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Q2

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Addendum to the Q2 2020 COMMERCIAL PROPERTY & CASUALTY  
MARKET OUTLOOK

*Insights from USI National Practice Leaders*

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This Addendum has been produced in response to market changes that have occurred since the June release of our Q2 2020 Market Outlook and provides information specific to the Property and Executive & Professional Risk sectors.

# PROPERTY UPDATE

## Strikes, Riots, and Civil Commotion (SRCC)

Insureds with heavy retail exposures, especially those that suffered damage in the recent riots and looting, will face additional underwriting scrutiny and potential exclusions from some markets.

- Recent renewals using London capacity have seen some syndicates pushing SRCC exclusions and showing very little flexibility. Fortunately, the entire market is not following suit.
- U.S. markets have not shown any significant pullback in coverage and are more concerned with ongoing claims related to these events.

USI suggests that property owners:

- Update carriers on the status of repairs; carriers may exclude damaged locations prior to binding coverage.
- Anticipate more underwriting questions during the renewal process, along with the potential of SRCC sub-limits and/or specific deductibles related to this peril.
- Ensure the completion of repair work as quickly as possible.
- Address locations with major damage by removing them from property programs and covering them on a Builder's Risk policy for the duration of the repairs.
- Include SRCC in Business Continuity Plans.

## Pandemic

With the ongoing pandemic and avalanche of claims, most carriers are requiring pandemic exclusions for all property renewals. In addition, we are seeing coverage changes for non-damage Business Interruption.

- Coverage for loss of income from business closures by Civil Authorities will be under pressure by carriers going forward.
- Discussions continue around the creation of a program for future pandemics, which will likely be similar to the governmental terrorism backstop program, TRIA.
- The current market for Pandemic coverage can be accessed using parametric products, as discussed in the Q2 Market Outlook.

USI suggests property owners:

- Understand their non-damage business interruption exposures and the potential financial impact of reduced coverage or exclusions.
- Contact their USI representative for assistance in evaluating parametric coverage and pricing for pandemics.

# EXECUTIVE & PROFESSIONAL RISK

## Capacity

The amount of capacity that certain carriers will deploy for one insured organization is being reduced. Carriers are monitoring closely the limits deployed across the multiple global marketplaces (U.S., Bermuda and London, i.e.) and across various related lines of coverages like Directors & Officers (D&O), Errors & Omissions (E&O), Employment Practices Liability (EPL), and Fiduciary, and making less limit available overall.

## Risks

There is an anticipation that False Claims Act (FCA) claims, or other regulatory claims, could materialize as the government audits and investigates the borrowers within the programs established by the Coronavirus Aid, Relief, Economic and Security (CARES) Act. This could impact D&O or E&O policies primarily. Also, in addition to a large backlog of open securities class action claims, the D&O market is facing payout on a recent \$600 million loss (pharmaceutical industry), which will impact many D&O insurers.

## Coverage Terms

Terms are tightening:

- Carriers are limiting the availability of optional Extended Reporting Periods (ERPs) and are raising the premium percentages charged if ERPs are elected.
- On a limited basis, for the most exposed risks, some carriers are proposing COVID-19-specific exclusions, particularly on private company D&O and EPL coverages.

## How USI Can Help

When facing less favorable policy terms at renewal and increasing risks of litigation, USI can perform a claims review and consultation with clients to ensure all known claims or circumstances are reported properly under the correct policies and policy periods before renewal. We will also secure various insurance program structure options to allow clients to make well thought out risk transfer and risk retention decisions.

Market Update	Q4 2019-2020	Q2 2020
Public Company Directors & Officers	Up 25% to 50%	35% to 100%
Private Company and Not-For-Profit (NFP) Directors & Officers	Up 5% to 20%	15% to 60%
Employment Practices Liability	Up 5% to 20%	15% to 60%

## How can we help?

To help clients navigate these challenging times USI has implemented a STEER (Steer Through Epidemic & Economic Recovery) Task Force. This cross-functional team is working to provide timely COVID-19 information, understand cross-industry and geography impact and evolving responses, and to develop and deliver tailored solutions to help clients steer through this epidemic challenge and economic recovery. For additional resources, tools, information, and links, please visit our COVID-19 resource page: [www.usi.com/public-health-emergencies](http://www.usi.com/public-health-emergencies)



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