



# INSIGHTS FROM THE 2020 LIABILITY BENCHMARK FOR SENIOR CARE PROVIDERS

March 18, 2021



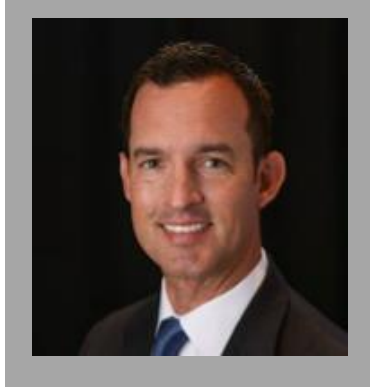
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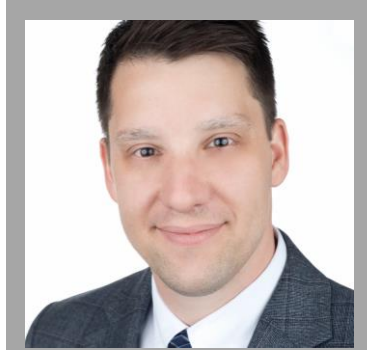
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# WELCOME & INTRODUCTION TO TODAY'S PANELISTS



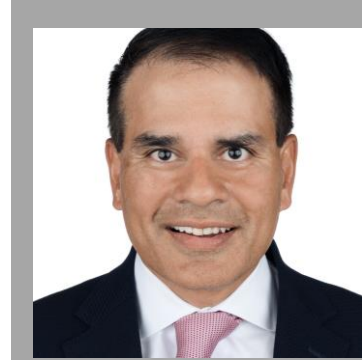
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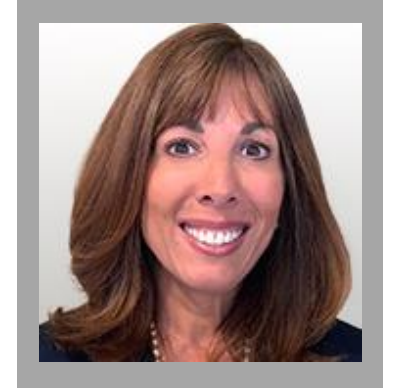
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# AGENDA

- Introductions
- Federal and State Liability Protections
- 2020 Long-Term Care Professional and General Liability Study
- Insights and Report Summary
- Q&A



 OLIVER WYMAN  MARSH

# FEDERAL AND STATE LIABILITY PROTECTION

Scott Tittle

Executive Director, National Center for Assisted Living (NCAL)

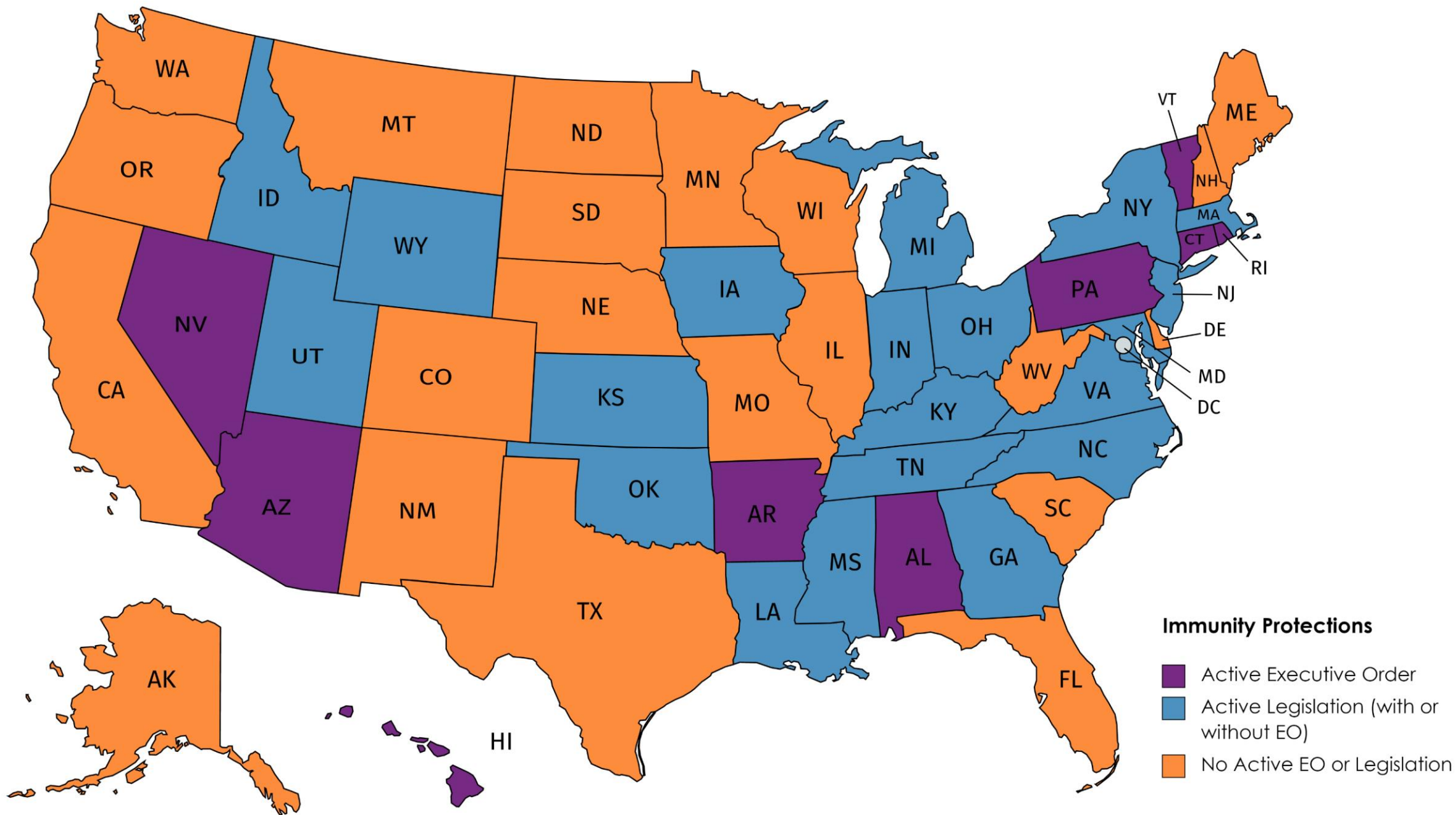


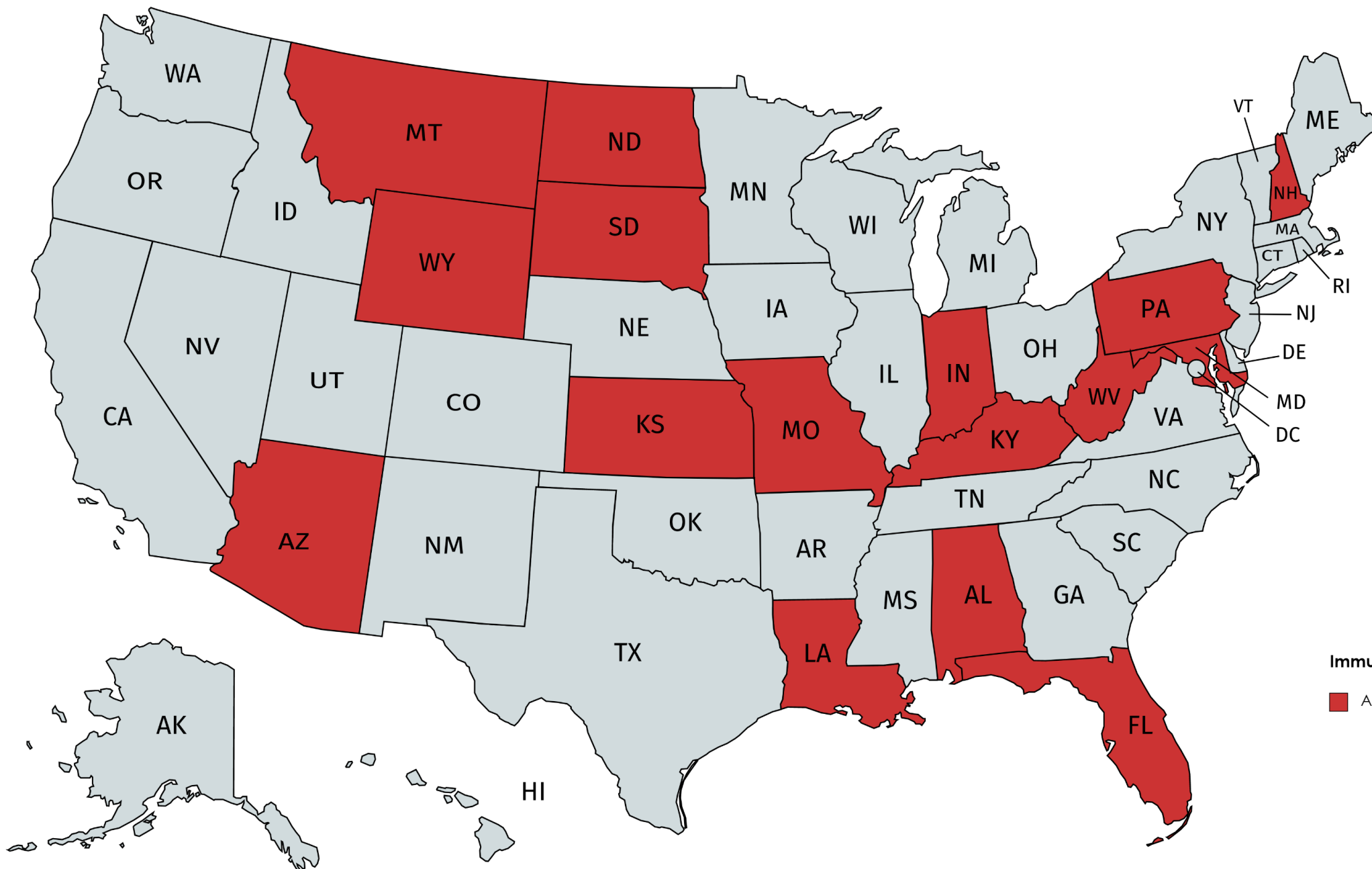
# Federal and State Immunity Advocacy Effort

- July 2020 – Georgia Results = Senator McConnell's number one issue
- 2021 Congress = New Administration + Majority
- PREP Act
- State Level Liability Protection









**Immunity Protections**

■ Active Legislation Pending





OLIVER WYMAN MARSH

# 2020 OLIVER WYMAN AND MARSH PROFESSIONAL AND GENERAL LIABILITY BENCHMARK FOR LONG- TERM CARE PROVIDERS

Actuarial Analysis

February 2021



# PURPOSE OF OLIVER WYMAN'S INITIAL STUDY

- Estimation of countrywide and state-specific trends separately for claim costs, severity, and frequency.
- Estimation of countrywide and state-specific claim costs.
- Examination of the relationship between indemnity costs compared to expense costs.
- Review of the accident year by report year relationship.
- Analysis of the cause of loss descriptions.

## FUTURE ENHANCEMENTS

- Analysis of the relationship of a 5-star CMS Rating and claim costs and trends.
- Examination of the effect of arbitration agreements on settlement values.
- Review of the effect of the COVID-19 pandemic.

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Our analysis is based on data through December 31, 2019, and therefore, does not consider the effect of the COVID-19 pandemic

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# DATABASE AND COLLECTION METHODOLOGY

32

**Long-Term Care Providers**

\$1.84B

**Paid Indemnity and Expense**

over the past 10 years

11K

**Closed Claims**

over the past 10 years

- Results found in this study are based on calculations of participant provided data.
- Claims with payments less than \$500 were excluded to remove any bias from nuisance claims.
- Claims are limited to \$1 million per occurrence to limit the impact of large claims on the results.
- Focus of this analysis was on closed claims data. By examining paid indemnity and expense we eliminated the need to develop open claims and eliminated the differences in reserving practices between participants.



# **COUNTRYWIDE FINDINGS**

# 2021 PROJECTIONS

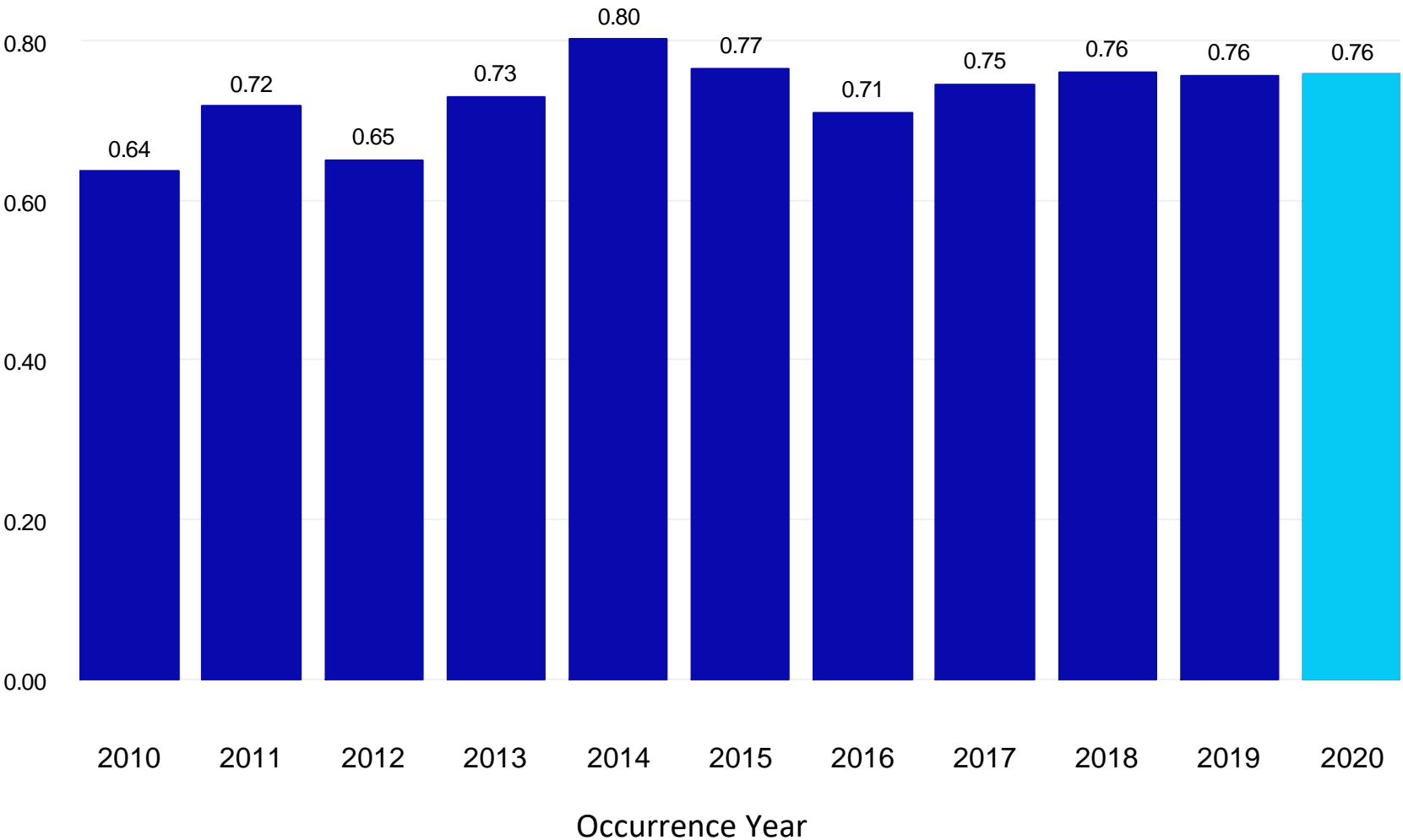
## Indemnity and Expense Limited to \$1 Million per Occurrence

Component	2021 Projection	Assumed Annual Trend
Frequency	0.76	0.4%
Severity	\$227,900	2.7%
Loss Rate	\$1,730	3.1%

- Claim frequency is the number of claims estimated to close with payment per 100 occupied beds.
- Claim severity is the average ultimate size of a claim estimated to close with payment.
- Loss rate is the cost to pay indemnity or expense per occupied bed.

# THE ESTIMATED ULTIMATE FREQUENCY HAS REMAINED RELATIVELY FLAT OVER THE PAST FEW YEARS

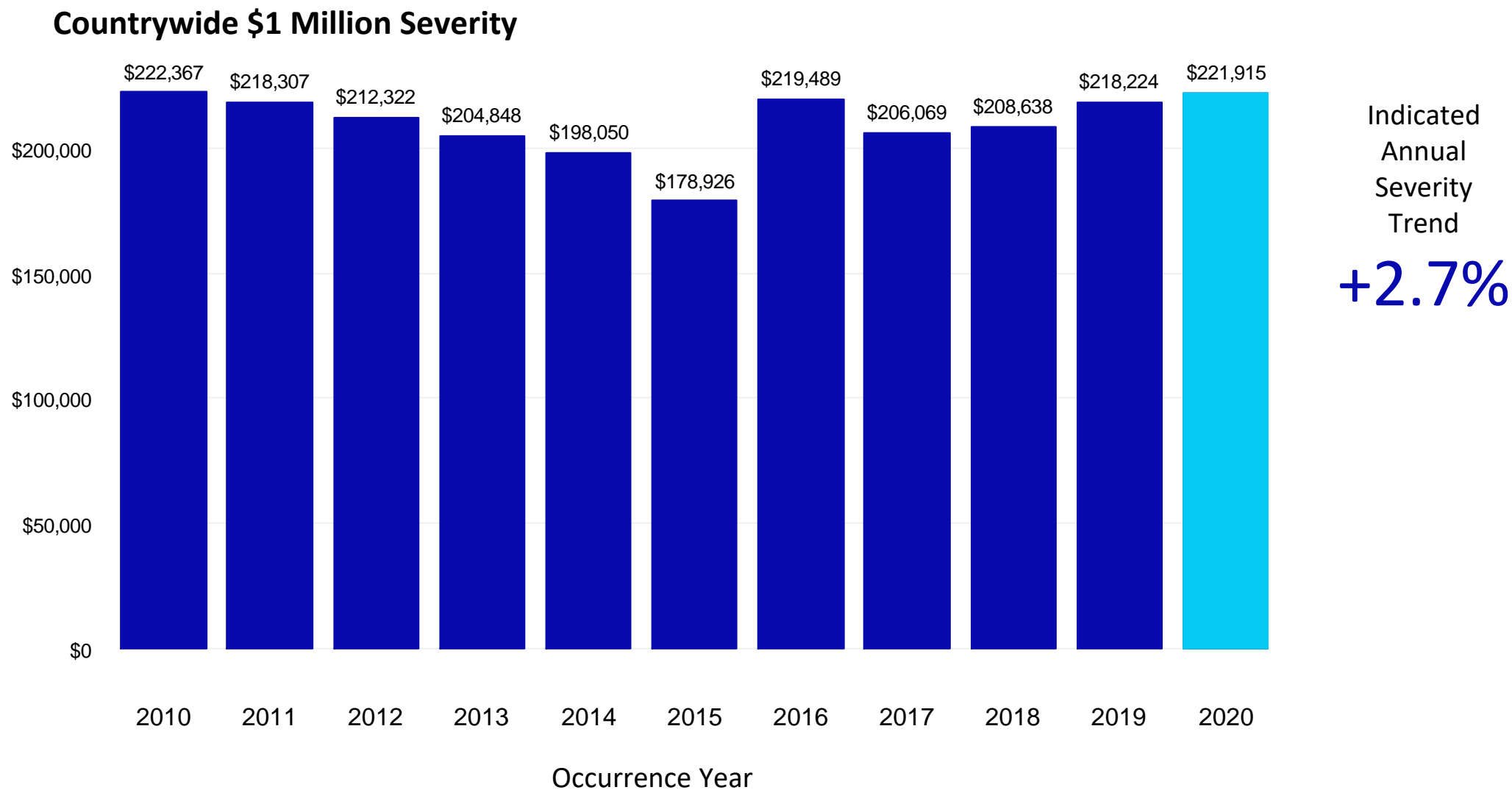
Countrywide Frequency



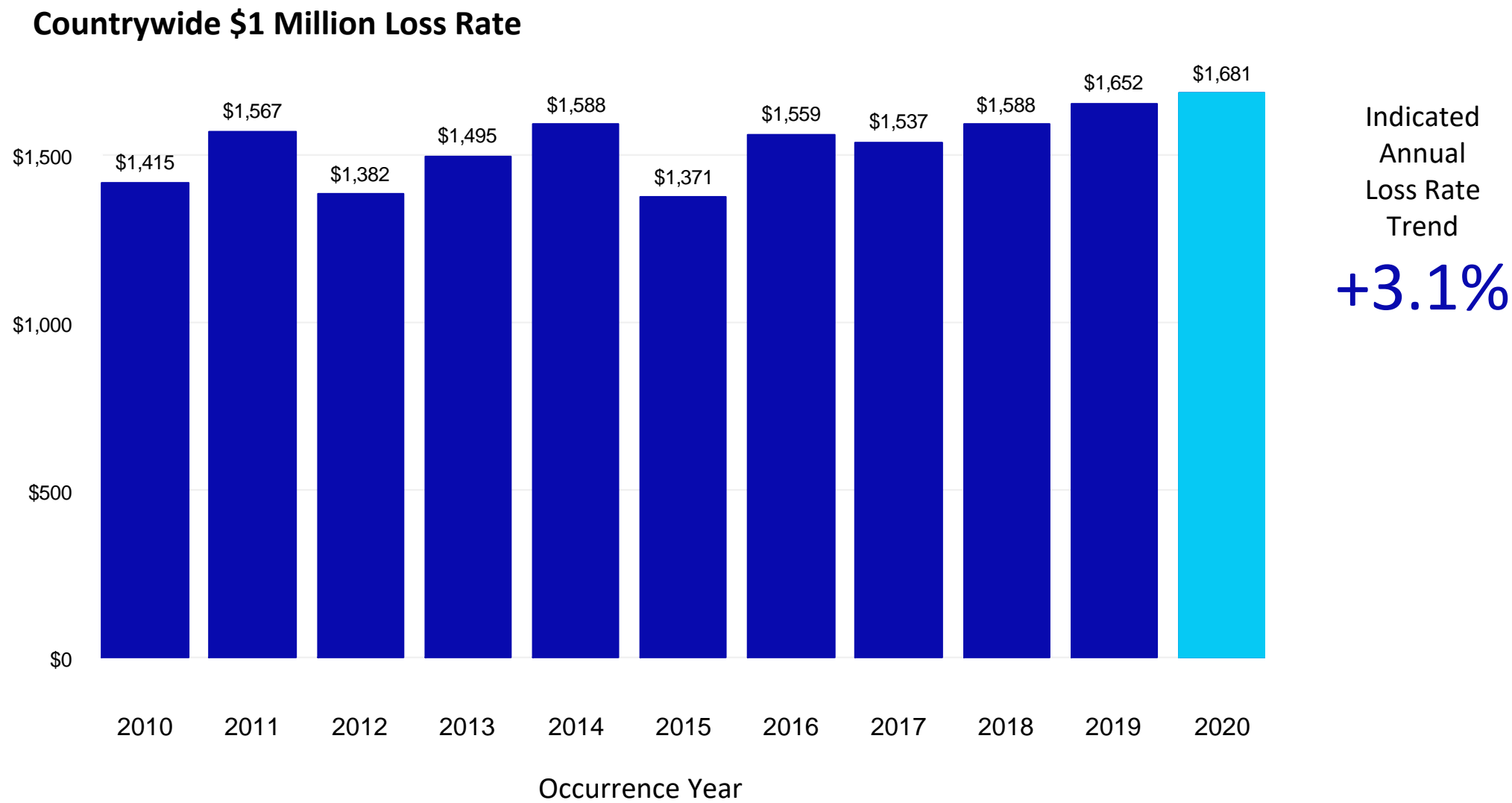
Indicated  
Annual  
Frequency  
Trend  
**+0.4%**



# THE ESTIMATED 2020 SEVERITY LIMITED TO \$1 MILLION PER OCCURRENCE IS \$221,915



# THE ESTIMATED 2020 LOSS RATE LIMITED TO \$1 MILLION PER OCCURRENCE IS \$1,681 PER OCCUPIED BED

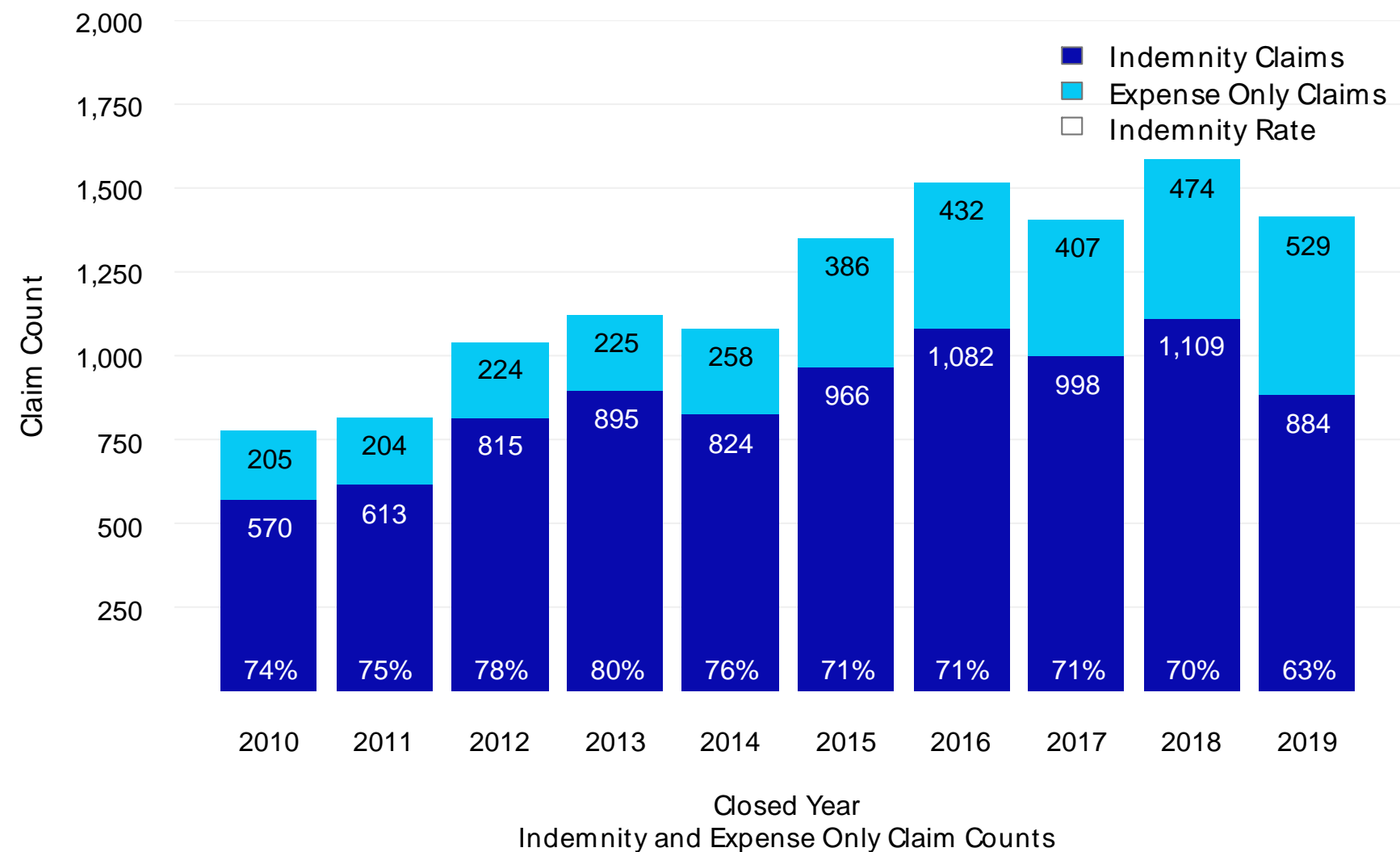


# **INDEMNITY AND EXPENSE STATISTICS**



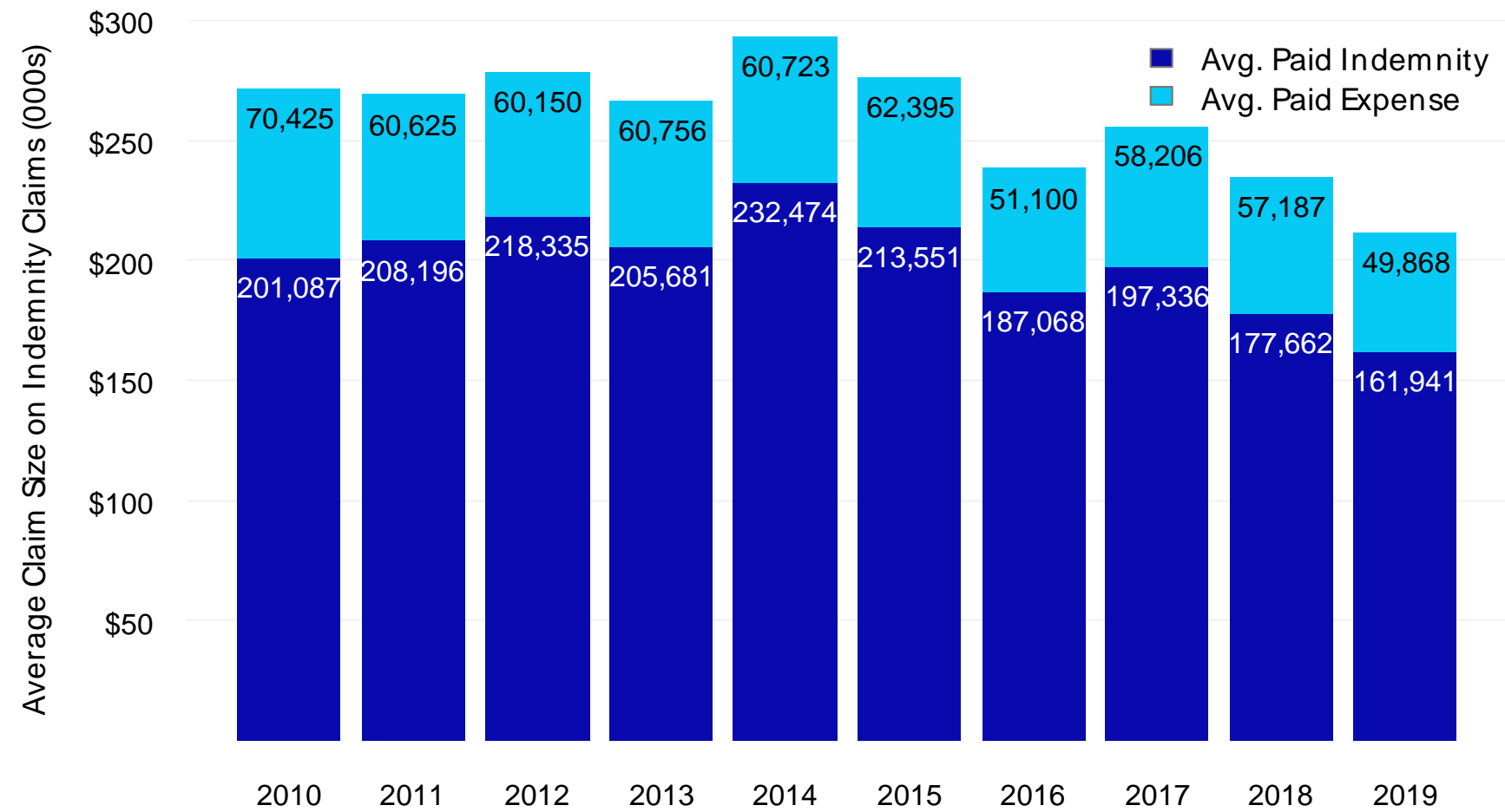
# THE PORTION OF CLAIMS INVOLVING INDEMNITY PAYMENTS IS 63% IN 2019, THE LOWEST OBSERVED RATIO IN THE PAST 10 YEARS

Claim Counts by Closed Year



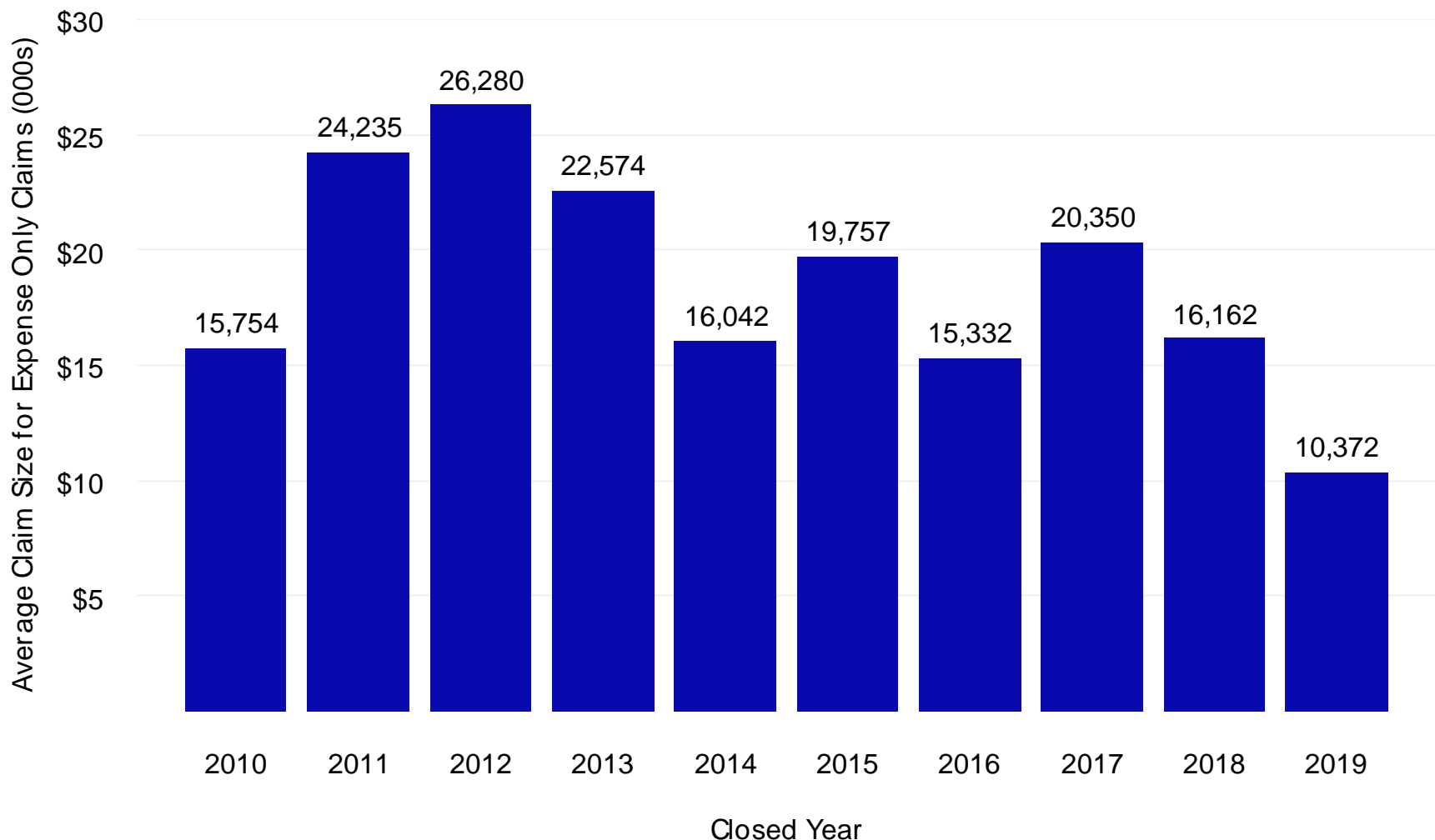
# THE AVERAGE PAID INDEMNITY AND PAID EXPENSE AMOUNTS IN 2019 CONTINUE THE OBSERVED DOWNWARD TREND

Claims with Indemnity – Distribution of Indemnity and Expense



# AVERAGE PAID AMOUNTS IN 2019 ARE THE LOWEST OBSERVED IN THE PAST 10 YEARS AND CONTINUE THE OBSERVED DOWNWARD TREND

Average Severity – Expense Only Claims





# **CLAIM COSTS BY CLOSE LAG**

# SERIOUS CLAIMS THAT INVOLVE POTENTIAL LITIGATION REMAIN OPEN LONGER AND TEND TO SETTLE FOR HIGHER VALUES

Indemnity and Expense Severity by Closing Lag

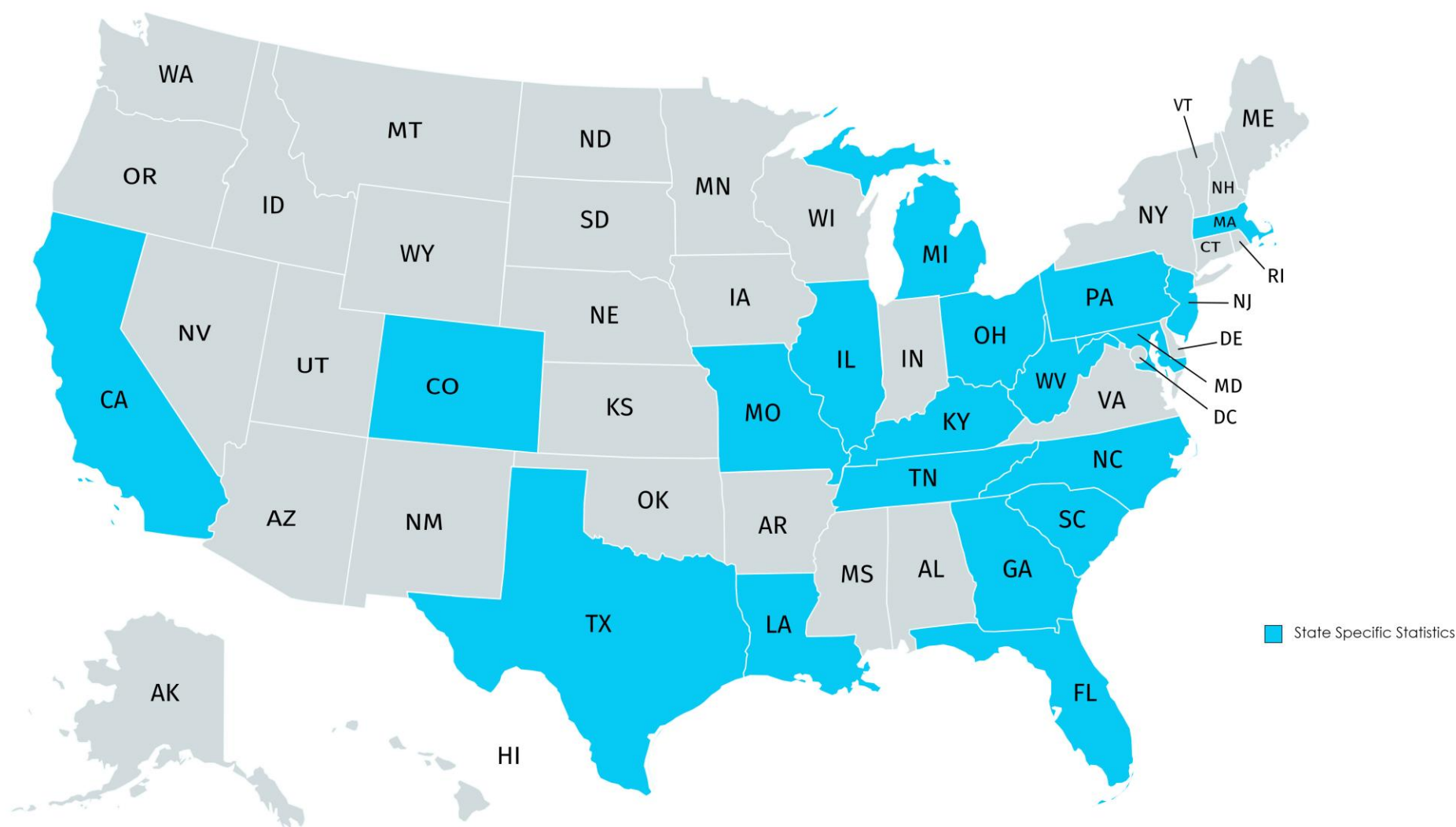
Close Lag (Years)	Claim Count	Distribution of Claim Count	Paid Indemnity and Expense	Distribution of Payments	Closed Claim Severity
1	2,063	12%	155,474,780	5%	75,363
2	5,628	33%	697,217,017	24%	123,884
3	4,733	28%	838,468,925	29%	177,154
4	2,604	15%	591,499,591	20%	227,150
5+	2,132	12%	619,334,019	21%	290,494
Total	17,160	100%	2,901,994,332	100%	169,114

Close lag is defined as the lag from report year to close year

# CAUSES OF LOSS



# SPECIFIC STATE STATISTICS ARE PROVIDED FOR THE FOLLOWING 19 STATES





# PARTICIPATION IN 2021 ANALYSIS

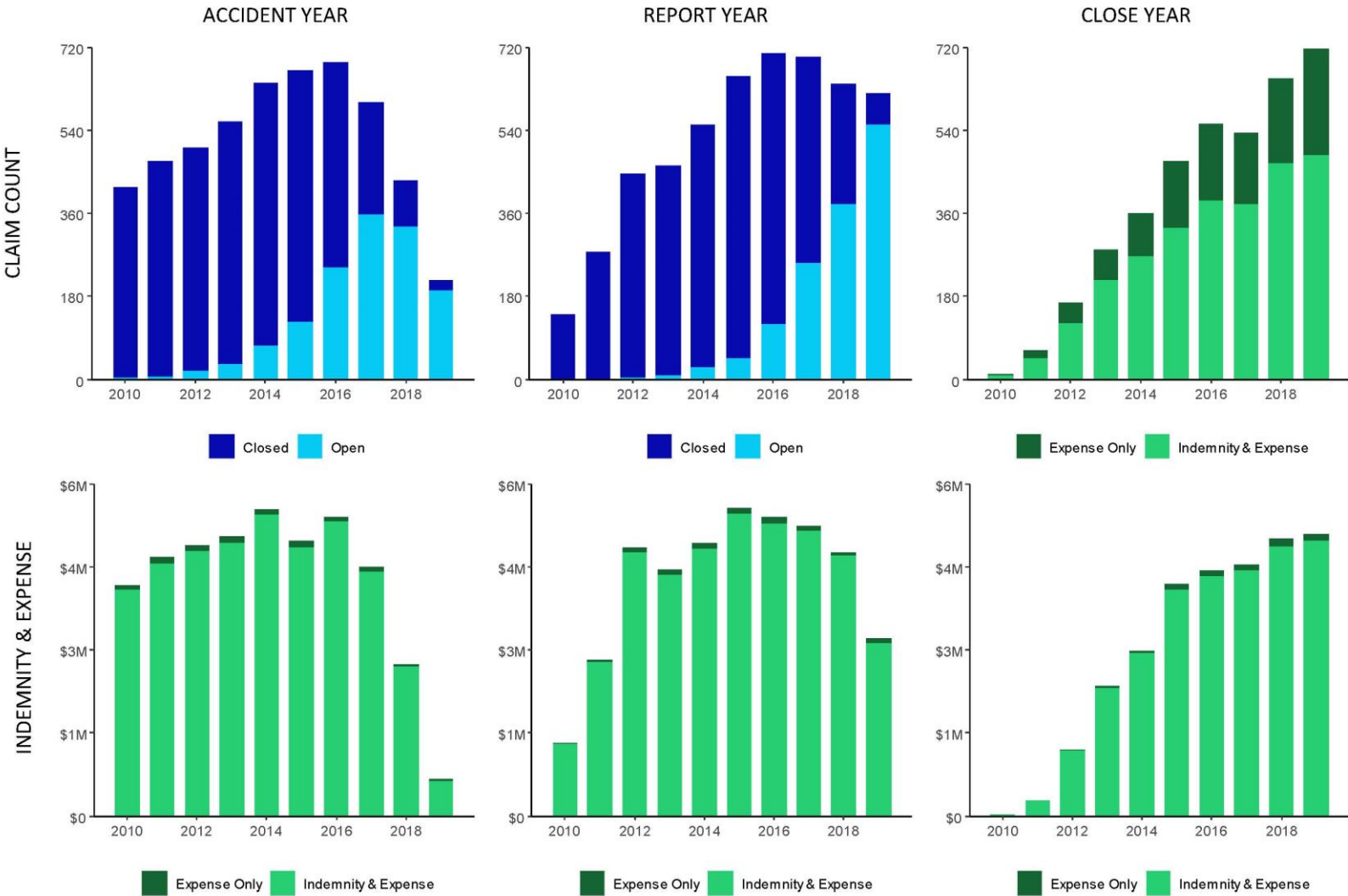
- Our focus for the 2020 study was to build-out our model. In 2021 we will focus on increasing the participant base.
- A primary goal of the upcoming study is to understand the initial impact of the COVID-19 pandemic (data will include losses through 12/31/2020).
- We are willing to work with TPA's and insurance carriers to help obtain the data.
- Upon data submission we will provide each participant diagnostic information:
  - Frequency and Severity Claim Statistics by Closing Year, Report Year, Accident Year Statistics.
  - Open and Closed Claim Statistics.
  - Exposure Analysis.
- As with the 2020 report, there is no cost to participate. Please email [LTCBenchmark@oliverwyman.com](mailto:LTCBenchmark@oliverwyman.com) if you are interested in participating.

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Please contact [LTCBenchmark@oliverwyman.com](mailto:LTCBenchmark@oliverwyman.com) for more information

# SAMPLE PARTICIPANT DATA

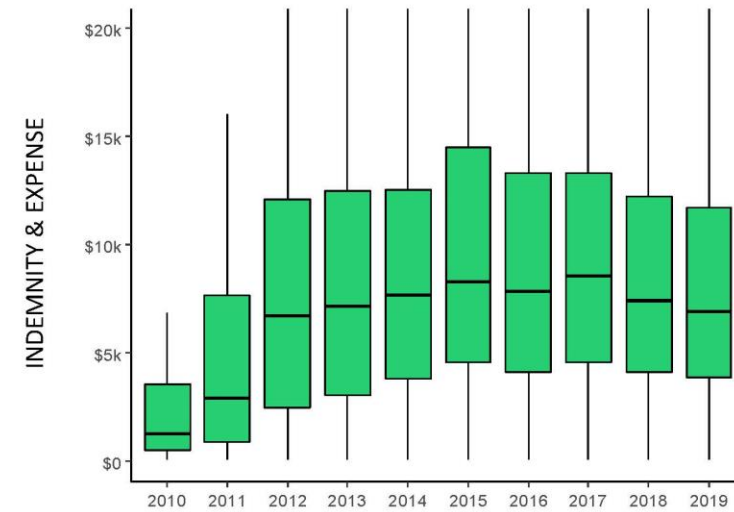
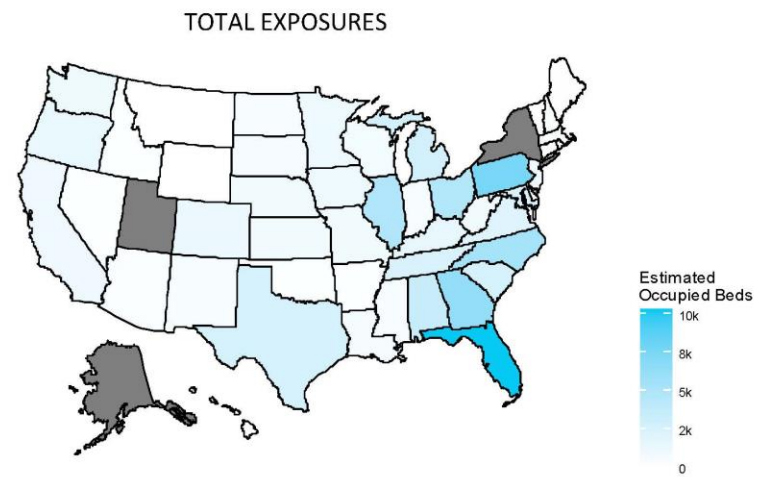
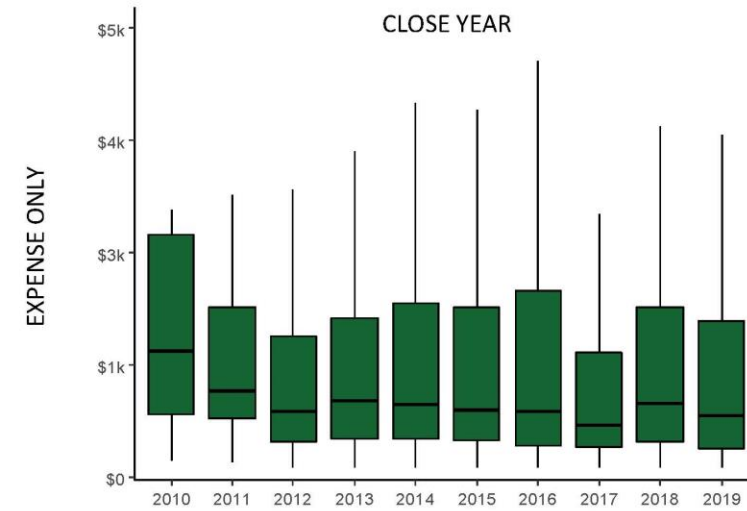
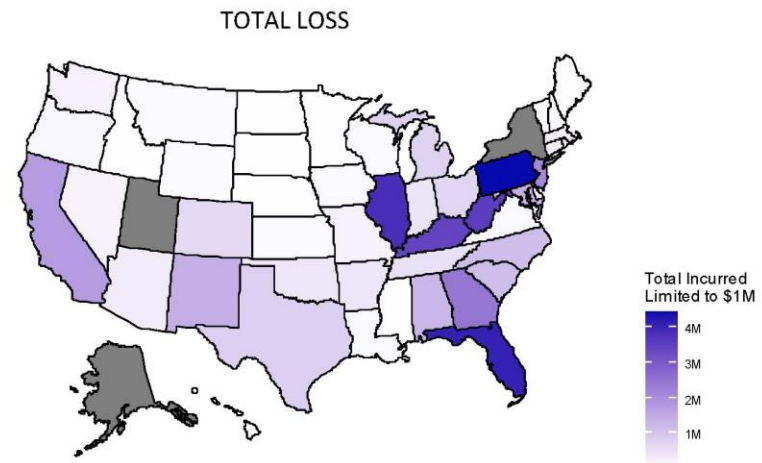
TOTAL LOSS = \$42,058,844 | 5,206 CLAIMS



\* Accident year estimates are undeveloped. No analysis has been conducted on the data provided.

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OLIVER WYMAN MARSH

# PANDEMIC RISK INSURANCE PROGRAM

Joanne Wankmiller

Managing Director, National Senior Care Practice Leader, Marsh





# Pandemic Risk Insurance Program

## Marsh is Leading Efforts for Governmental Protection Against Future Pandemics

### H.R. 7011, the Pandemic Risk Insurance Act of 2020 (PRIA)

#### **We believe that a pandemic risk insurance program is essential for our clients to:**

- MMC continues to lead discussion within the insurance industry and continues to develop consensus around a path forward and a defined role for insurance in a pandemic risk solution. Carriers such as Zurich, Farmers and Chubb have been public about supporting a solution that includes a role for private market capital.
- There is a burgeoning policyholder coalition called the [Business Continuity Coalition](#), that has become increasingly vocal about the need for a forward looking pandemic solution. They are engaging with policymakers on Capitol Hill, and providing feedback on the Pandemic Risk Insurance Act, which will likely be introduced during the first half of the year. The coalition represents a broad range of business insurance policyholders – large and small – from across the American economy, employing millions of people. They sent a letter to Senate leadership earlier this year urging them to act on a pandemic solution.
- Renewed momentum on a pandemic solution is also supported by the new Chairman of Insurance Subcommittee Congressman Emmanuel Cleaver (Democrat- Missouri) - Cleaver notes that a pandemic risk solution is a top priority for his Committee.
- MMC has led the industry discussions on this issue since last March, and we've engaged the carrier trades throughout this process. Our ultimate goal is to advance a solution that aligns the needs of policyholders with our carrier partners. We are open to a number of solutions, including a tiered approach that envisions a fully government role for lower limits with a layered private capital solution for larger and more complicated risks.

**Q&A**

# SURVEY REQUEST



We are very interested in your opinion!



We will be circulating a replay link and copies of the slides.



Please remember to take our survey when you receive the follow-up email.



# Thanks for joining us!



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