E&O and the insurance market: Insights from the COVID-19 pandemic

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Agenda

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Section 2: Hardening market in a recessionary environment

Section 3: Increased Perception of Risk

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Issues transacting insurance in lockdown

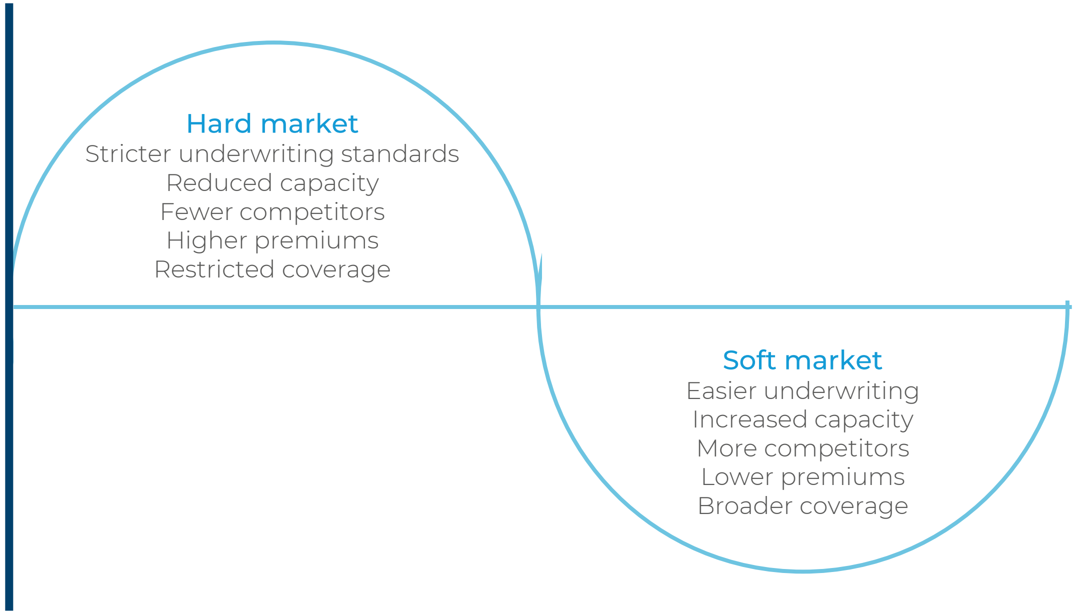
Top three issues:

- No face-to-face interactions
- More time on video calls
- Ban on travel

Generally more interaction with brokers, more calls discussing risks and more communication via email.

Hardening market in a recessionary environment

- Premium increases
- Restriction in insurer capacity
- Ever-changing and tightening business appetites
- More shopping of business & the coinciding slow down in service levels from many Insurers
- Simultaneous impact of the pandemic on business
- Unparalleled and unprecedented market conditions

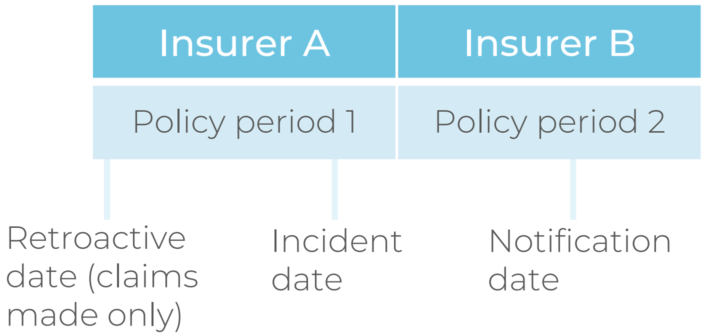


Increased perception of risk

A reduction in revenues does not always mean a reduction in exposure

Businesses have taken a hit financially, however:

- Business services are evolving because of market conditions
- Insureds are taking on more complex contracts to make up for lost ground
- Other companies will likely try and recoup costs caused by any delays in projects
- Companies will have less money to invest in risk mitigation controls
- Previous acts and revenue amounts still need to be considered



Retroactive cover vs. loss ratio

Typical retroactive/loss ratio progression

RDI	Premium	Claims incurred	Loss ratio
RDI	$3,500,000	$600,000	17%
+1	$3,000,000	$1,000,000	33%
+2	$3,100,000	$1,400,000	45%
+3	$2,800,000	$2,250,000	80%
+4	$2,500,000	$2,075,000	83%
+5	$2,000,000	$1,750,000	88%
+6	$2,000,000	$1,850,000	93%

Worsening loss ratio as retro cover increases

New exposures arising from COVID-19

Will customers really be more vulnerable to damaging claims because of the virus?

- Increased exposure attached to some services:
    - Long-term care facilities / nurses
    - Marine and aviation industries
    - Directors & officers
    - Travel
- Skyrocketing cyber claims
- BI claims
- Event and contract cancellation
- New regulatory challenges

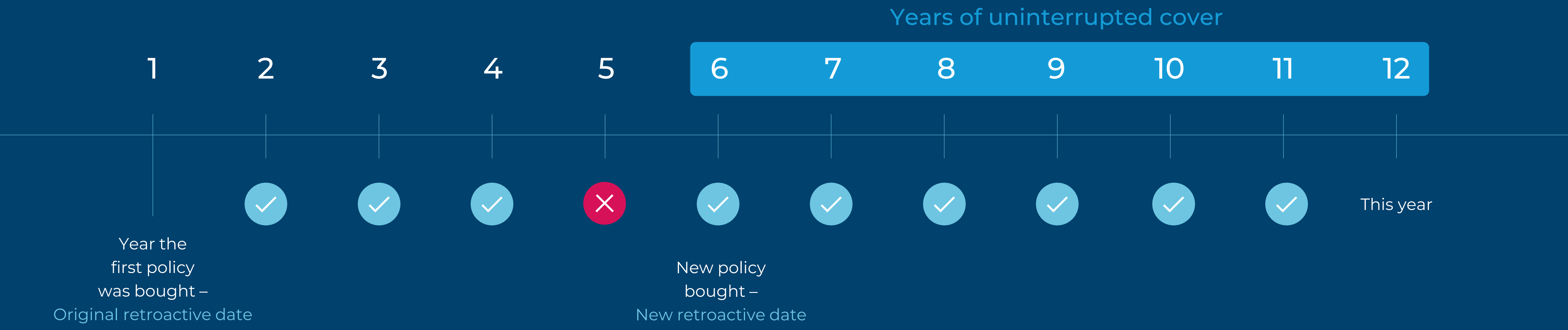
Claims-made policies, prior acts, ERPs and the folly of lapsing cover

A claims-made policy provides cover for claims that are made during the policy period

Key points to consider:

- Knowledge of the retroactive date is key
- When cover is lapsed or cancelled mid-term, the retroactive date refreshes
- Essential to consider brokers E&O exposure and contractual requirements
- Extended reporting periods are akin to run-off / tail coverage

Retroactive cover



Questions?

Thank you

Further queries?

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