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# Easing the pain for nonprofits

Insurance for nonprofits is under pressure from both hardening market conditions and the impact of the COVID-19 pandemic. *IBA* examines what brokers can do to provide relief

**HARD MARKET** conditions that intensified through 2019 set the tone early for a difficult 2020 in the nonprofit insurance sector. Commercial carriers began narrowing their appetite, increasing rates and, in some cases, completely exiting the market.

"This hardening market was happening across multiple lines like auto and property, extending beyond the nonprofit sector," says Steve Parkhurst, senior vice president at Heffernan Insurance Brokers. "We've seen increased losses in commercial auto, where heavy fleets in the nonprofit realm are getting hit hard because carriers are having a tough time managing those claims."

Added to that are stresses related to the COVID-19 pandemic and the subsequent pullback in nonprofits' operations. Many community-based organizations are now seeing even more dramatic premium increases and severely reduced limits, with no end in sight. All the while, many of these nonprofits are on the front lines, providing services to those in need during the pandemic.

Given the challenging conditions, "some commercial carriers are deciding not to underwrite at all but instead choosing to exit the nonprofit sector," says Pamela Davis, CEO of Nonprofits Insurance Alliance (NIA). In NIA's recent national survey of nearly 300 brokers and agents, more than half of respondents reported that commercial carriers weren't renewing entire classes of nonprofits; those working with animals, children and senior citizens were especially hard-hit. Organizations that offer residential facilities, such as domestic violence shelters, and addiction treatment programs have also been impacted.

"It's hard for clients to understand these increases because they aren't related to the loss history of that client," Parkhurst says, adding that many of these changes are a result of catastrophic losses in the property & casualty market from wildfires and other devastating natural disasters.

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>
> Steve Parkhurst, Heffernan Insurance Brokers

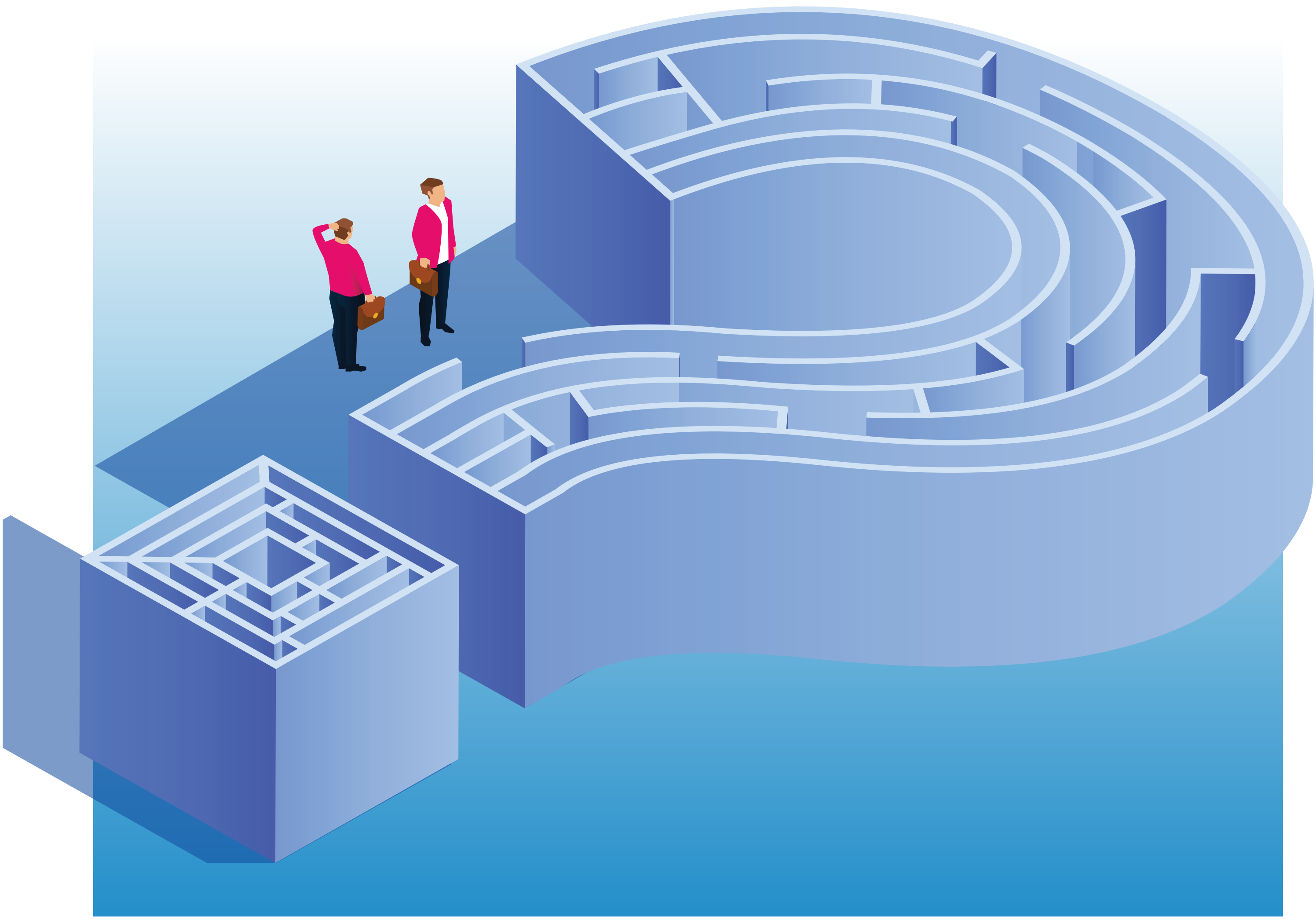
For carriers that continue to write business, Parkhurst says underwriters are requiring more detailed information on the risks. This could involve additional COVID-19 questionnaires that need to be completed for any renewal business or new submissions. In some cases, carriers have implemented an interview process to ensure all necessary precautions are being carried out to keep employees and operations as safe as possible. And it's not just about setting up guidelines – underwriters want to know they are being enforced.

The nonprofit insurance sector is vast, making it a challenging arena for many insurers. Nonprofits can range from large organizations like the American Civil Liberties Union to community associations that provide front-line services for people with disabilities or the elderly. They also encompass animal rescue services, food banks and children's services.

"It's been feast or famine," says Paul Doman, specialty care loss control director at Nationwide. "We've had customers that have been completely shut down, and we have other customers that have ramped up their business. An example might be a YMCA – they're shut down, but the food bank has ramped up their business significantly, so they're adding space with new buildings and people."

### Winds of change

Due to the uncertainty of the pandemic, Parkhurst says another challenge is that many carriers are requiring added sign-offs on new



policies and renewals, resulting in longer review times. In addition, any changes to protections or government statements results in increased phone traffic as insureds call brokers and carriers with questions that arise.

The biggest challenge, however, is that most nonprofits run on very tight budgets. There are approximately 1.3 million charitable nonprofits across the United States, 97% of which have annual budgets of less than $5 million, according to the National Council of Nonprofits. With the sudden changes in exposures and operations brought on by COVID-19, many nonprofits were forced to make difficult decisions that could result in shutting down programs or services.

"Many of these nonprofits are in the business of caring for the most vulnerable and have established protocols for providing that care," Davis says. "Nonprofits should be in the habit of reviewing their operations with their broker or agent regularly to ensure any changes in how they are providing services, such as using volunteers or new services they are providing, like transportation, are covered by their insurance policy."

In light of shelter-in-place orders and remote work, Davis says claims volume for certain lines, such as commercial general liability and auto, is on the decline; however, there has been an increase in vandalism on idle vehicles as a result of the pandemic.

Parkhurst says it's difficult to recognize claims trends associated with COVID-19 this early on, but he has noticed that carriers are scrutinizing policies a bit more closely when

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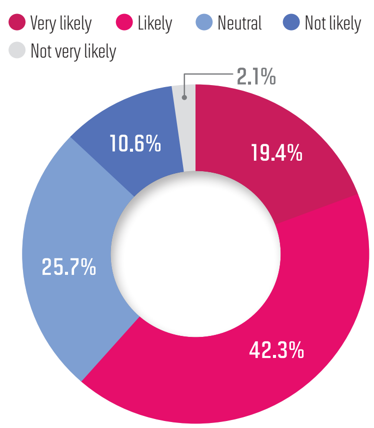
# SECTOR FOCUS: NONPROFITS

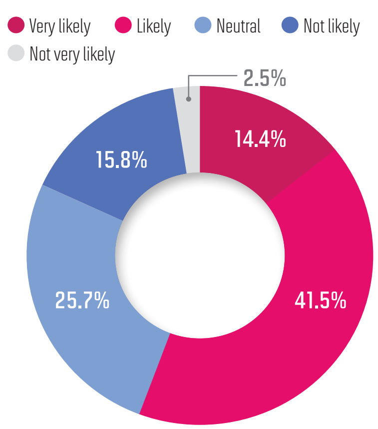
## NONPROFIT INSURANCE MARKET SNAPSHOT

According to the Nonprofits Insurance Alliance's recent State of the Market survey, nearly two-thirds of agents and brokers believe nonprofits are likely to face rate increases of more than 25% this year, and more than half of brokers believe nonrenewals are likely.

How likely are commercial carriers to raise prices by 25% or more on certain classes of nonprofit organizations?




How likely is it that some commercial carriers will not renew certain classes of nonprofits without regard to loss history?




Source: State of the Market Survey 2020, Nonprofits Insurance Alliance

it comes to health-related nonprofits, such as group homes or senior care, as they are more susceptible to the spread of the virus.

"Carriers are taking different stances on risk and exposure for different nonprofits," he says. "It's about finding the diamond-in-the-rough carrier right now, and as brokers, we need to do a bit more digging to make sure all options are on the table."

With more people working from home, Parkhurst expects an uptick in cyber claims, as there are fewer protections around home networks. Given the layoffs caused by the pandemic, he foresees a spike in employment practices liability claims as well.

### Mitigating risk

Brokers and agents should urge their nonprofit clients to ensure they're following every protection and precaution available. At minimum, clients need to be following CDC recommendations for personal protective equipment (PPE) and OSHA guidelines from a workers' comp standpoint to protect employees, Doman says.

"We would see that as the starting point for protecting employees because most of these nonprofits will have services where they're meeting one-on-one with clients," he says.

In addition, nonprofits should implement increased spot checks and monitor employees to make sure they're wearing PPE correctly and properly sanitizing. Temperature checks are an added precaution, and anyone who is sick should stay at home.

Brokers and agents can also help nonprofits by understanding the needs of each organization to help them find the appropriate coverage. Looking at policy wording carefully is also crucial because not all coverages are alike, especially when it comes to debatable items like business income interruption during the pandemic.

"Many insurers are now putting pandemic exclusions on all their policies, while others are excluding the risk of sexual abuse or severely limiting their coverage options," Davis says. "Brokers and agents need to stay up to date and understand that not all carriers are taking a sledgehammer approach to underwriting."

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The hard market conditions in this segment are expected to continue for some time. That's bad news for nonprofits, which can expect year-over-year rate increases at a time when they're struggling to meet increasing demand for their services. In some cases, it could become difficult for nonprofits to find the insurance they need. However, Parkhurst says there are new coverages coming out specifically to cover pandemics and other future challenges.

"It's hard to say how nonprofits will be impacted going forward, as there's a lag time in the insurance industry, and I don't think we've seen the total impacts of COVID-19 yet," he says. "In the meantime, brokers need to learn about the new solutions that are hitting the market, and we simply have to keep our fingers crossed for an end to the virus." IB