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# 2024 Trends impacting senior living insurance programs

As we approach 2024, it is important that senior living and care providers understand the insurance trends impacting the industry and how to navigate them.

"Recognizing insurance trends and creating a plan through budget preparation, insurance program structure, risk transfer, and risk management with an expert that understands the unique nuances of senior living will improve your total cost of risk," says Marty Butler, Senior Living Practice Leader for Marsh McLennan Agency.

While no crystal ball can provide definitive answers, here are some key trends to watch in 2024.

**Recent weather-related losses and your property renewals**

According to Marsh's Q2 2023 Global Insurance Market Index, US property insurance rates increased 19% on average year-over-year in the second quarter this year, the 23rd consecutive quarter of rate increases. The property market is particularly challenging for senior living providers with frame construction building profiles.

"We are seeing insurance companies continuing to put pressure on realistic insurance-to-value requirements, affecting both rate and values," says Butler. Reinsurance and insurance companies alike remain concerned about how weather-related risks will continue to affect property capacity.

In addition, underwriters are seeing an unprecedented level of submissions due to significant price increases and lack of capacity within the property market.

"Verify that your broker has access to property modeling analytics and is providing a quality submission for market consideration 120 days in advance of the renewal to ensure the best outcome," advises Butler.

**Social inflation, nuclear verdicts and your total cost of risk**

"The general and professional liability marketplace is showing signs of mild softening and rate stabilization," Butler adds. In 2022 and 2023, new insurance carriers entered the arena, adding more capacity, which should lead to more rate stability and increased competition. Insurance carriers are still selective and cautious on accounts with difficult loss histories and in litigious jurisdictions.

"In these higher-risk cases, it's important to note, insurance carriers are often proposing lower limits, larger deductibles/self-insured retentions, and sub-limiting some coverages to reduce the total premium spend," warns Butler.

There has been an increase in utilization of self-insured programs, such as captives and risk retention groups, which also puts competitive pressures on the traditional insurance marketplace.

"For those communities that may be in a litigious venue or have

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loss ratio pressures, an emphasis on customer service is crucial. Strong customer service programs include resident/family engagement, resident satisfaction survey process, empathy, responsiveness, customer service recovery, apologizing without admitting fault, defensive documentation and inter-colleague communication," advises Michael Rivas, Executive Vice President of Risk Services at Marsh McLennan Agency.

Furthermore, social inflation in the senior living industry often includes the phenomenon of "nuclear verdicts" or higher jury verdicts and court awards. Mitigating liability risk can help reduce the chances of these verdicts. This includes setting detailed and specific ligation guidelines to ensure expectations are clear between the senior living organization and the legal team.

It's important to evaluate case exposures and set values early on.

"Knowing what to expect sooner rather than later can help ensure preparedness of the financial impact claims will have on the organization," adds Leslie Kaderavek, Vice President of Third-Party Administrator Services at Marsh McLennan Agency. "A strong risk management program that relies on claim analytics to dictate where to best invest time and money could also help minimize liability risk."

### Staffing shortages and increased workers' compensation costs

According to data from the Bureau of Labor, nursing homes and residential care communities lost 425,000 employees during the COVID-19 pandemic. As a result, an increasing number of senior living providers are depending more heavily on staffing agencies to fill employee vacancies.

Senior living organizations need to be aware that the utilization of agency staff has the potential to increase both workers' compensation and professional liability exposures for a variety of reasons, including unfamiliarity with the care practices and resident population.

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>
> — Leslie Kaderavek, Marsh McLennan Agency

"Understanding the risk associated with agency staff and implementing a communications and training program specific to each position can help mitigate the potential for an adverse event. In order to ensure you have a solid understanding of the contractual terms of agreement and indemnification between the staffing agency and senior living organization, have contracts reviewed by an attorney," suggests Butler.

According to Marsh, workers' compensation rates were up 5% on average in the second quarter. However, anecdotally, Butler adds, she is generally seeing rates remain flat or with decreases around 2% to 6% in the senior living sector.

"Market competition in this area remains advantageous. The use of nurse triage programs has reduced costs of workers' compensation claims overall," notes Rivas.

### Economic inflation and the rising cost of labor

Economic inflation can have a substantial impact on the bottom line, especially for employee benefits programs. Significantly, it can influence the cost of labor.

As wages and benefits for employees increase, senior living providers should ensure their employee benefits solutions are customized to their specific needs and include cost-saving strategies.

Overall, providers should work with an insurance broker with senior living expertise to ensure a comprehensive insurance program is in place to respond to the fluid business trends in 2024. ■

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