MARKETS IN FOCUS
HOTELS + RESORTS + CASINOS

Insurance Pricing &
Market Update

Q4 2021

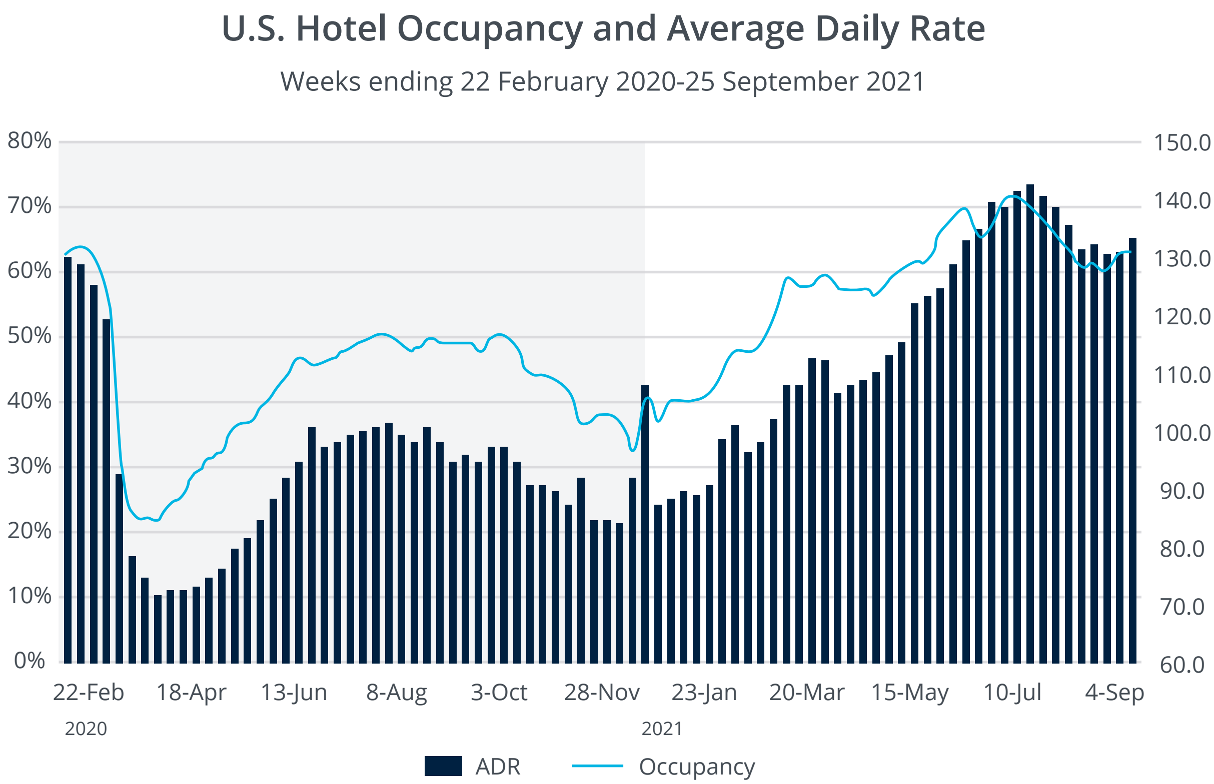
Table of Contents

Introduction

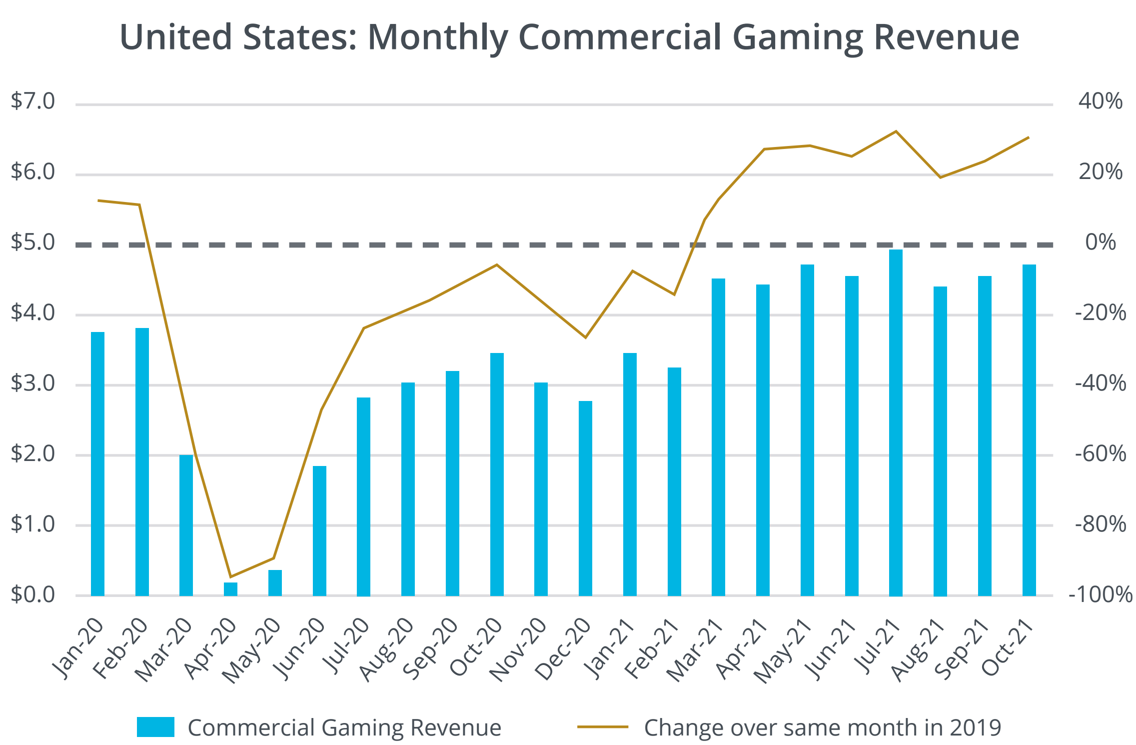
Since few industries were as severely impacted by COVID-19 as the travel and leisure sectors, many industry commentators thought it would take years for hotels and casinos to return to pre-pandemic levels. However, both industries have shown incredible resilience and reached January 2020 levels of occupancy, rates and revenue in July of 2021 (as can be seen in the chart on the next page). Despite the challenges, hotel and casino operators were able to evolve their businesses to safely attract guests and thus improve their economic positions as pent-up leisure travel demand had a positive impact on their bottom line.

As hotels and casinos look to capitalize on the momentum experienced in Q2 and Q3 of 2021, operators will have to face new and old challenges moving into 2022. Stricter COVID-19 protocols and travel restrictions are starting to enter the fray again as concerns over new variants like Omicron have swept across the world. Once again, hotel and casino operators will need to stay diligent with everchanging regulations regarding masks, additional cleaning and disinfection of shared surfaces, food and drink serving requirements, vaccination status (both of guests and employees), social distancing and occupancy requirements. Additionally, as more countries impose travel bans, revenue may have to be supported only by domestic travelers for the foreseeable future.

Additionally, like many other industries, hotels and casinos are struggling to retain and attract talent. Many workers in the hospitality space were let go during the pandemic and are hesitant to return, especially considering that new variants continue to surface and impact the demand for the hospitality trade. This has resulted in understaffing, with fewer employees doing more and inevitable concerns over customer satisfaction. These factors have led to burnout and fatigue for the employees still working at hotels and casinos, resulting in many quitting and contributing to the global phenomenon known as the Great Resignation. To combat this, many hotels are no longer offering daily room cleaning, casinos are looking to invest more in sports betting and online gambling, and both are looking for answers in process automation. Some establishments are taking even more interesting approaches like MGM, by allowing potential employees to ”work” jobs in Virtual Reality before signing on.[1] As 2021 comes to a close and hotel and casino operators look to plan for 2022, innovation and creativity will need to be at the forefront to attract customers and talent, as it appears 2022 will be another year of anything but “business as usual.”



Source: STR. 2021 © CoStar Realty Information, Inc.



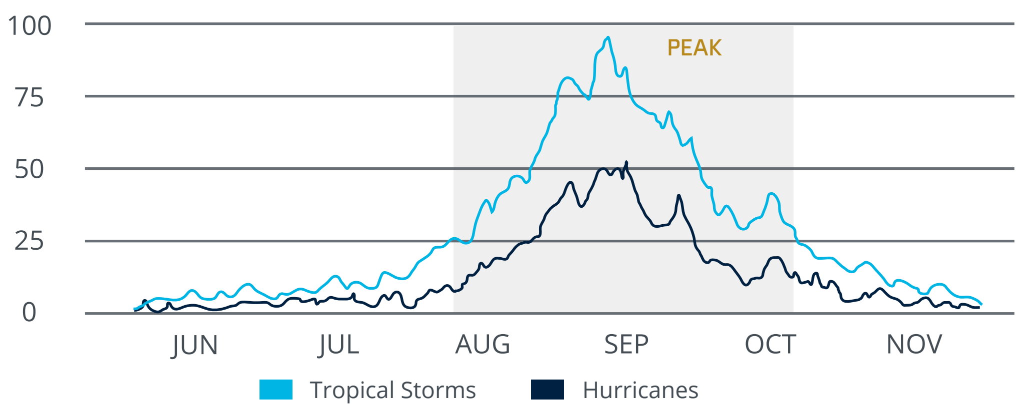
Source: American Gaming Association

Hurricane Ida

On August 29, 2021, the 16th anniversary of Hurricane Katrina, Hurricane Ida made landfall near Port Fourchon, Louisiana as a powerful Category 4 hurricane with sustained 150 mph winds. For Louisiana, the storm left hundreds of thousands of homes and businesses without power (mostly outside the environs of New Orleans) for weeks, more than half the gas stations in two major cities were without fuel for nine days after the storm made landfall and one person died.[2] However, the devastation did not stop there. After slamming into Louisiana, Ida continued into the northeast and wreaked havoc in New York, New Jersey, Pennsylvania and Connecticut. Due to the flooding and tornadoes caused by the remnants of Ida in the northeast, 43 people were killed, 150,000 homes were left without power and portions of New York City's subway system were significantly damaged by flooding.[3] Estimates by modeling firm AIR Worldwide have pegged insurance losses from Hurricane Ida in the $31B to $44B range.[4]

Utilizing these loss estimates, Ida is the largest catastrophic (CAT) event in the U.S. in 2021 to date and will most likely be the largest CAT event for all of 2021. For comparison, Winter Storm Uri, which caused significant damage in Texas in February and was considered the costliest U.S. CAT event in 2021 before Hurricane Ida, is only estimated to have caused half the amount of insurance losses as Ida.[5] Losses from this disastrous storm will certainly reverberate throughout the entire **Property** insurance market, not just with coastal properties, but at this moment it is hard to assess the true impact as losses are still being calculated. **Reinsurance** carriers will be handed a significant bill for Ida's losses, which could add upward pricing pressure to **Property** rates as carriers anticipate increases in their **Reinsurance** costs. Many were hoping that this would be the last large loss of the year, but the recent devastating tornado outbreak in Kentucky has early insured losses estimated at $3 billion[6], which will also add consternation for reinsurers heading into their January 1 **Reinsurance** treaty renewals.

Named Storm Frequency: Atlantic



Source: *https://weather.com/storms/hurricane/news/2020-07-22-atlantic-hurricane-season-peak-august-september*

2021 Wildfires

In addition to Hurricane Ida, the **Property** insurance market has also been significantly impacted by multiple years of challenging back-to-back wildfire seasons. In 2021, unseasonably warm weather and droughts resulted in a series of wildfires in the western U.S. starting in early May (a month earlier than is typical) and continuing to be a problem even through December. As of September 23, the National Interagency Fire Center's (NIFC) situation report listed a total of 45,518 wildfires across the country that burned more than 5.8 million acres.[7] Comparatively, in 2020, one of the five worst wildfire years since 1960, 43,556 fires burned 6.9 million acres from 1/1/2020 through 9/19/2020 and a total of 58,950 wildfires burned 10.1 million total acres in 2020.[8]

40% of the 10.1 million acres burned in 2020 were in California, and that trend has continued into 2021.[9] As of September 30, there have been 7,064 fires in California, resulting in 2 million acres burned, 3,050 structures damaged or destroyed and 1 fatality reported in 2021[10]. **Property** insurers writing policies in California are no strangers to wildfires, but the severity and widespread destruction of these fires has intensified in recent years. In 2020 and 2021, the state saw its two largest fires in recorded history – the August Complex fire burned 1 million acres in Mendocino National Forest and the Dixie fire in July 2021 burned 963,301 acres in the Plumas and Lassen National Parks. For scale, both fires burned an area larger than the state of Rhode Island. Additionally, the California wildfires continue to impact the entire state from the California-Oregon border, over to Lake Tahoe and all the way down to Malibu and San Diego. **Property** insurers are taking note of this and are limiting capacity to California, increasing rates or adding higher specific retentions for wildfires.

California is not the only state experiencing tightening in the **Property** market due to wildfires. With years where 10 million acres are burned in wildfires becoming the norm, other western states like Oregon (which experienced its third worst wildfire in their state's history this year[11]), Colorado, Washington, Utah, Montana and Idaho are also experiencing some tightening in the **Property** market. The devastating fires in the suburbs of Denver on 12/30, which are estimated to have destroyed 500+ homes, have also shown that "fire season" is not limited to the summer months. With the continuing impact of climate change on weather patterns and droughts, it appears wildfires will continue to play a factor in the **Property** market and will need to be closely monitored moving forward.

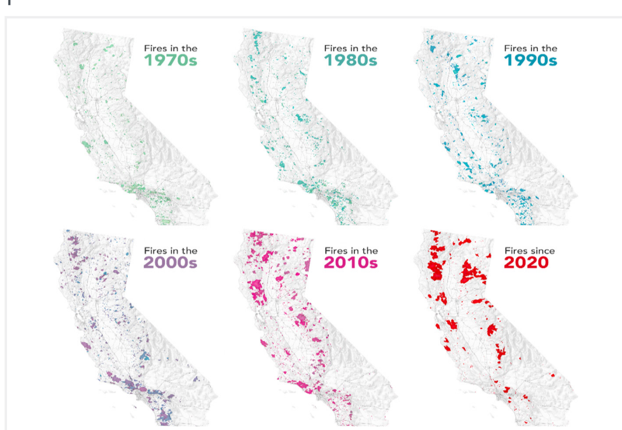
Top Five Years with Largest Wildfire Acreage Burned Since 1960 in the U.S.

Year	Acres burned (millions)	Number of Fires
2015	10.13	68.2
2020	10.12	59.0
2017	10.03	71.5
2006	9.87	96.4
2007	9.33	67.8

Source: NICC Wildland Fire Summary and Statistics annual reports.
Note: Number of fires in thousands.

California's Wildfires are Growing

Simply put, the fires of recent years dwarf those of previous decades.



Source: *https://earthobservatory.nasa.gov/images/148908/whats-behind-californias-surge-of-large-fires*

Reinsurance

Every year, January 1 is an important **Treaty Reinsurance** renewal date for many of the largest carriers in the world. **Reinsurance** treaties represent a significant cost for insurers, given these transactions significantly impact their combined ratios (a very important profitability metric for carriers) and their available capacity. Based on the 17 reinsurers monitored by Fitch Ratings, Fitch noted in their latest **Reinsurance** report from August that non-life reinsurance net premiums written grew by a substantial 18.5% during the first half of 2021 on higher premium prices and demand.[12] In the same report, Fitch also commented that these pricing pressures are likely to result in high single to low double-digit rate increases for carriers at their January 2022 reinsurance renewals.[12]

Reinsurance carriers still believe that despite the rate increases, pricing is still inadequate due to the recent rise in catastrophic losses. According to Fitch, global reinsurance natural catastrophe losses were a manageable $40 billion in 1H21, up from $35 billion in 1H20 and above the $33 billion 10-year average (2011–2020) of 1H insured losses, but July flooding in Europe and an active Atlantic hurricane season could make the overall year less manageable[12]. Additionally, the rise in frequency and severity of cyberattacks has many reinsurers concerned with their exposure and pricing in this space and the overall impact it will have on their profitability. Last January, pricing was generally up 8% for most carriers, which was a pleasant surprise compared to where most industry commentators had estimated increases to be, so hopefully, carriers will be greeted with another pleasant surprise this coming January.

Recent Reinsurance Renewal Pricing Trends

(%)	June and July 2020	January 2021	April 2021	June and July 2021
US property loss hit	+10 to +30	+5 to +25	+5 to +25	+10 to +25
US property loss free	+5 to +20	Flat to +15	Flat to +15	Flat to +15
US general liability no loss emergence	Flat to +20	Flat to +10	-	Flat to +10
Florida property loss hit	+5 to +35	-	-	+5 to +30
Florida property loss free	+5 to +30	-	-	-5 to +5
European property loss free	-	Flat to +7.5	-	-
Japan property loss hit	-	-	+15 to +40	-
Japan property loss free	-	-	+2.5 to +10	-
Japan casualty no loss emergence	-	-	+2.5 to +10	-
Non-marine retrocession loss hit	+15 to +35	+10 to +25	+10 to +20	+5 to +25
Non-marine retrocession loss free	+10 to +20	+5 to +15	+5 to +12.5	Flat to +15

Human Trafficking – Ignorance is No Longer a Defense

Human trafficking has been called an "invisible" threat to the hospitality sector.[13] Individuals who facilitate trafficking face prosecution under the Trafficking Victims Protection Act of 2000 (TVPA)[14], and a 2008 reauthorization[15] included language intended to expand civil liability for those who "knowingly benefit" from trafficking.[16] Legal scholars have argued that provisions for "harboring" victims trafficked open up hotel operators and hotel chains to legal action.[17]

Unsurprisingly then, in 2019, there were 125 human trafficking-related lawsuits against hotel and motel operators in America.[18] An important lesson from these suits is that ignorance of specific crimes is generally not a viable defense. As the United States District Court for the Southern District of Ohio recently put it, "defendants need not have actual knowledge of the sex trafficking in order to have participated in the sex trafficking venture for civil liability under the TVPRA, otherwise the 'should have known' language in § 1595(a) would be meaningless."[19] Even cases that resolve favorably for hoteliers[20] are still costly to defend against and potentially reputationally ruinous.

General Liability policies and their accompanying **Excess/Umbrella** towers typically provide insurance coverage for claims of bodily injury, mental anguish and legal costs when it is deemed that the alleged hotelier was acting in negligence of the human trafficking. However, claims will be denied if it is proven that the hotelier was actively aiding in trafficking. Many **General Liability** carriers are starting to specifically exclude any claims related to sex trafficking, regardless of if the hotelier was found negligent, and very few will even consider removing this exclusion. As such, hotel operators should work with their IMA service teams to truly understand what is covered on this front and if IMA's Client Advantage team can provide any training or audit the current procedures in place for how to handle these situations.

Q3 2021 Insurance Market Review

On average, insurance purchasers from all industry verticals saw another quarter of price increases across most lines of coverage. According to the Council of Insurance Agents and Brokers' ("CIAB") latest report, the average price increase across the five major lines of coverage (**Commercial Auto**, **Commercial Property**, **General Liability**, **Umbrella** and **Workers' Compensation**) in Q321 was 8.1%. As can be seen in the table, the 8.1% average price increase was flat quarter over quarter and shows a level of market firming after four straight quarters of decreasing average price increases.

Despite more people returning to work and a strong economy, average workers' compensation costs saw a slight decrease of -0.3% in Q321 while **Auto**, **Property** and **Umbrella** continue to show the highest average increases. The reasoning for the significant increases in these lines of coverage is due to a combination of factors:

+ Several years of underpriced policies
+ Pricing increases in the reinsurance market
+ A record-setting year for named catastrophic storms in 2020 followed by another year of elevated catastrophic storm losses in 2021
+ A significant increase in losses related to wildfires
+ The rising cost of claims due to social inflation
+ A low-interest rate environment negatively impacting carrier's investment returns, and a reduction in overall market capacity as carriers recalibrate their portfolios and become more selective with capacity

	Comm'l Auto	Workers' Comp	Comm'l Property	General Liability	Umbrella	Average
Third Quarter 2021	7.4%	-0.3%	10.3%	6.3%	16.9%	8.1%
Second Quarter 2021	6.8%	0.3%	9.9%	6.9%	17.4%	8.1%
First Quarter 2021	9.0%	1.9%	12.0%	6.2%	19.7%	9.6%
Fourth Quarter 2020	9.1%	0.4%	12.9%	7.3%	21.3%	10.2%
Third Quarter 2020	11.9%	1.5%	14.2%	6.7%	22.9%	11.3%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

Source: The Council of Insurance Agents & Brokers

2022 Insurance Market Outlook

Many of the factors that led to increased pricing pressure in 2021 have continued throughout the year and will most likely last into Q4 2021 and 2022. The U.S. remains in a low-interest rate environment (which makes it hard for insurance companies to offset losses with investment income), while traditional inflation and social inflation continue to increase the cost of claims and natural disasters continue to plague the U.S. and Europe. Additionally, another tough wildfire season has been especially problematic in California and the Pacific Northwest and multiple hurricanes made landfall early in the hurricane season. As such, admitted and E&S carriers will continue to place an emphasis on disciplined underwriting and reshaping their portfolios to maximize profitability.

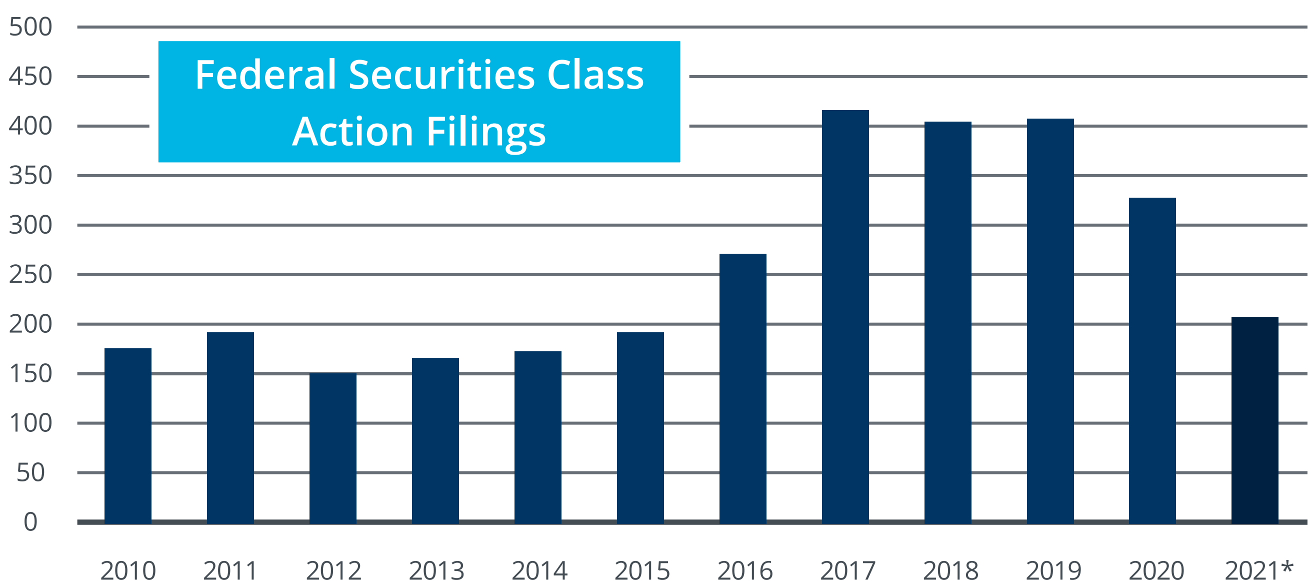
This was especially true for admitted carriers in 2021, and accounts continue to be placed in the E&S market for all industries and sectors even if they have not traditionally been placed in this market before. E&S carriers are often better equipped to implement pricing and policy language more in line with the current risks in the market. It is expected that larger **Property** and **Umbrella/Excess** programs will require more carriers to achieve their desired limits in the remainder of 2021 and 2022 as carriers once providing $15 million to $20 million layers will now offer reduced $5 million to $10 million layers.

+ **Property –** Generally speaking, there continues to be sufficient capacity in the property market, but availability and pricing are dependent on risk perception and rate. Placing **Property** risk continues to be a challenge, particularly in Texas, Louisiana and Florida due to CAT exposure and questions raised around quality control, a recent example being the Surfside, Florida condo collapse. Another challenging wildfire year is also impacting pricing and capacity for western states, specifically California, Oregon, Washington, Utah, Idaho and Colorado. Many carriers in the property market are also concerned about the ongoing nationwide shortage of building materials and labor having an inflationary impact on property values. Carriers continue to struggle with the gap between what is reported as replacement value when underwriting the policy vs. actual cost when a claim occurs. Furthermore, January is a very important month for property and casualty carriers since that is when many procure their **Reinsurance** treaties. With another year of significant CAT losses and the anticipated upward pricing pressure, this will create, all eyes will once again be on **Reinsurance** rates since these costs significantly impact pricing for carriers. An uptick in CAT loss frequency has also resulted in deductible increases for wind and hail on a percentage basis and a rise in Water Damage deductibles for hotels and casinos.

+ As admitted **Property** carriers continue to recalibrate their portfolios and evaluate how much exposure they truly want in certain geographies, the E&S market will continue to be an important outlet for property insurance capacity for hotels and casinos. Both admitted and E&S carriers remain wary of insuring property exposed to catastrophic storms (such as coastal properties) and are simply declining submissions with excess wildfire exposures. Furthermore, in states with a more litigious legal environment like California, Texas and Florida, the E&S market might be the only option for coverage – especially at the primary layers. As of Q2 2021, the E&S Stamping Office reported a 22% YTD growth in the top E&S states of California and Texas[21].
+ **Builder's Risk –** Like other markets, **Builder's Risk** policies are seeing increases in pricing and retentions not only due to significant losses because of large fires but also an increased frequency of smaller claims. Large wood frames, modular construction and renovations continue to be the most challenging projects to place. Overall, rate increases are becoming more common given the current demand and price for lumber and other building materials. Additionally, due to delays in projects as a result of labor shortages and supply chain issues, many insureds are seeking extensions, which can be problematic for carriers since underwriters' desks are full of submissions.
+ **Casualty –** Capacity in the **Casualty** market continues to be very tight in the hotel and casino space. Like other industries, hotels and casinos are finding it difficult to obtain more than $1 or $2 million in **General Liability** limits and **Umbrella/Excess** markets desire a higher attachment in more cases today at $2 million/$4 million aggregates. **Casualty** carrier decisions continue to be driven by the fear of nuclear verdicts and the overall impact inflation has on the cost of paying claims.
+ In response to COVID-19, many **General Liability** carriers added communicable disease exclusions and habitability exclusions, which are claims related to property owners failing to maintain "habitable" properties. This has again become a major focus as more variants continue to emerge and states begin to revert to stricter pandemic protocols. California tends to see the highest number of claims and losses in this category, but lawsuits from these types of claims could spread into other states as the Omicron variant permeates and stricter protocols are mandated. Additionally, vaccine status could enter the realm of the conversation for what is considered a "habitable" property, which could also provide additional uncovered issues for property owners.
+ **Excess/Umbrella** underwriters, like **General Liability** underwriters, are also very concerned about nuclear verdicts and if an insured's loss history is indicative of a potential large loss. This is especially true for companies with large auto fleets, as **Auto** continues to be a loss leader for carriers and is also starting to impact **Umbrella/Excess** pricing. Underwriters are now requiring a longer history of loss information as well as more details related to losses and any subsequent changes made to mitigate future loss. **Umbrella/Excess** carriers are typically only willing to expose $5 million within the first $10 million of excess limits. Carrier appetites above the $25 million attachment point are better, but even with excess of $25 million, we are seeing a greater need for quota share and layered participation.

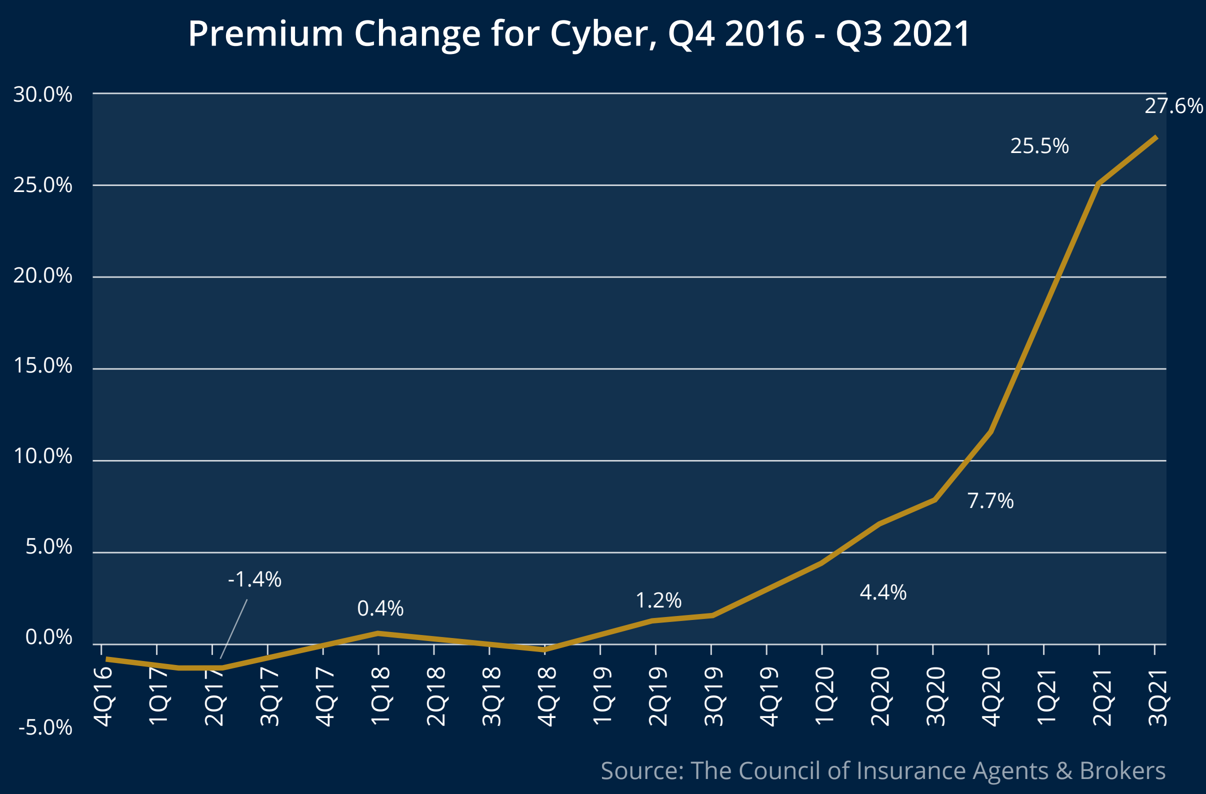
Executive Liability Update & Outlook

+ **D&O** – With the surge of bankruptcies in 2020, the rise of SPACs and M&A activity and the overall global economic uncertainty caused by COVID-19, **D&O** pricing increased significantly in 2020, and capacity shrunk across all industry sectors. However, despite these concerns, **D&O** claim filings have trended downward in 2021 compared to 2020 and even the pre-pandemic years of 2019 and 2018. Filing rates through September 2021 imply an annualized IMA estimate of 207 total filings in 2021, which would represent a year-over-year decrease of 36% compared to 2020. Given this downward trend, elevated lawsuit dismissal rates, frequency of SPAC-related litigation still evolving, new capacity entering the marketplace and an improved broader economic outlook versus one year ago, **D&O** pricing for recent renewals have consistently been more favorable than the 2020 levels. Companies considering an IPO, or a de-SPAC transaction should continue to expect elevated pricing and retentions, but both are generally more favorable than a year ago. As for REITs, underwriters are still focused on the likelihood of net asset value (NAV) decline, free cash flow generation for distribution payments and project timelines for new builds but pricing and capacity is generally favorable.



**2021 full year estimate based on actual filings through September (155)*

+ **Cyber –** With cyberattacks on the rise, real estate developers and managers would be prudent to consider a **Cyber Insurance** policy. Contrary to popular belief, the most heavily cyberattacked firms are those in the 11 to 100 (30.2% of all attacks) and 101 to 1,000 (35.7% of all attacks) employee count range, which encompasses most companies. The most common attacks are phishing, ransomware and cyber extortion and many threat actors are gaining access through unsecured Wi-Fi networks or Internet of Things (IoT) devices. As more and more high-profile attacks make news headlines, the market is responding by increasing prices and diminishing capacity. This can be seen in the chart below from CIAB, which reflects an average premium increase of 27.6% on accounts in Q3. Capacity constraints are being slightly offset by the emergence of InsurTech firms, which are moving beyond static questionnaires and using technology for underwriting or risk assessment. Regardless of the carrier, insureds will need to prove that they have sophisticated cybersecurity controls in place to even receive a quote.



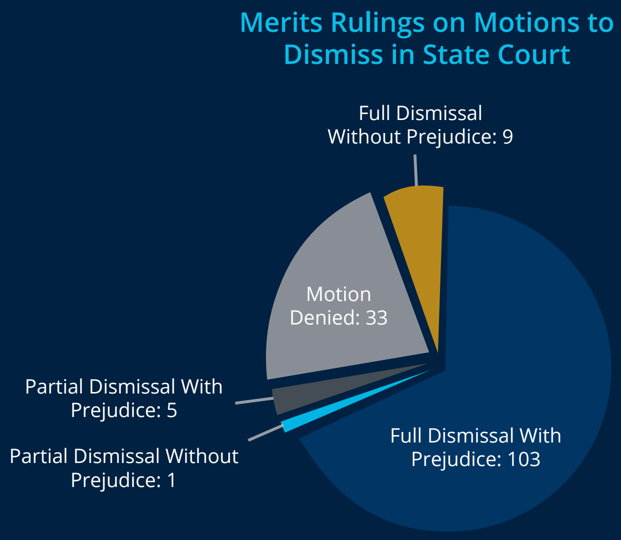
COVID-19 Related Claims & the Courtroom

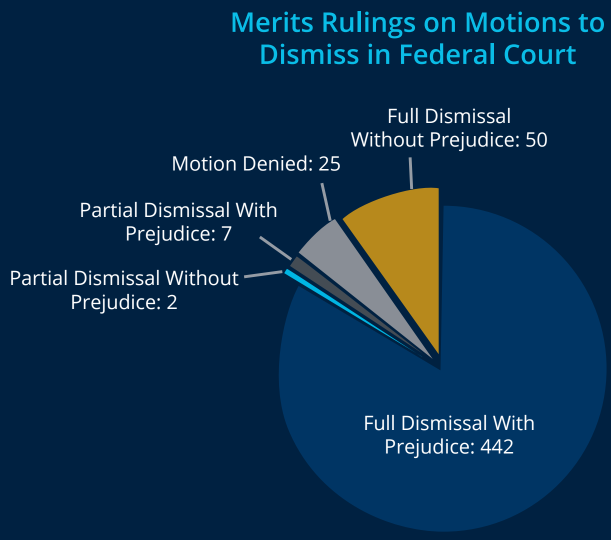
To date, insureds have not had much luck in court when challenging carriers' denial of coverage for COVID-19 related claims. According to a COVID-19 litigation-tracking effort at the University of Pennsylvania Carey Law School, of the more than 650 rulings in suits pitting businesses against insurers, more than 90% have been found in favor of insurers. As a whole, 2,088 cases have been filed in the United States with 11% coming from the "accommodations, amusement, gambling and recreation" industry category and the lion's share (694 or 33%) coming from the "food services and drinking places" industry category.

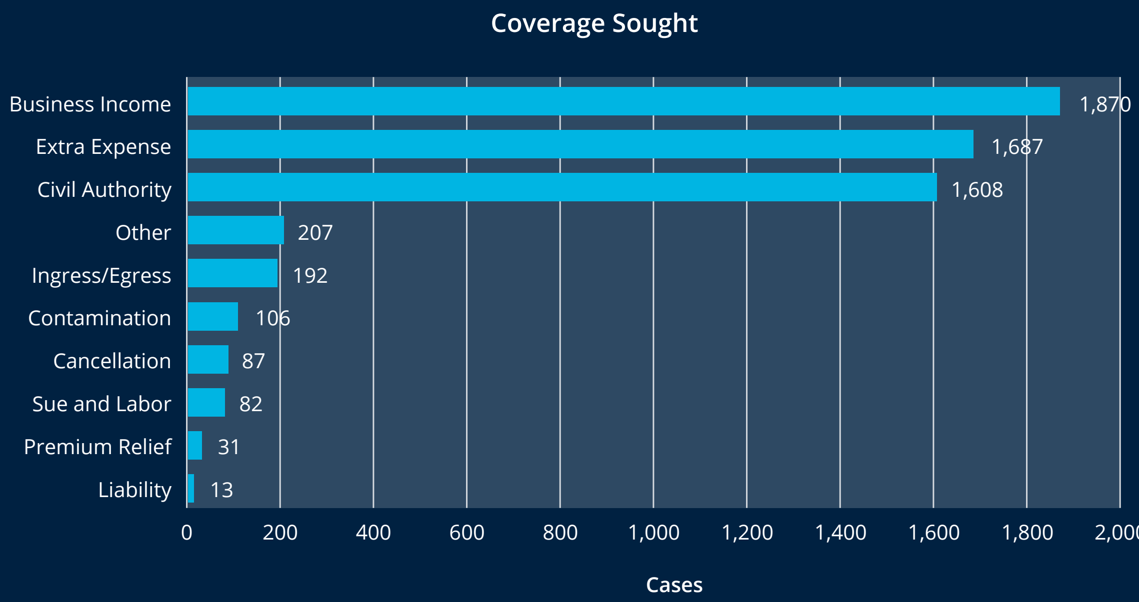
As can be seen in the charts below, most of these allegations have sought coverage under **Business Interruption** (also called **Business Income**, shortened to "**BI**") policies that have featured no virus exclusions. However, carriers have been able to successfully argue that no physical damage has been caused by the COVID-19 pandemic, which is the key requirement to triggering **BI** insurance coverage. BI coverage has a long history dating back to the early 1900s when these policies were designed to protect manufacturers from broken boilers or other failing equipment that closed factories, and physical damage has always been a trigger for coverage. As such, the coverage has been challenged many times in court throughout history, and there is strong legal precedent.

Two recent developments, however, suggest a dynamic environment that could favor insureds. The first is that such disputes are beginning to reach juries, starting with a case between a Kansas City, MO. restaurateur and Cincinnati Financial Corp (the jury ultimately sided with the insurer). In general, juries are less likely to rule in insurers' favor; as Tom Baker, William Maul Measey Professor of Law at Penn Law, told the Wall Street Journal, "if you get to a jury, you won't necessarily win."[22]

The second development is that larger, better-financed groups are entering the fray, including Major League Baseball and its constituent teams, and bringing with them law firms specializing in insurance disputes. Law360 reports that five MLB teams have filed a joint amicus brief asking the Ninth circuit court to rehear an appeal on an earlier case, requesting that the court waits for a California state court to address the meaning of 'physical loss and damage.' A ruling, in that case, is expected by February 8, 2022 and could have profound impacts on the insurance landscape.[23]


Merits Rulings on Motions to Dismiss in State Court
Full Dismissal Without Prejudice: 9
Motion Denied: 33
Partial Dismissal With Prejudice: 5
Partial Dismissal Without Prejudice: 1
Full Dismissal With Prejudice: 103


Merits Rulings on Motions to Dismiss in Federal Court
Full Dismissal Without Prejudice: 50
Motion Denied: 25
Partial Dismissal With Prejudice: 7
Partial Dismissal Without Prejudice: 2
Full Dismissal With Prejudice: 442


Coverage Sought
Business Income
Extra Expense
Civil Authority
Other
Ingress/Egress
Contamination
Cancellation
Sue and Labor
Premium Relief
Liability
1,870
1,687
1,608
207
192
106
87
82
31
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200
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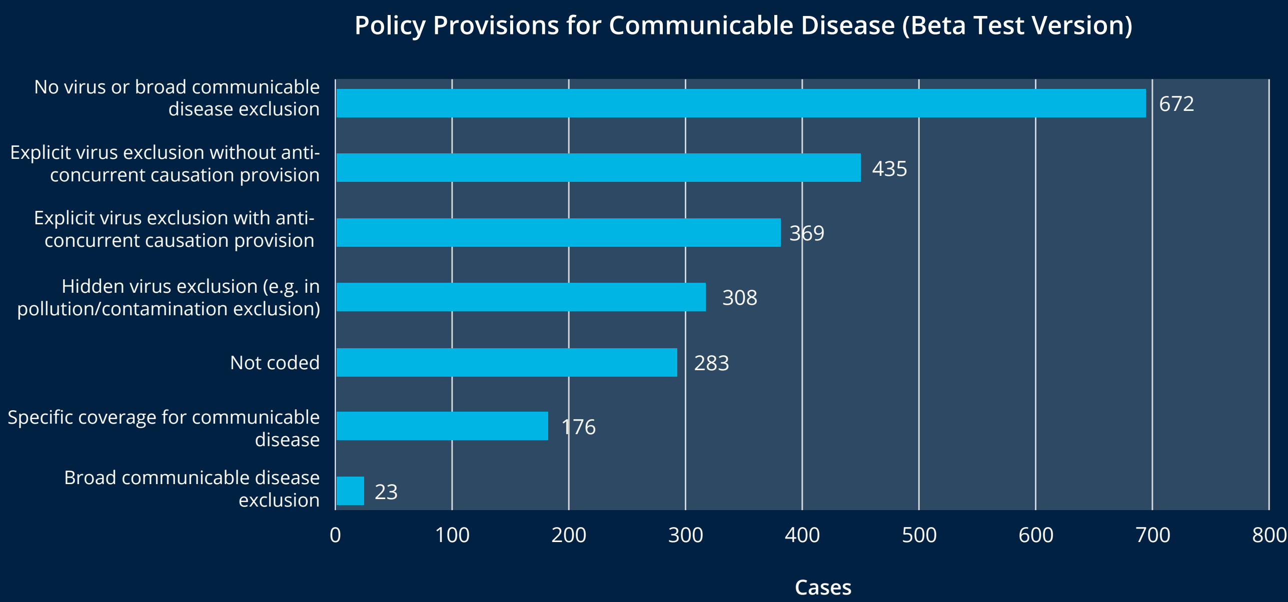
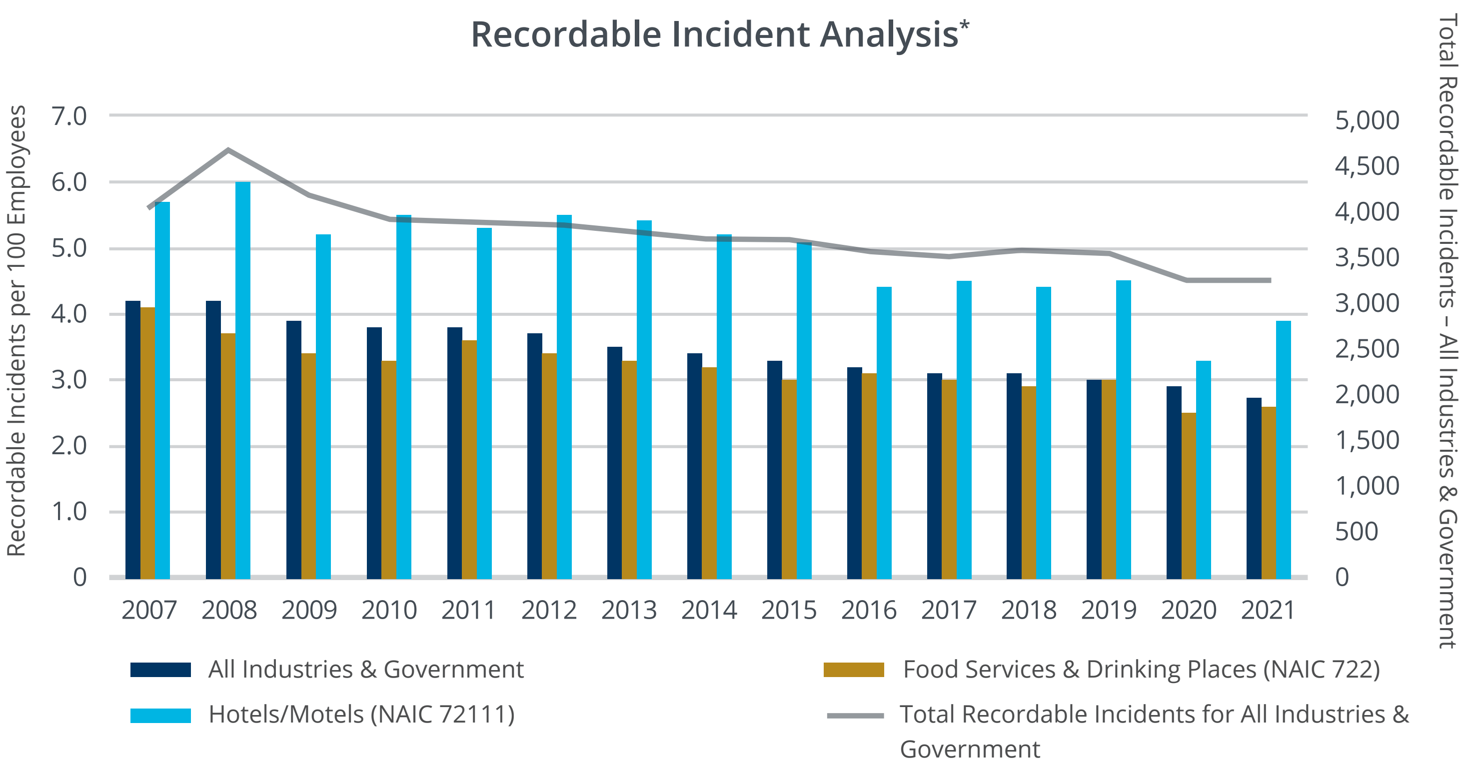
Cases


Policy Provisions for Communicable Disease (Beta Test Version)
No virus or broad communicable disease exclusion
Explicit virus exclusion without anti-concurrent causation provision
Explicit virus exclusion with anti-concurrent causation provision
Hidden virus exclusion (e.g. in pollution/contamination exclusion)
Not coded
Specific coverage for communicable disease
Broad communicable disease exclusion
672
435
369
308
283
176
23
0
100
200
300
400
500
600
700
800
Cases

Workers' Compensation Trends

For most lines of coverage, the soft market of the last decade was driven by available capacity, but for **Workers' Compensation**, it was more likely the result of a downward trend in claims. As can be seen in the graph, Workers' Compensation recordable incident rates have been declining significantly since 2008 which saw an increase correlating to the last major recession the U.S. faced. Even for hotels and motels, which have experienced a higher recordable incident rate than the national average, there has generally been ample capacity and reasonable pricing.

As many workers began to return to offices and worksites, there was concern there would be an uptick in workers' compensation claims in 2021. However, as working from home trends continued into 2021 and the emergence of new variants is causing many companies to question if they will ever go back to having everyone at the office or worksite full-time, **Workers' Compensation** claims rates continue to fall. As such, pricing and capacity continue to be favorable for most industries, and carriers will look to pair **Workers' Compensation** with less lucrative lines of coverage like **Auto** or **General Liability** to achieve profitability at a holistic account level. However, the Great Resignation has left many workers feeling stressed and having to work harder and longer hours to pick up the slack of their colleagues who have left. This is a recipe for workplace accidents, which could change the favorable **Workers' Compensation** landscape for insurance purchasers if there is an uptick in claims.



*Data source: US Bureau of Labor Statistics; data only available through 2020, regression analysis using last 14 years was used to calculate 2021 figures

Public Acts of Violence

ACTIVE ASSAILANT

Gun violence continues to rise in America. Though some might believe lockdowns would reduce public acts of violence, an article in Nature Scientific Reports estimates that the pandemic made gun violence significantly worse in 28 states and reduced the risk in just one. The Gun Violence Archive defines a mass shooting as an incident in which four or more people are injured or killed, excluding the perpetrator, and reports that as of December, that there have been 650+ mass shootings in 2021, compared to 611 in 2020 and 417 in 2019. Recent incidents include a November mass murder at a high school in a suburb of Detroit, and a September mass shooting at a Kroger grocery store in a suburb of Memphis. Over the summer, police arrested four people in connection with the seizure of 16 guns and body armor from a hotel room in Denver with a balcony overlooking the city's downtown, near the MLB All-Star Game.

Unfortunately, these horrible acts remind us that these are risks business owners must consider, particularly if the business involves large groups of people. The insurance market has responded to such incidents by creating a product covering various types of violent attacks, not just active shooters as these events can be carried out in multiple ways.

Though **General Liability** and **Business Interruption** coverage is available in the marketplace and can respond to these events, a standalone policy will be more robust and include both first-party and third-party coverages. For example, these policies typically provide medical expenses, counseling costs and funeral costs for third parties and employees, all of which may not be covered under standard **BI** and **General Liability** policies. Additionally, these policies provide ancillary support services such as dedicated crisis management and proactive loss control in order to best plan for and respond to these events. Organizations should speak to their IMA team about this product and how it can complement their risk management program.

Navigating 2022

- **Building Valuations –** The pandemic continues to have a major impact on supply chains and labor markets leading to rising prices around the world. As such, insureds should evaluate if their limits can adequately cover a total loss and rebuild in the current cost environment. To aid in confirming that values are being reported on a replacement cost basis, indices detailing cost trends by geographic area and type of occupancy are available, providing a cost trend factor to apply based on the current age of the value currently scheduled or the original value of that asset.
- **The Great Resignation –** Beginning in April 2021, the U.S. economy has experienced a great phenomenon many are referring to as the "The Great Resignation" in which workers across the country resigned from their jobs in record numbers and are not actively looking for new employment. Some are moving from low-paying roles to more lucrative employment elsewhere, and others are choosing to take early retirement. As such, many casinos and hotels are finding themselves short-staffed and are finding it difficult to attract workers back to a space that shuttered so many during the height of the pandemic. Additionally, given the state of the current job market, workers have many options and companies are really competing for talent in unique ways such as offering signing bonuses, higher wages and paying for education. Underwriters are aware of this trend and are starting to ask questions about training and hiring practices since many hotel and casino operators are having to settle for less experienced talent or overworked employees.
- **Process & Procedures Updates –** If safety processes and procedures have not been audited recently by a third party, IMA Client Advantage loss control professionals can assist in reviewing items such as root cause analysis, OSHA compliance, severe weather response, on-site safety inspections, in-person trainings and much more. Having recent records of these reviews and including them in renewal submissions can put accounts in a more favorable light with underwriters.
- **Maintenance and Inspections –** Given the recent events in Florida, many **Property** underwriters are now interested in seeing the latest engineering and structural integrity reports as part of their underwriting process. If these inspections have not been performed in a while, it would be prudent to consider having this done to appease **Property** underwriters in what has become a different segment to obtain favorable pricing and terms.

Keys to Success in 2022

- **Begin the Renewal Process Early –** The **General Liability**, **Excess/Umbrella**, and **Property** markets have become constrained and more difficult to navigate in the hard market. Additionally, many blue-chip admitted carriers in the hotels and casinos space are offering less capacity and more carriers are being required to achieve desired limits. Due to general price increases across all lines of coverage and all industry sectors, underwriters are being inundated with submissions as brokers and insureds look to minimize the additional costs. As such, turnaround times for quotes are increasing. To achieve the best results, insureds should begin their renewal processes earlier than usual as to allow for brokers to successfully canvass the market, work diligently with underwriters in detail and negotiate the best terms.
- **Preparing for Extreme Weather –** As Hurricane Ida taught us, hurricane damage can span much further than the gulf coast and the Carolinas. Protecting assets from inclement weather, even for events that do not normally impact your geographical area, may be worth investigating. IMA risk control professionals can help with this process via safety audits, helping upgrade processes and procedures and through participation with on-site trainings.
- **Multifactor Authentication –** Receiving favorable pricing for **Cyber** coverage has become more difficult in the past 18 months due to a significant uptick in claims and claim severity. Additionally, the rise in cyberattacks has generated more demand for this coverage line, which is resulting in underwriters' desks being filled with submissions. As such, many underwriters will not even look at accounts that don't have cybersecurity in place and are specifically asking questions around multifactor authentication ("MFA") protocols. Being able to provide sophisticated details on MFA procedures has become the bare minimum for underwriters to even provide a quote.
- **Highlight Safeguards –** When working through submissions documents, highlight protective safeguard features in buildings and share specific details on security systems, insurance requirements of tenants, water sensors, sprinkler systems, building enhancements and anything else that would demonstrate diligent care of property. It is important to demonstrate to carriers that insureds are investing in their properties and doing their best to protect from total losses. In a time when it is hard for accounts to get individual attention and stand out in an underwriter's stack, these details can help a submission go further.
- **Reevaluate the Cost to Get Buildings Rebuilt –** As mentioned previously, construction costs are on the rise. This is not expected to decline, as the construction industry is forecasted to see an overall increase in demand in 2021 and 2022. Insureds should look to reevaluate the cost to repair their buildings at current market prices to obtain adequate limits.
- **Highlight Maintenance Program -** Share details on maintenance programs, winterization precautions and details regarding improvements and betterments, particularly if the property is older, in an area exposed to natural catastrophes or if occupancy has dropped. After Winter Storm Uri in February and Hurricane Ida in September, many property carriers are interested in the integrity of plumbing and pipes and what insureds are doing to protect their property in cases of extreme weather. Carriers may also want to ensure that properties are still receiving planned maintenance when occupancy drops, despite negative impacts to cash flow, as leaks and other problems may take more time to notice and thus cause more damage.

More Than Just Insurance

IMA is an integrated financial services company specializing in risk management, insurance, employee benefits and wealth management. It is the third-largest privately-held and employee-owned insurance broker in the country and employs more than 1,700 associates.

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