How to Prepare for 2021: Insights from NRMC Advisors

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In early 2020 NRMC formed a Corporate Advisory Committee (CAC); the employers of CAC members provide financial support for NRMC's educational mission. We invited members of this new advisory team for their insights on the impacts of COVID-19 and the recession, as well as their ideas about how to best prepare for 2021.

For this article we interviewed the following five members of the CAC:

Kevin N. Duke, CPCU, MBA, Divisional Senior Vice President, Great American Insurance Group-Specialty Human Services (CAC Chair)

Melissa Bradley Musser, CPA, CITP, CISA, Principal, Risk & Advisory Services, GRF CPAs & Advisors

Christopher M. Hale, Program Director, Care Providers Insurance Services, a division of NSM Insurance Group

Derek S. Symer, Principal, Senior Vice President, AHT Insurance

Scott R. Konrad, Senior Vice President & Not-for-Profit Practice Leader, HUB International Northeast

Q. Can you share an example of a nonprofit client that was uniquely prepared to pivot?

Scott: The simple truth is that the COVID-19 pandemic seemed to catch everyone by surprise. No one's had an easy time of it, especially cultural institutions that depend on visitor traffic, and human services providers that had to step up and provide emergency services without corresponding revenue.

One of my clients, though, is a household-name nationwide public advocacy organization that's been in the news a lot since the last presidential election. After Superstorm Sandy in 2011, the organization intensified its enterprise risk management programming and retooled its operational resiliency and crisis management plans to address virtually every contingency. While this year's 'black swan' event was probably the last thing anyone expected, this particular organization turned on a dime to suspend headquarters operations and send its workforce home to work remotely—with elaborate cybersecurity precautions. Although the organization had to cancel some events, they were planned mainly for awareness and civic engagement, so I don't think the cancellations had a material effect on revenues. Thankfully, donors have continued their loyal support.

The takeaway here is, as the old adage goes, "a stitch in time saves nine." By having a comprehensive game plan at-the-ready, my client was able to navigate a rough patch. Now we're planning for the eventual resumption of normal operations in a way that protects associates, clients, business partners, and the general public.

Q. What are you seeing with respect to the insurance-related impacts of the

pandemic and recession?

Christopher: During these unprecedented and challenging times, nonprofits that we serve have had to adjust how they meet the needs of their clients. From offering more online services to partnering with other agencies to ensure the availability of temporary housing, the pandemic has changed the way that many nonprofits operate. We're working with these organizations to ensure that their insurance policies provide coverage for these new and/or temporary locations, as well as working to ensure things such as cyber liability are in place given the changes in operations.

Derek: At AHT, we are seeing turbulence in the Management Liability space (D&O and EPLI) with several prominent insurers swiftly increasing premiums, attaching significant exclusions, or even lowering the total limits they are willing to extend for certain risks. There is legitimate concern about solvency and the potential for litigation resulting from reductions in force and layoffs. Management and board decisions will be under careful scrutiny in the months ahead and D&O insurers carriers are trying to get ahead of the curve. In the cyber realm, we've seen some modest rate pressure on renewals with insurance carriers trying to get their cyber premiums in line with the pace of cyberattacks. In the general business realm, some insurers are attaching Pandemic or Communicable Disease exclusions on General Liability and Umbrella policies. This is not 100% across the board but increasingly frequent.

Kevin: The pandemic has created further disruption within the already-disrupted insurance industry, which has led to a little more uncertainty which in turn leads to higher pricing. There is a lot of disruption with social inflation, higher jury verdicts, active plaintiff bars, etc., all of which, when combined with the pandemic, lead to more difficulty placing some lines of insurance and, likely, higher rates. Beyond the pricing impact of the pandemic is the coverage impact. It is important to carefully read and fully understand your coverage; a specialized and highly qualified agent or broker can help you navigate this evolving marketplace.

Scott: I've likened the timing to a 'perfect storm' of circumstances. Even before the pandemic, the global insurance marketplace was in a state of 'correction' characterized by higher rates, more rigorous underwriting, new coverage limitations, and reduced capacity. Those trends have accelerated, but now we're also seeing new communicable disease exclusions and, I think, even more conservative pricing as insurers anticipate future COVID-related losses.

Charitable organizations are feeling the squeeze especially hard, since their revenues, including endowment returns, have been battered at the same time their expenses have jumped. We see some organizations looking pretty ruthlessly at their insurance portfolios and making surgical changes—whether by reducing limits, assuming higher deductibles or retentions, or even foregoing some coverages. My role as a strategic risk advisor is to help nonprofits make rational, objective decisions—and as an intermediary, to strike the best balance between the amount of protection purchased, the level of risk retained, and the resulting premium.

As a life-long practitioner, I've been saddened to see our industry tarnished by some very vocal business owners and lawyers who've claimed that insurers are shirking their responsibilities by refusing to pay COVID-related business interruption claims. Claims are adjudicated according to the contract language, and most policies are crystal-clear in requiring direct physical loss or damage before triggering business interruption coverage, even for interruption resulting from the action of civil authority. It's not an eleemosynary decision for insurers. I imagine I'll be long-retired before this is resolved through our courts–at huge expense to all.

In the same vein, I think some politicians have been misguided in introducing legislation that forces insurers *retroactively* to pay pandemic-related BI claims – under policies for which no such risk was ever contemplated, no coverage intended, and no premium charged. That'll take a tough market and make it impossible. Insurers will exit those unfavorable jurisdictions, and buyers will have to contend with the dynamics of supply-and-demand. The best societal solution is a federally-funded backstop along the lines of the Terrorism Risk & Insurance Act (TRIA), which enables insurers to sell terrorism protection without absorbing all of the risk themselves.

Q. What advice would you offer to nonprofit teams during this challenging time?

Christopher: The work of nonprofit organizations has never been more important. The vital role of nonprofits

should inspire leaders to take full advantage of resources available from agents, carriers, and other resources like the Nonprofit Risk Management Center.

Scott: Don't go it alone. An organization's risk and insurance advisor is as important a business partner as its CPA, lawyer or banker, and ought to be on every nonprofit executive's speed-dial. Whether by helping to develop risk management policies, review key contracts, negotiate broad asset protection, or reduce claims outflow, the right partner can be a genuine catalyst for your mission.

Kevin: My advice would be similar to the advice I offer my own teams: take care of yourself too! With so many people working in a different environment or a different manner, it is easy to become mired in work and constant news cycle of COVID-related concern. Take mental health breaks, hikes, walks, exercise, eat well, and try to limit time spent focused on work to what a normal schedule would be, as much as possible. Beyond that, focus on what is within your control and do not be afraid to be creative in crafting new ways to meet the needs of the underserved in your community. A good insurance carrier dedicated to nonprofits will see this as a benefit and will look to help you grow your organization in a meaningful and safe way.

Q. What is one thing that nonprofits can and should be doing to get ready for 2021?

Kevin: I would recommend using 2020 to fully review policies and procedures to more appropriately manage your risks and also craft a narrative that highlights why your nonprofit is a "best-in-class" organization that embraces risk management. While some services may be stalled due to the pandemic, doubling down on Risk Management, Business Continuity Planning, and exploring Enterprise Risk Management will yield benefits once back fully up and running.

Melissa: Nonprofits should be looking at COVID-19's impact on humanity at-large and how the organization may want to change its strategy accordingly, from small micro-level changes to entire systems of operation.

Christopher: A thorough review of your business continuity plan is critical. Understanding the impact to operations and discussing those with your agent/broker, as well as your carrier partners is key to avoiding gaps in coverage in a changing environment. A well laid out Business Continuity Plan helps organizations identify possible insurance coverage needs and also better plan for the allocation of resources.

Derek: Nonprofits need to ensure that their technology platforms are aligned with operational needs, whether that is holding virtual conferences, helping facilitate appropriate staff communication, or simply delivering their services. Reach out to your networks; the global pandemic has changed us and the "new normal" is still taking shape.

Scott: Although it may sound self-serving, I'd say it's a good time for any organization to re-evaluate the integrity and relative value of its insurance protection—particularly if it's been running on autopilot for a while. I'm continually surprised by the missed opportunities and structural 'gotchas' I find when doing a deep-dive qualitative assessment. Now, maybe more than ever, nonprofits need one less area of uncertainty to contend with.

Resources!

Several of the firms represented on the CAC offer webpages filled with helpful resources related to the current pandemic. We're pleased to share these resources with our Risk eNews readers:

GRF CPAs & Advisors offers the following COVID-19
Resources: www.grfcpa.com/resources/covid-19-coronavirus-response-2/

GAIG offers resources to its policyholders at www.SpecialtyHumanServices.com, including COVID-specific resources.

AHT Insurance offers the following:

- ahtins.com/pandemic-ultimate-wrench-in-your-plans/
- asaecenter.org/resources/articles/an_plus/2020/april/how-to-implement-better-cyber-hygiene-practices-as-employees-work-remote

- ahtins.com/coronavirus/