coinsurance
- Limit: no less than 90% RC
- Max. Deductible:
 - \$25,000 for single property coverage
 - \$25,000 for blanket coverage providing up to \$100MM in total RC values
 - Lesser of 1% or \$250,000 for blanket coverage provider over \$100MM in total RC values



Photo credit: Warren Faidley, Getty Images

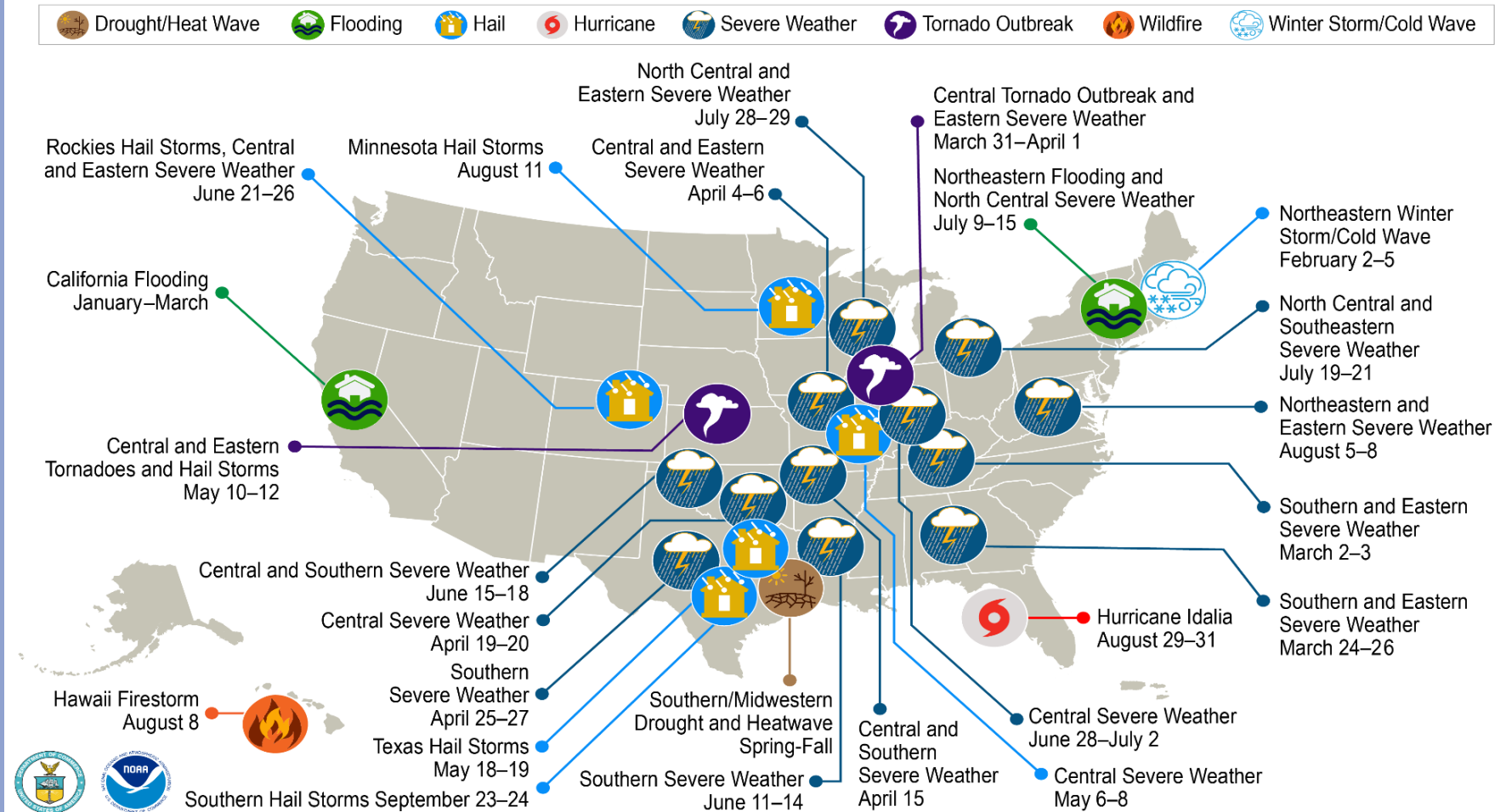
ADDITIONAL COVERAGES:

- Ordinance & Law
- Business Income
- Flood Insurance
- Wind/Hail & Named Storm
- Earthquake (Earth Movement)

Property Insurance: Current Challenges and Market Trends

- Length of the HUD queue
- Increasing annual premiums and cost to obtain compliant coverage
- Higher Deductibles
- Blanket waiver OHP 2115 now allows projects to finance insurance premiums

U.S. 2023 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 25 separate billion-dollar weather and climate disasters that impacted the United States through November 2023.

Other Insurance

CRIME/EMPLOYEE DISHONESTY

- Required for all properties
- Coverage Requirement:
 - Single property coverage - 2 months' effective gross income (per Lean blast dated 10/27/2017)
 - Blanket policy – minimum coverage amount computed using the covered project with the highest EGI
 - Use underwritten EGI
- Blanket waiver OHP 2240 increases the max. deductible from \$25,000 to \$100,000



Photo credit: iStock.com/tanawit sabprasan, April 11, 2024

CYBER INSURANCE

- Protects from financial losses caused by cyberattacks, data breaches, etc.

EMPLOYMENT PRACTICES LIABILITY (EPL)

- Protects from employment-related claims (i.e. wrongful termination, discrimination, and harassment)



Questions

Thank you!