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**Gavin Souter**  
EDITOR

# Risk evolution continues

**T**wo years on from the first outbreak of COVID-19 in the United States, businesses and insurers are still adapting to the broad effects of the pandemic. As vaccinations and regular testing spread, treatments are developed, and hospitalization rates come off their peaks, concerns about the virus appear to be less intense,

but corporate responses to the disease continue to develop.

As we explore in this annual issue of *Business Insurance* focused on specialty and emerging risks, the pandemic is reshaping risk management and insurance concerns directly and indirectly.

Pricing of commercial insurance coverage was already rising in many lines prior to 2020, but in some lines the pandemic exacerbated the problem for buyers, and wordings of insur-

ance policies have changed. For example, coverages for health care-related risks, travel and the hospitality sector have evolved considerably as underwriters seek to price in or limit the wider exposures and corporate policyholders have retained more risk. In the entertainment sector, producers are having to implement safety measures that were largely unheard of previously.

Other risk management developments are more of a knock-on effect of other trends. For example, corporate jet usage and charter flights increased over the past 24 months, leading to the expectation of higher claims and costs.

And the increase of ransomware attacks as huge numbers of employees moved to remote working led to major disruptions in the cyber liability insurance market, with rates soaring for many businesses and coverage restrictions imposed. Companies continue to struggle to stay ahead of hackers, but improved security protocols can go a long way to reducing the risk of attacks.

As we move into a different phase of the disease and learn to live with the coronavirus, coverages and insurance markets will continue to change and commercial buyers will adapt with them.

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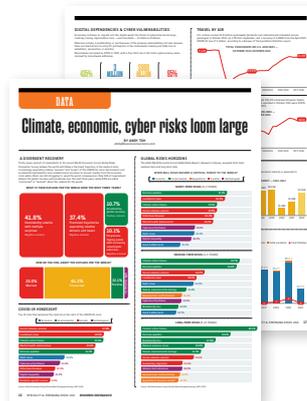
As businesspeople return to the air, the insurance products covering them are changing. **PAGE 15**

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## DATA SPREAD

The recent World Economic Forum Global Risks Perception Survey finds 84% of respondents are "concerned" or "worried" about the outlook for the world over the next three years. **PAGES 16-17**



## PERSPECTIVES

As K-12 schools increasingly become cyberattack targets, they face rising coverage costs, reduced sublimits, higher deductibles and narrower terms, writes Kevin Beer, president of Wright Specialty Insurance, a unit of Brown & Brown Inc. **PAGE 18**





# Lights, masks, action! Producers adapt to pandemic as cameras keep rolling

BY LOUISE ESOLA  
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**T**he 2021 HBO miniseries that put on display the intimacy of married life — “Scenes from a Marriage” — gave viewers in the first few moments a glimpse of the lack of intimacy that goes on behind the scenes in the Hollywood of today.

Showing the moments of final preparations before the first call to action, camera operators and other crew members dashed by in masks, there were limited interactions among the crew, and stars were kept apart until the moment shooting began.

Entertainment risk and insurance industry executives confirm this as the standard scenery on film sets amid the COVID-19 pandemic.

“If the wardrobe people come on the set other people have to leave. ... People are not allowed to visit each other on the set or in trailers, and masks for everyone, unless you are on camera,” said Peter Williams, Los Angeles-based global head of productions, entertainment division, at Allianz Global Corporate & Specialty, a unit of Allianz SE, covering film productions and risk management.

Filming during COVID-19 has ushered in a new way of doing business for an industry that often includes up-close-and-personal scenes. Since production schedules restarted after the first lockdowns in 2020, film sets have had to embrace pandemic nuances, such as social distancing, and must comply with federal, state and local guidance, along with official “return to work” rules put in place by unions such as the Screen Actors Guild-American Federation of Television and Radio Artists.

In addition, there are few insurance

products that cover losses due to cast and crew infections, and the production pauses and shutdowns that inevitably follow.

“Like every industry in 2020 (the film and television) industry did get shut down and no one knew what to do,” said Aaron Baum, vice president for the entertainment and media industry practice group at Marsh LLC in Chicago. COVID-19 created “catastrophic” losses for the entertainment industry, filming permits were pulled, and billions in claims were filed with mixed results, he said.

Now “everything COVID is excluded,” said Lori Vitagliano, associate vice president and account executive of the entertainment group at Lockton Cos. LLC in Los Angeles.

In 2020, the entertainment insurance sector was hit with claims “on a daily basis” for the shutdowns imposed on productions in the United States and abroad, Mr. Williams said.

“By and large the film industry began excluding COVID as soon as it became a major problem,” he said.

### Soaring content demand

The gap created by a lack of coverage left rigid safety protocols as the only way to keep the business on set, while the demand for new television shows and movies soared, with most people holed up in their homes for months.

“There is this demand” to continue making films and television shows, said Michael Greear, Eagle, Colorado-based senior risk control consultant with Aon Global Risk Consulting, a division of Aon PLC.

People “don’t want to watch a show once a week; they want to watch a show all at once on a Saturday afternoon,” he said. “The streaming content has amped up and we are seeing more and more get pumped out to these streaming services.”

“If anything, demand is still picking up,” said Mr. Baum.

A state of the market report released by Risk Strategies Co., the trading name of RSC Insurance Brokerage Inc., on Feb. 3 noted that while demand for productions



### PANDEMIC FUELS DEMAND FOR ENTERTAINMENT

Consumption of “over-the-top” entertainment, or internet-streamed films and television programming, grew by both total households and total hours at the start of the pandemic, according to media analytics company Comscore.

- **69.8 million** homes used OTT in April 2020, an increase of 5.2 million homes compared with April 2019.

- The average home viewed **102 hours** of OTT content in April 2020, a 17-hour increase from the year-earlier period.

pushed the industry into a pre-pandemic stride, “complications from COVID still lingered,” with a 20% increase in insurance rates for film and television productions and virus-related exclusions commonplace.

Experts say that while other industries fumbled to get back to work early in the pandemic Hollywood pressed on. Within months of the start of the pandemic in early 2020, the SAG-AFTRA union had in place its own COVID-19 filming protocols to get the industry back in action.

The protocols can add up to 30% to the final bill for productions, according to experts, who say costs to implement such added tasks as social distancing, testing, coordinating shooting schedules and managing on-location travel quarantines can add up. Any pause in production — commonplace, especially with new COVID-19 variants — also cuts into the bottom line, they say.

### Mission made possible

The protocols have created some controversies.

Megastar Tom Cruise made headlines in late 2020 on the London set of the latest “Mission Impossible” film after he was caught on tape berating film crew members who had been standing too close together. That production faced seven

COVID-related shutdowns, one of which prompted a lawsuit against its insurer.

The profanity-laced spectacle made for a YouTube sensation, but to those who manage the business side of a production, Mr. Cruise had a point.

After early shutdowns in 2020, “the guilds and studios spent a lot of money protecting the cast and crew so they could return to work,” Mr. Williams said.

Following months of deliberations, the unions and studios agreed to a blueprint of protocols to get the business rolling again. “It’s training, testing, hygiene, cleaning — you name it,” Mr. Greear said.

The COVID-19 vaccine, when it became widely available in early 2021, was roped in, with studios and unions at first recommending vaccinations and later requiring them. Netflix Studios, for example, began requiring employee vaccinations in mid-2021.

*“If the wardrobe people come on the set other people have to leave. ... People are not allowed to visit each other on the set or in trailers, and masks for everyone, unless you are on camera.”*

Peter Williams,  
Allianz Global Corporate & Specialty

The protocols also call for COVID-19 compliance officers on set — they’re now listed in production credits — and separate zones for cast and crewmembers based on production roles in an effort to maintain social distancing when possible.

As Mr. Greear explained, “Zone A” typically includes the actors and directors, “Zone B” are the camera operators and “Zone C” and “Zone D” include “everybody else” — many of whom work remotely in post-production operations.

Travel comes with strict quarantine requirements, and actors are asked to be extra careful when not filming. “Actors are encouraged to not go out to supermarkets and restaurants while shooting,” Mr. Williams said.

Filming scenes out of sequence is also common, with production companies rearranging shooting schedules among actors and other cast members, such as extras and those in larger ensemble scenes, to mitigate exposures in the event of a COVID-19 outbreak, Mr. Baum of Marsh said.

Of all the protocols, testing has top billing, according to Ms. Vitagliano, whose husband works alongside set designers for a studio in Los Angeles. She said it’s not uncommon for actors and crew members to get tested every day on set. Her husband, who works behind the scenes as a “greensman” only working with plants, gets tested three times a week, she said.



### VARIANTS ADD COMPLEXITY TO CREATIVE PROCESS

Coronavirus variants, such as delta and omicron, have dealt secondary blows to the film industry, just as they have affected wider society.

Numerous productions were reportedly paused — some indefinitely.

In response, the film and television entertainment industry enhanced its COVID-19 protocols.

On Jan. 25, the Screen Actors Guild-American Federation of Television and Radio Artists issued notice that all “return to work” protocols would be extended to Feb. 13, daily testing would be in place for actors and other front-line workers, and upgraded masks — such as N95 masks, which are usually worn by health care workers — would be required. The document also urged booster vaccinations for studio staff.

“As performers who often cannot be masked or physically distanced, SAG-AFTRA members are among the most vulnerable people on set, making the need to remain vigilant and flexible in the face of this unprecedented surge of crucial importance,” the organization said in a statement on the new guidelines.

“This isn’t going away soon,” said Lori Vitagliano, associate vice president and account executive of the entertainment group at Lockton Cos. LLC in Los Angeles. “I am sure this is going to last for a long time. ... The production companies just have to accept it.”

Can the industry survive? Experts say it depends.

Smaller production companies are finding it “harder to navigate this world than the deep-pocket film studios,” said Aaron Baum, vice president of the entertainment and media industry practice group at Marsh LLC in Chicago.

Louise Esola



## Cyber defense systems can foil ransomware

BY JUDY GREENWALD

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**T**echnical approaches to addressing ransomware's threat are effective, but increasing employee awareness will also go far to address the problem, experts say.

Ransomware remains a major issue, with attacks totaling 495 million globally in the first nine months of 2021, up 148% from the year-earlier period, according to San Jose, California-based cybersecurity company SonicWall.

Its impact is compounded by the risk of double extortion, in which hackers encrypt a company's data and also threaten to release the information publicly.

Companies that introduce security measures, including multifactor authentication, backups and incident response plans, are less likely to be seriously hit by a ransomware attack.

The majority of attacks can either be stopped or detected early enough so that they do not turn into a massive event, said Mark Sangster, Waterloo, Ontario-based senior vice president, industry security strategy, at eSentire Inc., a cybersecurity company.

Training employees to avoid clicking on malicious links is particularly critical with so many people working from home on systems that may be less secure than their company's.

"They've got to be able to leverage sound judgment when evaluating the phone calls, the phishing emails, the malicious attachments they might receive in emails or other situations," said C.J. Dietzman, Charlotte, North Carolina-based managing director and cybersecurity marketplace leader for Marsh LLC.

Employees should also be warned against using their work computers for personal business. If the third-party business gets hacked, "it's easy to migrate over" to the business's system, said Leann Nicolo, Denver-based incident response director for cyber insurance and security company Coalition Inc.

A critical factor in a successful cyber defense is multifactor authentication.



### STEPS TO ADDRESS CYBERSECURITY

- Train employees to avoid clicking malicious links.
- Discourage employees from using work computers for personal business.
- Use multifactor authentication.
- Address remote desktop protocols.
- Take an inventory of data.
- Segment data.
- Promptly install patches.
- Use endpoint detection and response systems.
- Have an incident response plan in place.
- Periodically perform tabletop exercises to test the incident response plan.
- Have a robust backup system in place.

Source: Business Insurance interviews

While there are different types of MFA, examples include submitting a numeric code sent to a phone via text message in addition to a password to gain entry into a system.

MFAs are the least complicated cybersecurity measure to implement and have the highest return on investment, said Rajeev Gupta, co-founder and chief procurement officer of Pleasanton, California-based cyber insurer Cowbell Cyber Inc.

Experts say remote desktop protocols, a technical standard for using a desktop computer remotely that is often used by IT departments to troubleshoot, are often

manipulated by hackers.

About half of all ransomware attacks start with RDPs, which are "incredibly easy to break into" and the equivalent of putting a sign on one's lawn inviting the bad guys to come in, said Rotem Iram, co-founder and CEO of cyber risk specialist At-Bay, based in Mountain View, California.

RDPs "need to be locked down," said Tom Finan, director, cyber practice, for Willis Towers Watson PLC in Washington.

An inventory of data is critical, experts say. "A lot of organizations don't have a grasp even of what data they hold and where they hold it," said Shawn Melito, chief revenue officer of BreachQuest in Altoona, Pennsylvania. This can include sensitive data such as personal identifiable information.

Access to data should also be segmented. For example, there's no reason why someone in operations needs to have access to financial data, Mr. Melito said, adding that data should not be kept indefinitely.

Mr. Sangster said companies should practice "privilege access management," which incorporates the principle of "least privilege" by limiting system access to the minimum level needed. "If you don't need access to specific controls, to specific data bases or files, by default you shouldn't have them," he said.

It's also important to install patches

promptly.

Jonathan Rajewski, South Burlington, Vermont-based managing director at Storz Friedberg, an Aon company, said he has seen cases in which patches were still not installed 30 to 45 days after they became available.

Companies should also have an endpoint detection and response system in place. This involves combining continuous monitoring and data collection, with an immediate, automatic response if there are signs of intrusion.

This will detect potential problems such as the "one computer in the entire network" that is talking to a computer in a country in which the company has no business, Mr. Rajewski said.

Knowing what to do if an event occurs is crucial, experts say.

Companies should have an incident response plan that includes a playbook "so everyone in the organization, from the most senior executive to the summer intern, understands what they need to do if a ransomware event occurs," Mr. Finan said.

Tabletop exercises should be performed at least quarterly to test incident response plans and update them as needed, experts say.

Robust backup solutions should also be in place to allow companies to get back up and running if they are hit by a ransomware attack, said Jason Rebholz, Alexandria, Virginia-based chief information officer at insurtech Corvus Insurance Holdings Inc.

It is critically important the backup is "super isolated, actually viable" and tested regularly, Mr. Rajewski said.

Experts say companies should have a "3-2-1" backup strategy, which refers to having three copies of data on two different media and one copy off-site, which could include one that is cloud-based.

One data storage approach for backups is "write once, read many," or WORM, which prevents the data from being overwritten or modified and protects against hackers. "It's there forever," said Raf Sanchez, London-based global head of cyber services for Beazley PLC.

### BASIC SECURITY PROTOCOLS SUFFICIENT TO DETER MANY HACKERS

**A**lthough companies may always find themselves to some extent playing catch up with cybercriminals, following basic cyber hygiene practices will go a long way toward discouraging them, experts say.

"There's always going to be that cat-and-mouse situation, where the attackers are consistently looking for a way to bypass

defenses," said Jason Rebholz, Alexandria, Virginia-based chief information officer for insurtech Corvus Insurance Holdings Inc. "It's not a fair fight," he said.

"They're very organized," with chat rooms and websites where hackers communicate and share tools and ideas, said Shawn Melito, chief revenue officer of BreachQuest in Altoona, Pennsylvania.

Making it more difficult for hackers makes companies safer, experts say.

"There's a misconception that these are criminal masterminds," said Raj Samani, London-based chief scientist and fellow at cybersecurity company Trellix.

While some criminal groups are "very, very good," others focus on well-known techniques to break into companies and

"it's not impossible to stop them," he said.

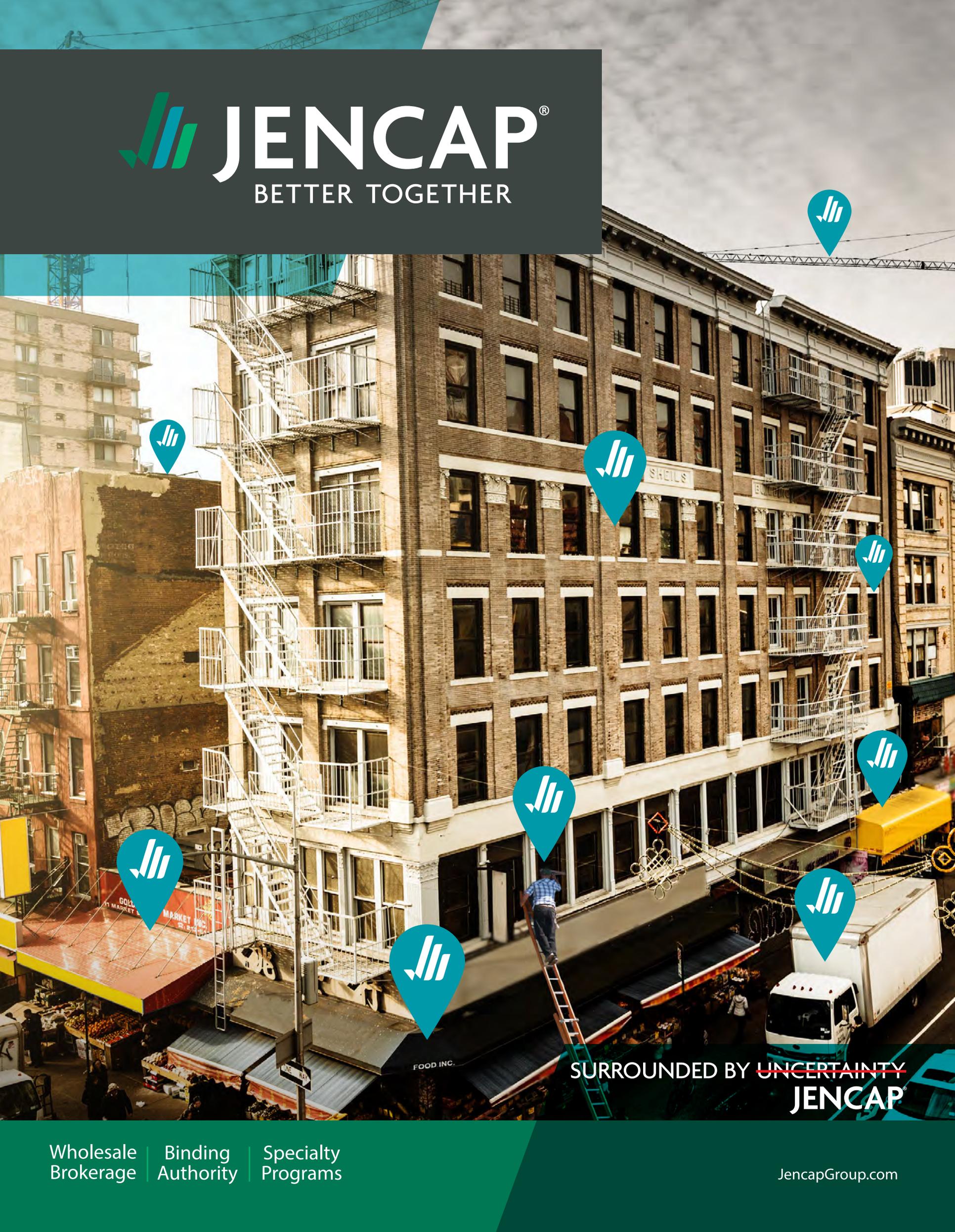
"Cybercriminals are like water," said Tom Finan, director, cyber practice, for Willis Towers Watson PLC in Washington. "They are going to find the least path of resistance to get where they are going to go. ... There's a lot more work organizations can do" to discourage them.

Judy Greenwald



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# Soaring aviation traffic puts insurance market in flux

BY MATTHEW LERNER

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Increased traffic among charter and corporate aircraft is leading to more attritional losses in the general aviation insurance business and increased scrutiny by underwriters, who are seeing a higher volume of submissions.

The general aviation sector, which includes so-called Part 135 on-demand and charter flights, is also experiencing the tighter supply chains and labor constraints taxing the broader economy, which can extend repair times, compound congestion and potentially expose insurers to increased costs.

Data on aircraft purchases and flight hours lags the reported surge in usage that accompanied the rebound from the COVID-19 pandemic (see related story), but insurers say flights have risen in number.

Purchases of new jets “are most certainly up,” and in pre-owned markets, prices for aircraft are increasing due to demand, said Doug Tibbs, Boston-based underwriting manager for Aerospace Americas at Axa XL, a unit of Axa SA.

Howard Hamilton, regional product leader, North America, in Denver for Allianz Global Corporate & Specialty SE, said one charterer it covers in Arizona reported its most hours chartered ever in March 2021 and then surpassed that mark in October.

**“With utilization up, attritional losses will also be up.”**

Kyle White, Marsh McLennan Agency

The increase in general aviation activity can also be seen in increased fuel demands. “Our clients who sell jet fuel have reported consistent records for gallons pumped, indicating that business jet, charter activity and private use are increasing,” said Kyle White, aviation practice leader in Kansas City, Kansas, for Marsh McLennan Agency, a unit of Marsh LLC.

Delays at companies that install and service avionics — aircraft electronics — are another measure of the sector’s increased traffic. “We insure many avionics shops, which have never had a further backlog for installation work than they have now,” Mr. White said.

Some insurance programs are growing because of increased flying.

“We are seeing more inquiries, and we are seeing the values of airplanes increase due to



Increased aviation fuel sales are an indicator of the rise in corporate and chartered jet flights in the two years since the COVID-19 pandemic began.

the market,” Mr. Tibbs said. He added that “when we’re presented with an opportunity that is charter-related, our exposure is higher because the airplane will be flying more.”

James Van Meter, Atlanta-based national aviation practice leader for USI Insurance Services LLC, said the brokerage’s clients are adding aircraft. “Our Part 135 clients are growing, adding more aircraft to fleets,” he said. “We’ve seen some policies grow from 10 aircraft to 15.”

Premium increases in the general aviation sector have largely been in parallel with the broader property/casualty insurance market, with rates rising for the past several quarters, although recently the rate of increase has slowed, Mr. Tibbs said.

According to USI, aviation premiums increased 15% to 25% at year-end 2021 and are forecast to rise 10% to 20% in the first half of this year.

The increase in Part 135 traffic has led to “more granular underwriting” with insurers asking more questions about usage, Mr. Tibbs said. “What is the plane being used for? How much is it flying and where?”

The increase in usage has also led to increased losses, sources said.

“With utilization up, attritional losses will also be up,” said Mr. White of Marsh McLennan Agency, including, for example, from bird strikes and accidents while maneuvering aircraft on the ground.

“There is an increase in attritional losses with more movements,” said Mr. Hamilton of Allianz.

Bird strikes are among the leading loss-

es, Mr. Tibbs said, leading to a “substantial” number of claims.

Newer jets with more advanced electronics and carbon fiber parts also cost more to repair and the repairs take longer, which increases loss costs, sources said.

“There are composite materials in a lot of newer aircraft, as opposed to aluminum” in older planes, said Joshua Ray, head of general aviation North America in Atlanta for Allianz Global Corporate & Specialty. Dents or creases in metal can be repaired, but a similarly damaged composite part must be replaced, he said.

Repair delays brought on by supply chain issues and labor shortages also add to insurers’ costs.

With most aviation insurance policies for jet or turbine aircraft there is a provision for “extra expenses,” including for substitute aircraft, Mr. Van Meter said.

If repairs to a jet are slated to take three weeks but wind up taking three months, an insurer could potentially have to pay three months of extra expenses, including substitute aircraft, Mr. Van Meter said.

Peter Schmitz, Delray Beach, Florida-based managing director of JetSure USA LLC, said he is seeing “considerable interest” in JetSure AOG Replacement Aircraft Insurance. The product can cover costs incurred by a charter operator that must find a replacement aircraft, at a higher cost, to fulfill a charter contract.

“Demand has gotten out of control and operators are finding it difficult to satisfy their requirements,” Mr. Schmitz said.

## SECTOR SEES PANDEMIC RECOVERY

The COVID-19 pandemic hit air travel hard, but the general aviation sector, including charter flights and corporate-owned aircraft, returned to pre-pandemic levels much more quickly than the commercial airline sector, sources say.

“Generally speaking, from an airline perspective, COVID had a tremendous impact,” said Joshua Ray, Atlanta-based head of general aviation, North America, for Allianz Global Corporate & Specialty SE. On the general aviation side, however, “we saw an initial impact,” but after the first several weeks of the lockdown, “we actually saw a return to normal, pre-COVID-19 levels fairly quickly.”

“We started to see general aviation, after the first few months of the pandemic, really start to recover faster than the airlines,” said James Van Meter, Atlanta-based national aviation practice leader for USI Insurance Services LLC. The speedier recovery then led to an “uptick in general aviation activity as a whole,” he said.

The recovery was more pronounced in the charter market, classified as Part 135 by the Federal Aviation Administration, which went on to surpass pre-lockdown levels. Corporate travel on company owned fleets, classified as Part 91 by the FAA, returned to roughly pre-pandemic levels but did not show the marked increase in activity seen by Part 135, sources said.

Travelers seeking to avoid crowded commercial airliners found refuge in the charter market, they said.

“People who can fly privately and control with whom they fly, they want to do that from a health and safety standpoint,” Mr. Van Meter said.

“We saw a tremendous increase in the amount of Part 135 charters once individuals saw that flying on airlines became a problem,” Mr. Ray said.

Matthew Lerner

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# Nursing homes face tough market

BY AMY O'CONNOR

The insurance market for nursing homes appears to be stabilizing somewhat after two years of volatility stemming from extremely hard market conditions and insurer concerns over pandemic-related exposures.

Renewed interest in the sector from underwriters is easing the significant capacity constraints and rate increases that plagued the segment throughout 2020 and most of 2021, experts say.

It remains to be seen, though, how severe staffing shortages, potential litigation, changing rules and regulations, and funding shortfalls will affect the market and insurer appetites.

And the market may continue to be difficult for buyers going forward, they say.

"It's not an improved environment for nursing homes, it's just not getting worse," said Farmington, Connecticut-based Matthew Wasta, vice president of Amwins Program Underwriters, a unit of Amwins Group Inc., who manages the agency's long-term care facilities program.

The market was already headed toward a serious hardening when the pandemic hit in early 2020, due to more than 10 years of soft pricing and escalating loss cost trends, said Steve Spina, Unionville, Connecticut-based executive vice president of medical and managed care underwriting for The Doctors Co. Specialty Underwriters.

Nursing homes were thrust into the national spotlight as COVID-19 ran rampant through facilities nationwide, leading to thousands of deaths. A shortage of personal protective equipment and workers exacerbated problems and heightened insurers' concerns.

Insurers immediately cut capacity and added exclusions for communicable diseases and anything pandemic-related on renewals and new business, experts say. Accounts were hit with double- to triple-digit rate increases, depending on a facility's loss history, going as high as 150% in some cases.

"What ultimately developed was a real acceleration of the hardening of the market," Mr. Spina said. "From our perspective, the pricing improvement over the last year and a half had to make up for literally 12 or so years of underpricing."

In the second half of 2021, the market started to settle down slightly as higher pricing and retentions, plus the rollout of COVID-19 vaccines, enticed some new entrants into the sector and allowed existing players to stabilize rates, Mr. Wasta said. Rate increases are now in the single or low double digits and there's more than a dozen insurers looking at the business, compared with just four or five two years ago, he said.

"Certainly, well-run, high-quality facilities can find good coverage at a fair price. The tougher facilities that are not as well run are



still going to struggle and pay quite a bit and retain a lot of their own risk in order to get covered," he said.

Mr. Spina said the industry doesn't yet feel comfortable that the market is back in the black and that rates are at a level to fund the risks being taken on. "By the same token, there has been a resurgence after these increases (in) competition and some price increases have moderated," he said. "Our estimates on price change in 2022 are much more manageable and reasonable."

## Pandemic realities

The expected onslaught of COVID-19-related liability claims against nursing homes and litigation hasn't yet materialized. Experts say that is due in part to federal and state immunity laws protecting health care facilities from lawsuits over illnesses or deaths directly related to COVID-19, except in cases of negligence or willful misconduct.

According to The Center for Medicare Advocacy, a nonprofit health care law organization, 38 states had either issued executive orders or passed immunity legislation as of June 1, 2021, though some of these state laws are being challenged.

Janice Merrill, an Orlando, Florida-based shareholder with law firm Marshall Dennehey Warner Coleman & Goggin P.C., who defends long-term care facilities in Florida, said she's only litigated three COVID-19 cases to date.

"The long and the short of it is we haven't seen as many claims as we thought we would," she said.

Mr. Wasta believes claims activity has been suppressed by nationwide court closures and visitor restrictions, and expects a wave of litigation is coming. Coverage disputes related to secondary incidents that occurred after a resident contracted the virus are also expected.

"Where the court settles out on actual COVID claims is yet to be seen," he said.

Reputational harm and a worsening staffing

shortage due to pandemic burnout, illness and vaccine mandates could also lead to claims, experts say. According to a November report from the American Healthcare Association and National Center for Assisted Living, the long-term care industry is currently suffering from "the worst labor crisis and job loss than any other health sector."

"Those (facilities) that are places where people want to work, that provide quality care, that treat their employees well, that have good staffing ratios, have far better outcomes than those that don't," Mr. Wasta said.

CNA Financial Corp., one of the top writers of nursing homes in the United States, has experienced a significant number of claims and is taking a "very aggressive" approach to lawsuits, said Blaine Thomas, St. Paul, Minnesota-based vice president and industry leader for aging services at the insurer.

"We're going to fight tooth and nail because I don't want to open the door to allowing the plaintiffs bar another reason to pick on nursing homes. There won't be any easy settlements," he said.

## Navigating challenges

Looking ahead, the insurance market for nursing homes could still be difficult, because of "pervasive" trends such as societal distrust in institutions, litigation funding and nuclear verdicts, experts say.

"Even if the pandemic disappeared tomorrow, most of what you see in the marketplace today would persist because it was addressing claims trends and marketplace dynamics that were pre-existing," Mr. Thomas said.

Mr. Wasta said the nursing home industry will always be high risk because it serves a fragile population. Stretched budgets and staffing shortages can create more exposure, so strong facility processes and procedures are essential to keeping residents safe, lowering insurance costs, and ensuring a facility is defensible when a situation arises, he said.

## MANDATES, LABOR ISSUES LOOM

On Jan. 13, the U.S. Supreme Court greenlighted the Biden administration's COVID-19 vaccine mandate for workers of federally funded health care entities. Facilities that do not comply with the mandate will be subject to enforcement actions, including financial penalties, by the Centers for Medicare & Medicaid Services.

American Health Care Association and National Center for Assisted Living President and CEO Mark Parkinson said in a statement that the association is concerned the court's ruling "will be devastating to an already decimated long-term care workforce."

AHCA/NCAL, which represents more than 14,000 nursing homes and assisted living communities across the country, reported in November that nursing home industry employment levels had dropped by 14%, or 221,000 jobs, since the pandemic began.

The association said that while 83% of nursing home staff are fully vaccinated, "rampant misinformation has sowed doubt and concern among many on the frontlines."

"When we are in the midst of another COVID surge, caregivers in vaccine-hesitant communities may walk off the job because of this policy, further threatening access to care for thousands of our nation's seniors," Mr. Parkinson said.

Steve Spina, Unionville, Connecticut-based executive vice president of medical and managed care underwriting for The Doctors Co. Specialty Underwriters, expects the ruling will hurt nursing home staffing, as well as create more financial and liability risk for the struggling industry.

"From a staffing perspective, they're already having a hard time keeping people or getting people," he said. "Many people just don't want to comply with the mandate, so they're going to move to other industries and do other things."

Amy O'Connor

## Cyber concerns stress hospitality sector

BY CLAIRE WILKINSON

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Hotel and restaurant owners, many of whom repurposed their properties during the pandemic, need to prioritize risk management protocols even as some rate increases level off, experts say.

As the hospitality sector moves toward recovery, many property owners still face challenges, such as lower occupancy rates and labor shortages, that can exacerbate losses.

Greater use of technology by hotels and restaurants has also heightened scrutiny of their cybersecurity controls.

Hub International Ltd. predicts that property/casualty rates for both restaurants and lodging establishments will rise as much as 20% this year, because of cyber rate increases.

While some property rate increases will level off and single-digit liability rate increases are possible for standard risks, cyber placements are driving pricing for hospitality risks, said Kimberly Gore, Myrtle Beach, South Carolina-based national practice leader of Hub's hospitality specialty practice.

**"If multifactor authentication is not in place, it's really hard to get full limits."**

Mike Chouinard,  
Lockton Cos. LLC

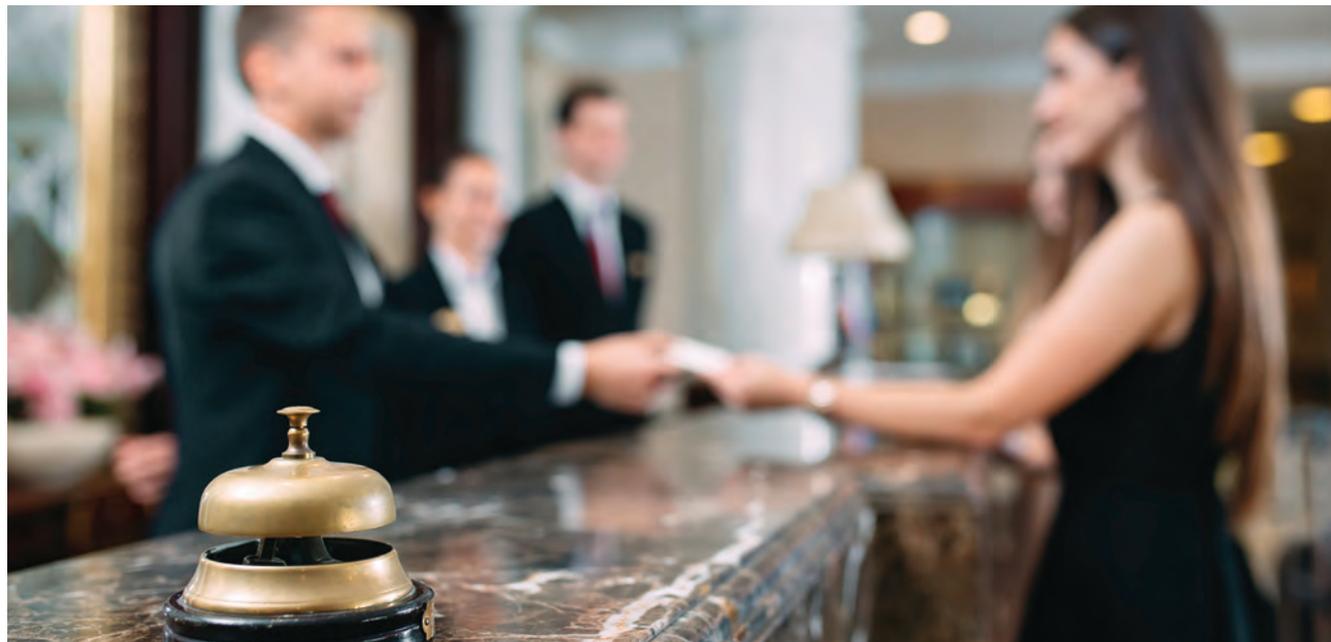
The hospitality industry is "technology dependent" with features like online payment and reservation transactions and digital key access, Ms. Gore said.

If an account has controls in place and is proactive about prevention and monitoring, they are not going to see 20% rate increases, but an account that is "just catching up to the cyber and technology trend is probably going to see over 20%," she said.

The cost of cyber coverage is high across the board, with 200% to 300% rate increases and deductibles doubling in some instances, said Mark Habersack, executive director of risk management at Resorts World Las Vegas. "The cost of a cyber event in this day and age can run between \$7 million and \$8 million. If there's a hot market out there, cyber is it," he said.

Resorts World Las Vegas is getting a good price on its cyber coverage because the company works with its broker and underwriters to mitigate the risks, he said.

However, third-party companies that Resorts World relies on, including tenants and sponsors, appear to be having



trouble getting the cyber coverage they want, he said.

This can affect a company's exposure if the third-party vendor requests that its cyber coverage only amount to, say, one-third of a contract's value, Mr. Habersack said.

"We have to reevaluate is there something we can do to help mitigate or reduce that risk. Is this a deal we don't want to get into or are we willing to roll that dice and assume the risk because we have a confidence level with the ability of the third party," Mr. Habersack said.

Cyber is the "wild line of coverage," and businesses are seeing much higher rate increases depending on what upfront security mechanisms they have in place, said Jackie Collins, Houston-based senior vice president, senior director of the real estate hospitality practice, at Arthur J. Gallagher & Co.

"Some of those we've seen as low as 10%, while we've seen some go up 150%," Ms. Collins said.

Companies across the board should have multifactor authentication in place and train their employees on how to respond to phishing emails and other scams, Ms. Collins said.

Features like contactless food and beverage ordering in hotels have also become more popular during the pandemic.

When a hotel partners with third-party food vendors, for example, part of the concern is, "when you order food, who's ordering it? Is it the guest directly, or would they go through the hotel computer system?" Ms. Collins said.

Cyber risks are seeing triple-digit rate increases in most cases, and there is a heavy focus on controls, said Mike Chouinard, vice president, account executive, at Lockton Cos. LLC in Kansas City, Missouri.

"If multifactor authentication is not in place, it's really hard to get full limits" for cyber extortion coverage, he said.

Working with clients to enhance their cybersecurity posture is a big focus prior to the renewal so that they can maintain coverage, he said.

Adding multifactor authentication is "just a flip of a switch," but then hotels need to educate their employees, he said. Completing that training within a month or two can help to maintain their limits, Mr. Chouinard said.

In the last two years, every hotel operator, from high-end resorts to roadside

motels, has had to go through "transformative changes," said Matt Zender, senior vice president, workers comp strategy, at AmTrust Financial Services Inc., based in Monterey, California.

The ability to tell their story in a manner the underwriter can easily digest and believe will make a difference, Mr. Zender said.

If a hotel operator had to change its operations by order of a local county to take in residents that don't fit their business model, they need to explain that and "explain that it's perhaps been curtailed and the work that they did to make sure the hotel was fully cleaned afterwards so now it's back to normal operations," he said.

If it's not, the operator should explain why. "The better job that they can do to tell that story, the more reasonable they are going to find the return in terms of the response from the underwriter with their rates," Mr. Zender said.

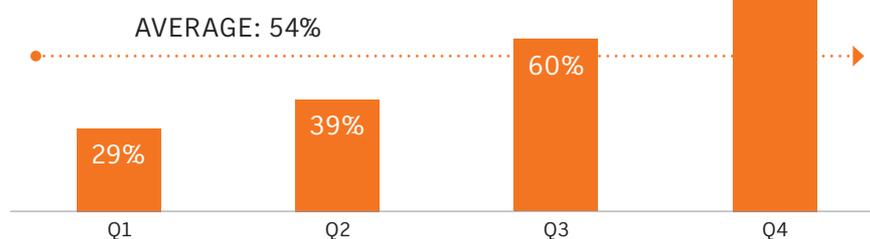
Whether it's the hotel or any other industry, presenting the risk properly and making sure the client is able to tell a great story about how they are managing risk is "paramount," said Mike Vitulli, managing director of risk management services at Risk Strategies Co. Inc. in Boston.

"You've got busy underwriters, understaffed insurers who are trying to sort through their pile" of what they should underwrite, Mr. Vitulli said.

"Anything that's real estate-related that is not a class A office building, whether it's a hotel or residential," needs to tell the story of what they are doing differently, he said.

"Do you have any loss experience? Do you have good safety procedures? Telling that story is critical to getting the underwriter to want to talk about writing (the account)," Mr. Vitulli said.

### CYBER RATE TREND YEAR OVER YEAR



Source: Risk Strategies 2021 Cyber Liability Portfolio



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The program culminates with a virtual awards tribute. Winners are also profiled in the 2022 June issue of *Business Insurance* magazine and on [www.BusinessInsurance.com](http://www.BusinessInsurance.com).

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## Travel policies evolve with COVID

BY DANIELLE LING

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The largest segment of the travel market — business travel — has been the slowest to rebound from the disruption of the pandemic.

And as businesspeople return to the air, the insurance products covering them are changing.

Business travel spending plummeted 71% in the United States from 2019 to 2020 — a nearly \$100 billion difference, according to management consultancy McKinsey & Co. At the start of 2022, Transportation Security Administration screening numbers continued to reflect major declines in travel — most significantly in business travel with a 52-week average decline in ticket sales of 59.2%

While there is significant ground to recover, corporate travel activity is on the rise, albeit slowly, but projections differ.

A survey by Deloitte Touche Tohmatsu Ltd. projects a return to 60% to 80% of 2019 levels by the end of this year, and a report from The American Hotel & Lodging Association, in collaboration with Accenture, projects business travel to stay down more than 20% from its pre-pandemic volume in 2022.

The timeline to recovery will be complicated by increased costs, including the cost of insurance. Premium hikes for business travel insurance will continue to be a factor as the risk profile of travel insurance continues to change quickly, according to Xavier Blanchard, United Kingdom-based CEO of Axa Travel Insurance and global head of travel at Axa Partners, both units of Axa SA.

“The drivers for price going forward in 2022 are quite clear,” Mr. Blanchard said in an email. “The most important one is the impact of omicron and subsequent variants driving a surge in the claims of quarantine or cancellation.”

The last weeks of 2021 were the most significant since the start of the pandemic, Mr. Blanchard said, “combining widespread testing, intense traveling for year-end and record high infection rates.”

“Similar episodes may occur, depending on potential variants, and their epidemic profile,” he said.

Dmitry Boyko, New York-based assistant vice president of travel and accident at Arch Insurance Group, said the pandemic’s effect on the insurance industry has led to higher premiums and evolving coverage distribution channels.

The primary coverages of typical business travel insurance policies are “traditional, expense-oriented coverages” on “travel, accidental death and emergency medical,” said Christopher Howard, Philadelphia-based executive vice president, head of market management, accident and health, at Zurich North America.

In the current pandemic, coverage for quarantine stays and COVID-19-related medical costs are included under the emergency med-



### THE BUSINESS OF BUSINESS TRAVEL

- In 2019, global business travel spending exceeded **\$1.4 trillion**.
- In 2020, total U.S. managed corporate travel bookings **plummeted 71%** to \$39 billion.
- Business travel is projected to return to **65% to 80%** of 2019 levels by the end of 2022.
- By 2024, gross business travel bookings are forecast to **recover 91%** of the market’s 2019 value.

Source: McKinsey & Co.

ical component of business travel insurance policies, Mr. Howard said.

There is an optional “cancel for any reason” benefit, which travel insurance providers stopped offering early in the pandemic because it was “subjective,” Mr. Howard said.

“After the pandemic, I think a lot of companies are rethinking the ‘cancel for any reason’ policies,” Mr. Boyko said. “They understand that it’s such a big concentration of risk.”

The surge in travel insurance purchasing during the pandemic, as travelers became concerned about the costs associated with contracting COVID-19, raised the profile of the coverage.

“People are now better aware of the necessity of travel insurance and have better product awareness,” Mr. Boyko said. “But with that, they know how to use policies better,” contributing to a rise in claims.

Mr. Boyko said coverage including medical and medical evacuation should be the No. 1 business travel insurance priority for companies and revamping their travel plans this year.

“If you travel overseas and get COVID and have to stay extra days in that country, that expense is going to be out of pocket for tens of thousands of dollars without that travel insurance in place,” he said.

The No. 2 priority should be a good travel delay benefit, he added.

Rising medical costs overseas are also a key driver on premiums, Mr. Blanchard said.

COVID has put medical infrastructure under

stress overseas, driving up costs, Mr. Blanchard said. This trend may not reverse any time soon, meaning companies’ “ability to implement effective cost containment measures will be key,” he said.

The top challenge corporate travel buyers said they will face in managing travel in 2022 is “the complexity of border restrictions, quarantine and testing protocols,” the ITM survey found.

Eighty-eight percent also said this would be the top factor to negatively impact their confidence in business travel levels next year.

On this point, companies should adjust their risk management protocols to better consider the “health and sanitary risks” of all travel destinations, Mr. Blanchard said.

“A lot of companies currently have a country’s risk rating mainly based on crime and terrorism level,” he said. “It’s now important to also consider the sanitary risk score, maybe with a second score based on safety that considers the health care level of the country or area, and the capability of evacuating employees in case of a health issue, not only during a security incident.”

“People are now better aware of the necessity of travel insurance and have better product awareness.”

Dmitry Boyko, Arch Insurance Group

### CLIMATE EFFECTS RAISE CONCERNS

A factor exerting increasing influence on corporate travel decisions is sustainability commitments, researchers say.

“Influencing sustainable practice” was the second biggest challenge buyers say they will face in managing travel in 2022, an Institute of Travel Management survey found.

“The days of flying across the country for a one-hour meeting I think are long gone,” said Emily Weiss, New York-based global travel industry lead at Accenture, in a presentation at the Business Travel Forum in November. “Employees are going to be traveling farther distances or for longer durations

In a Deloitte Touche Tohmatsu Ltd. survey in 2021, 79% of companies reported having made a commitment to reduce carbon emissions or are working toward a pledge to do so. About half of survey respondents plan to optimize their business travel policy to reduce their environmental impact within the next year.

Sustainability commitments also have an added benefit in significantly reducing costs. Deloitte researchers note that costs in the hundreds of millions of dollars disappeared during the pandemic. According to the survey, 70% of companies are planning to “reduce travel frequency in an effort to bolster the bottom line.”

Danielle Ling



# Climate, economic, cyber risks loom large

BY ANDY TOH  
 atoh@businessinsurance.com

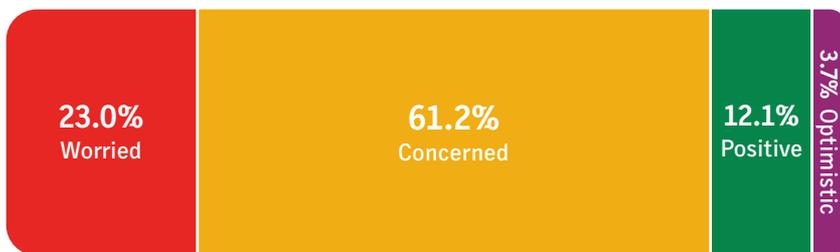
## A DIVERGENT RECOVERY

Thirty-seven percent of respondents to the recent World Economic Forum Global Risks Perception Survey believe the world will follow a fractured trajectory in the medium term, increasingly separating relative “winners” and “losers” of the COVID-19 crisis. Vaccinations and accelerated digitalization have enabled some countries to recover rapidly from the economic crisis while others are still struggling to avoid the worst consequences. Only 11% of respondents believe the global recovery will accelerate over the next three years, while 84% are either “concerned” or “worried” about the outlook for the world.

### WHAT IS YOUR OUTLOOK FOR THE WORLD OVER THE NEXT THREE YEARS?

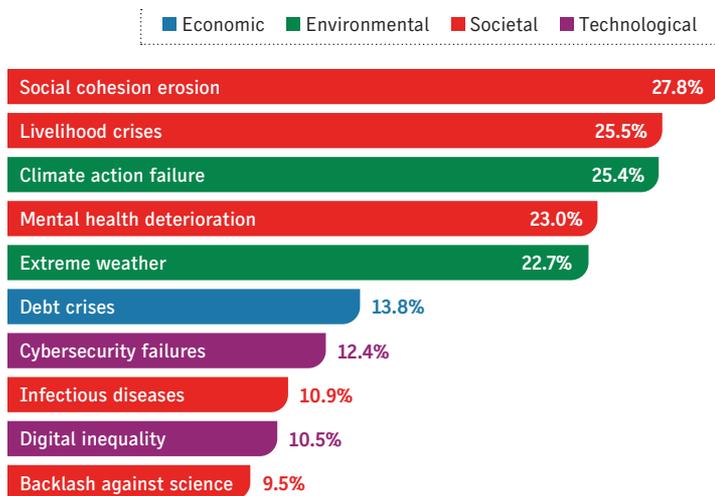


### HOW DO YOU FEEL ABOUT THE OUTLOOK FOR THE WORLD?



## COVID-19 HINDSIGHT

Top 10 risks that worsened the most since the start of the COVID-19 crisis



Source: World Economic Forum Global Risks Perception Survey, 2021-2022

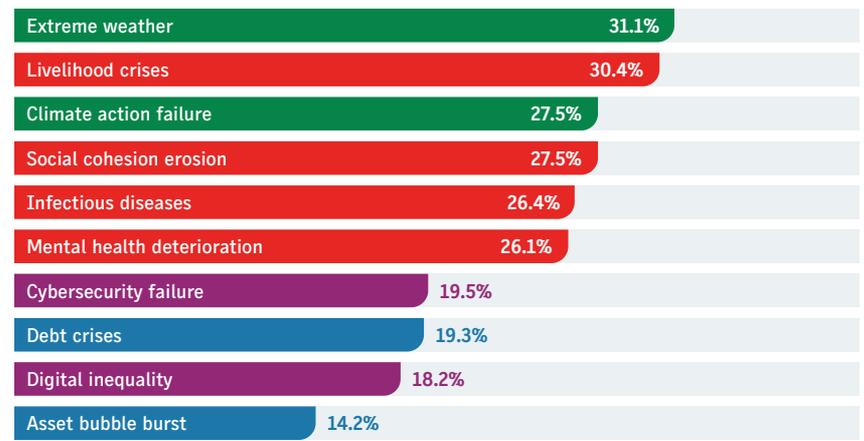
## GLOBAL RISKS HORIZONS

The latest World Economic Forum Global Risks Report, released in January, assessed short-term, medium-term and long-term risks.

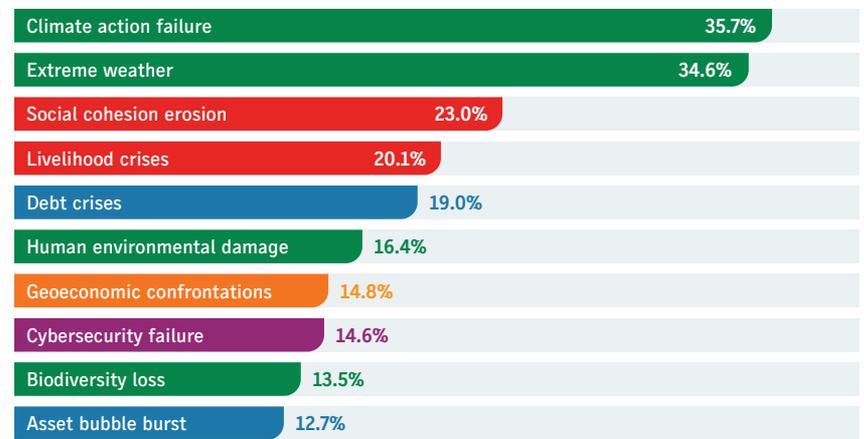
### WHEN WILL RISKS BECOME A CRITICAL THREAT TO THE WORLD?

■ Economic ■ Environmental ■ Geopolitical ■ Societal ■ Technological

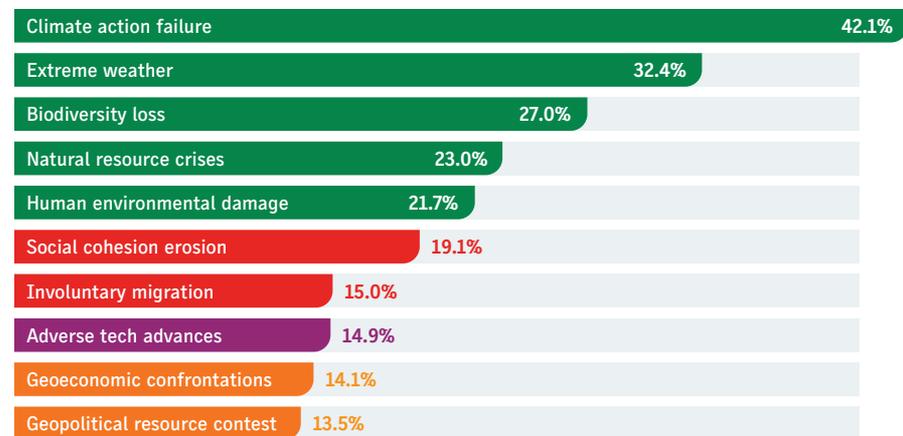
#### SHORT-TERM RISKS (0-2 YEARS)



#### MEDIUM-TERM RISKS (2-5 YEARS)



#### LONG-TERM RISKS (5-10 YEARS)



Source: World Economic Forum Global Risks Perception Survey, 2021-2022

## DIGITAL DEPENDENCIES & CYBER VULNERABILITIES

As society continues to migrate into the digital world, the threat of cybercrime looms large, routinely costing organizations tens – even hundreds – of millions of dollars.

Malicious activity is proliferating, in part because of the growing vulnerabilities, but also because there are few barriers to entry for participants in the ransomware industry and little risk of extradition, prosecution or sanction.

Ransomware increased by 435% in 2020, with a four-fold rise in the total cryptocurrency value received by ransomware addresses.

**435%**

increase in ransomware in 2020

**3 MILLION**

gap in cyber professionals needed worldwide

**\$800 BILLION**

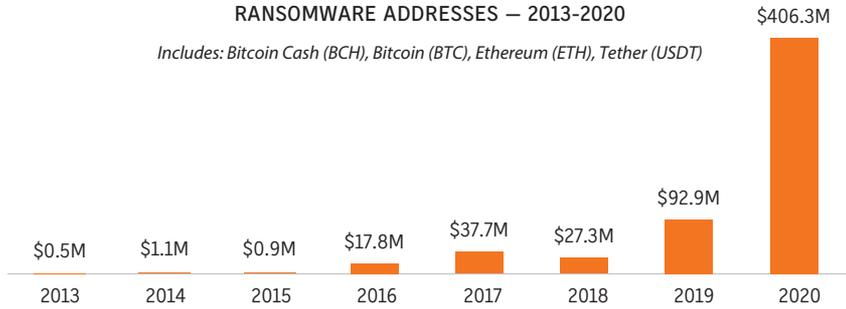
estimated growth in value of digital commerce by 2024

**95%**

cybersecurity issues traced to human error

### TOTAL CRYPTOCURRENCY VALUE RECEIVED BY RANSOMWARE ADDRESSES – 2013-2020

*Includes: Bitcoin Cash (BCH), Bitcoin (BTC), Ethereum (ETH), Tether (USDT)*



Source: World Economic Forum Global Risks Perception Survey, 2021-2022, based on Chainanalysis. Ransomware 2021: Critical Mid-Year Update

## OPPORTUNITY AMID DISRUPTION

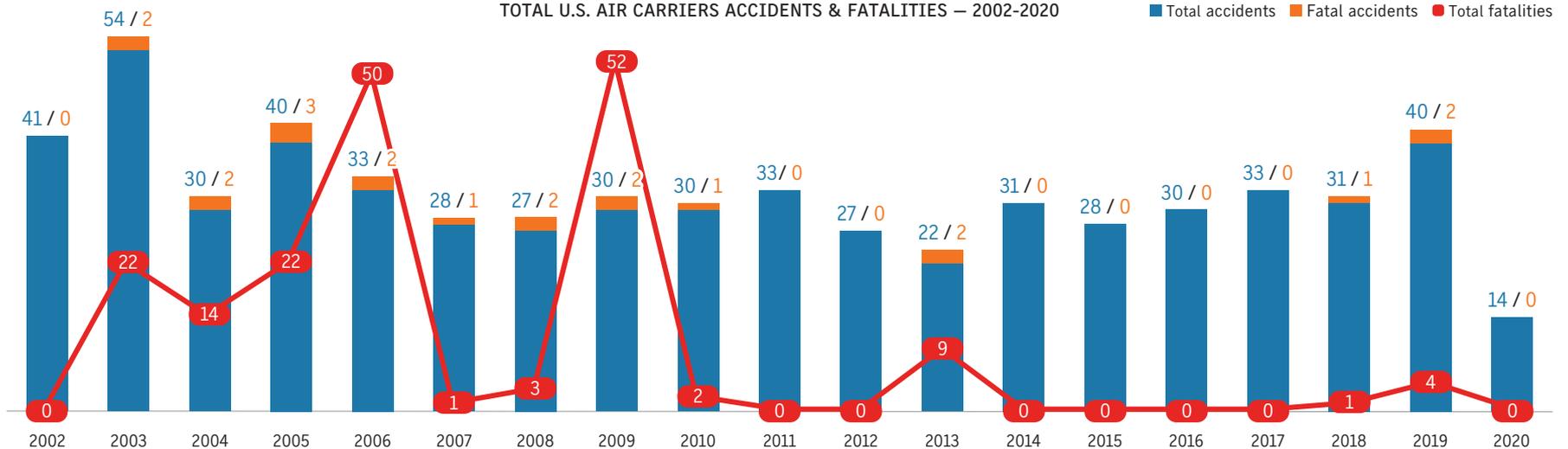
COVID-19 served as a catalyst for growth and innovation for many technology and life sciences companies.



Source: Chubb and TechAssure Insurance Agent and Broker Survey

## U.S. AIRLINE ACCIDENTS AND FATALITIES

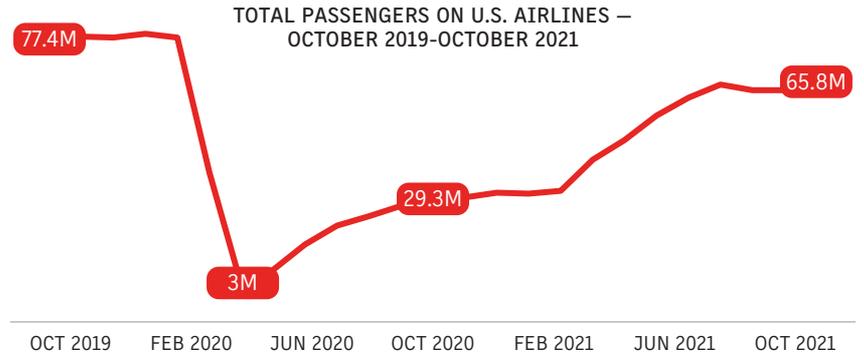
### TOTAL U.S. AIR CARRIERS ACCIDENTS & FATALITIES – 2002-2020



Source: National Transportation Safety Board

## TRAVEL BY AIR

U.S. airlines carried 65.8 million systemwide (domestic and international) scheduled service passengers in October 2021, up 3.7% from September, and a recovery of 2,086% from the April 2020 COVID-19 low of 3 million, according to a Bureau of Transportation Statistics report.



In October 2021, the 10 marketing network carriers reported 595,373 scheduled domestic flights, 12,614 (2.12%) of which were canceled. The 582,759 flights operated in October 2021 were 84.8% of the 686,811 flights operated in pre-pandemic October 2019.

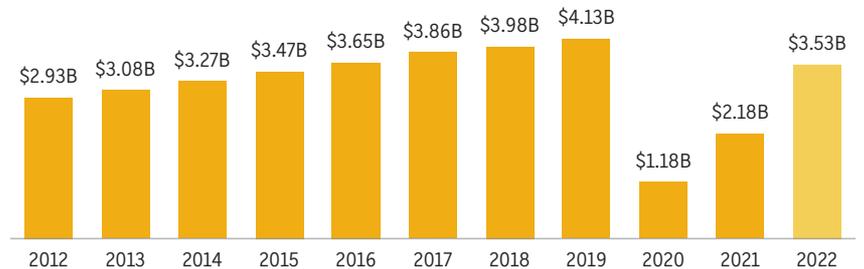


Source: U.S. Department of Transportation

## TRAVEL INSURANCE

The market size, measured by revenue, of the U.S. travel insurance industry is expected to increase 62.1% in 2022 to \$3.5 billion.

### TOTAL U.S. TRAVEL INSURANCE MARKET – 2012-2022



Source: IBISWorld

# New lessons for K-12 schools on cyber security, insurance cover

**S**chools are in business to educate kids. Yet in 2022, educators can be distracted by managing cyber risk, which costs money and disrupts school operations.

Since March 2017, K-12 schools have experienced an estimated 1,000 cyber incidents, “resulting in mass identity theft, the loss of hundreds of millions of taxpayer dollars, and the loss of significant instructional time,” according to the K-12 Cybersecurity Resource Center, which tracks publicly disclosed school cyber incidents.

K-12 schools were the target of 57% of reported ransomware incidents in late 2020, according to a Joint Cybersecurity Advisory from various agencies, including the FBI.

Schools are now a target-rich environment for bad cyber actors. A cyber loss can bring a school to a standstill and expose the personal information of multiple parties.

Cyber risk management and coverage for schools are different in 2022 than in 2021. Issues include finding adequate coverage, multifactor authentication, legacy system issues and risk management practices.

## Adequate coverage

K-12 schools face a shortage of insurance capacity and increased cost for coverage. This is shown by the 25% to 300% rate increases in cyber insurance that school insurance buyers face. Other restrictions include reduced sublimits, higher deductibles and narrower coverage terms.

In 2022, schools of all sizes are facing harder questions from underwriters. And schools with larger budgets are facing insurance markets that are hardening more than for smaller-budget institutions. The larger the budget number, the more complex the risk can be in the eyes of underwriters.

Educational institutions can struggle to keep up with the evolving cyber risks. Schools’ financial resources and the makeup of their technology departments have an impact on their ability to respond quickly and evade cyber issues.

Overall policy limits tend to start at \$1 million for many schools. Cyber coverage tends to be relatively new for many of these entities.

Cyber liability policies are typically rated with one premium for all categories of coverage; therefore, there is no indication in the overall premium of which coverage areas might be more affected by rate increases.

An exception to this is ransomware cov-



erage, which is driving up premium cost. Coverage is not a combined single limit; rather, the standard \$1 million policy limit is an aggregate limit.

Let’s look at the specific coverages in a typical cyber insurance policy:

- Incident response costs. This coverage is for costs to notify those affected by a cyber breach at a school, such as parents, students and teachers. It also covers fines and penalties levied by government entities, which are putting the onus on schools to clean up after cyber messes (some of which are due to lax security).
- Information technology security and forensics costs. This is for the costs of securing a breached network or asset and investigating the incident.
- Cybercrime. Intended for damage related to thefts of funds and records, this coverage usually responds to ransom demands. This has raised some controversy because governmental authorities often discourage schools and other cyber victims from paying ransoms. There’s certainly an argument that such coverage is morally questionable, and over time it’s become less common to meet ransom demands.
- Systems damage and business interruption. This coverage is designed for the costs of restoring an out-of-operation computer system due to an attack, as well as lost productivity.

Insurers that once asked few questions about cyber risk are taking a hard line in underwriting and asking more in-depth questions. Others have gotten out of the marketplace for schools entirely.

Cyber policy nonrenewals are a potential outcome if the policyholder has had a claim or has not taken the appropriate risk management precautions. While that outcome is not as common as rate increases or restrictions on coverage, it can expose a school to significant risk should it be targeted by hacks, phishing or ransomware.

When schools do market for another insurer for coverage, they’ll likely raise a

big flag in underwriting if they’ve had a cyber claim, as can happen in other lines of business.

## Multifactor authentication

Multifactor authentication is the practice of restricting access to systems until a secondary means of confirmation has been approved. Many insurers won’t issue coverage to schools without MFA.

But this security tool doesn’t work fully in the education sphere because of the diversity of users and the divergence of their concerns. To illustrate, school districts must keep open access to a plethora of users — teachers, administrators, students, alumni, parents and service providers.

The range of security practices among these groups of users is a risk to school systems. Since K-12 school districts have a large number of records containing personally identifiable information, including medical records and Social Security numbers, they have become a target for cybercriminals who see value in stealing this information.

Some teachers unions have objected to using MFA because it would require their members to use personal devices. Nonetheless, insurers are requiring MFA; the only concession seems to be that a few of them are giving schools 60 days to implement MFA after the beginning of the policy year.

## Legacy system issues

It’s not uncommon for educational institutions to have antiquated systems and security measures in place. One of the reasons for this is the lack of pressure put on not-for-profit public schools to implement MFA, email security and other cybersecurity measures. Likewise, training has lagged in the K-12 world.

## Risk management practices

Educational institutions that better manage cyber risk are usually treated more favorably upon quoting and renewal. The most important risk management tool is cyber risk awareness training. CBS News reported in 2021, though: “While most educators said they rely on virtual and remote learning tools, 60% of teachers say they have received no additional security training during the pandemic, and half of the respondents have not received any cybersecurity training.”

Other good risk management practices are firewalls, updated technology, replacement of legacy systems, and discarding old email servers.



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Some of the checklist items in cyber risk management for schools are:

- Are backups of critical data being stored off premises?
- Are backups being tested?

If someone destroys or holds data to ransom, backups can be a lifeline. With regular backups, a school usually would lose only hours or a day of data, rather than losing all its data. While the data records might be stolen, there are copies of the data to fall back on.

Also:

- Is the school testing for phishing by sending out emails to see users’ response?
- Is the school doing vulnerability testing (by hiring a consultant or otherwise checking for weaknesses)?

The use of vulnerability testing often depends on the sophistication and financial resources of a school. Some schools do none, but others do all the testing that a private corporation would do.

Similar to vulnerability testing is network penetration testing.

Email still poses a significant risk for schools. Email providers are seemingly ubiquitous and inexpensive. But many schools continue to run their own email servers, giving them a higher risk potential.

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