State of the Hospital P&C Insurance Market

- Price firming appears to be continuing in second quarter with some lines now at an accelerating pace (Q2 up 19% YOY)
  - Property Insurance most impacted both domestically and globally
State of the Hospital P&C Insurance Market

- Two areas with especially noticeable increases are Property and Management Liability (D&O/EPLI/Fiduciary)

**US Composite Insurance Pricing Change — By Major Coverage Line**

**Property**
- Q4 15: -5.7%
- Q1 16: -4.9%
- Q2 16: -5.8%
- Q3 16: -3.8%
- Q4 16: -4.8%
- Q1 17: -3.7%
- Q2 17: -3.6%
- Q3 17: -3.8%
- Q4 17: 3.6%
- Q1 18: 2.9%
- Q2 18: 3.0%
- Q3 18: 3.1%
- Q4 18: 3.8%
- Q1 19: 4.4%
- Q2 19: 9.9%
- Q3 19: 12.9%
- Q4 19: 18.2%

**Management Liab**
- Q4 15: -1.1%
- Q1 16: -0.8%
- Q2 16: -2.4%
- Q3 16: -2.2%
- Q4 16: -2.5%
- Q1 17: -1.8%
- Q2 17: -2.5%
- Q3 17: -1.6%
- Q4 17: 0.0%
- Q1 18: 0.9%
- Q2 18: 1.1%
- Q3 18: 1.5%
- Q4 18: 2.8%
- Q1 19: 7.0%
- Q2 19: 11.2%
- Q3 19: 15.2%

**Notes**
- Property up 19% in Q2 2020
- Mgmt Liab now up 37% in Q2 2020
State of the Hospital P&C Insurance Market

- Analysts now say we have officially entered a “hard market” similar to the hard market of the mid-1980’s.
- Hard markets of this degree happen about four times a century

Percent Change From Prior Year, Net Premiums Written, P/C Insurance, 1978-2018 (1)

(1) Excludes state funds and other residual market insurers.
(2) Adjusted for inflation by ISO using the GDP implicit price deflator.

Source: ISO®, a Verisk Analytics® business.
State of the Hospital P&C Insurance Market

- Hospitals are being impacted by the larger market forces as well as local conditions and claims. In Kansas we are seeing similar price firming due to many factors both locally and globally.
  - Kansas Weather
  - Global Property Losses from Wildfire, Hurricane, Earthquake, etc (Reinsurance rates are up sharply)
  - KS Supreme Court Decision declaring non-economic liability cap unconstitutional (Hilburn)
  - #MeToo Movement
  - Loss of Carrier Investment Income due to near zero interest rates and COVID-19 related uncertainty in the bond and equity markets. This is the big one.

Kansas Hospital Pricing Trends

- Property: 15% - 25% (Expect increased Wind & Windstorm deductibles)
- Auto: 5% - 10%
- Medical Malpractice: 10% - 20%
- Management Liab (D&O): 10% - 20%
- Workers Compensation: 5% - 10%

- 2017 & 2018 Kansas Storms
- California & Australia Wildfire
- Hurricanes Harvey, Irma & Maria
- Uncertainty of Non-Econ Cap (Hilburn case)
- #MeToo Movement
- Deterioration in Financial Markets
State of the Hospital P&C Insurance Market

What to expect in your upcoming renewals:

**Property**
Increased underwriting scrutiny of roof condition and ongoing maintenance program.
Wind/hail deductibles becoming increasingly utilized.
Rates will follow local and national trends.

**Auto**
Increased underwriting scrutiny of driver MVRs and vehicle usage (patient transport).
Rates should fare better than national trend.

**Medical Malpractice**
Health Care Stabilization Fund has increased rates for all providers (Hospital, LTC, CMHC) per actuarial guidance.
Expect rates to move upward but remain well below national averages.

**Management Liability**
An uptick in employment claims alleging harassment (#metoo) is pressuring rates in all jurisdictions.
Kansas remains relatively very favorable in this pricing arena.
Expect modest increases only.

**Workers Compensation**
The market remains soft and hospitals are benefiting from rate decreases that will, to some degree, subsidize the overall P&C market trend.
State of the Hospital P&C Insurance Market

What to expect in your upcoming renewals:

<table>
<thead>
<tr>
<th>Leased Location Contents Only</th>
<th>Bldg less than $5MM TIV</th>
<th>Bldg/Roof less than 50k sq ft and greater than $5MM TIV</th>
<th>Bldg/Roof between 50k -100k sq ft</th>
<th>Bldg/Roof greater than 100k sq ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Other Peril Deductible Applies</td>
<td>$10,000 w/h deductible</td>
<td>$50,000 w/h deductible</td>
<td>$100,000 w/h deductible</td>
<td>$250,000 w/h deductible</td>
</tr>
</tbody>
</table>

TIV = Total Insured Value
State of the Hospital P&C Insurance Market

What should your hospital be doing now?

Trusted relationships are more important now than ever. KHSC has negotiated superior program rates, coverage and value-added services from the following partners:

- Chubb insures more hospitals than any other carrier in US.
- Superior hospital specific coverages and KHSC group influenced pricing and terms.
- Partnership facilitated by Conrade Insurance Group.

- KAMMCO is the endorsed partner of the KHA and participates generously in all KHA initiatives.
- Unmatched claims handling and defense success rate.
- Partnership facilitated by Conrade Insurance Group.

- Cincinnati Hospital Management Liability program (D&O/EPLI) is the most competitively priced hospital specific coverage form in the market.
- Unlimited access to employment legal assistance – no additional charge.
- Partnership facilitated by Conrade Insurance Group.

- The KHA Workers Compensation Fund provides superior value to Kansas hospitals.
- KHA Work Comp Fund has never non-renewed a member or not provided terms to a member.
- Dedicated claims handling and loss control provided by professionals with close working knowledge of hospital operations.
For more information about KHSC programs please contact:

Chris Conrade, CIC
cconrade@conradinsurance.com
Direct: 316-999-8014