

Connect › Support › Advance



Understanding Insurable Risk in the Healthcare Sector

Agenda

- **Setting the scene**
The risk management landscape
- **To transfer or not transfer**
Understanding insurable risk
- **Auditing your insurance program**
Assessing organisational needs against your insurance cover
- **The impact of the cycle**
How the changing insurance cycle may influence your decisions
- **Importance of presenting risk**
Achieving best outcomes in a changing insurance market

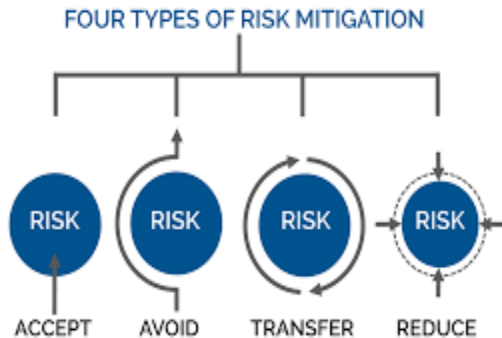
The Risk Management Landscape

- Risk management broadly involves five basic steps:
 - Risk/hazard identification;
 - Risk/hazard assessment and analysis;
 - Making decisions about how to control or manage risk (Action);
 - Implementing those controls;
 - Supervising the implementation of the plan and watching for any new or changing risks.



The Risk Management Landscape

Controlling and Managing Risk- Key Mitigation Strategies



- Avoidance- If a risk presents an unwanted negative consequence, you may be able to completely avoid those consequences;
- Acceptance- When a risk is assessed at being at an acceptable level of tolerance, you may choose to accept the risk;
- Reduction or control- This involves reducing the probability of occurrence or the severity of the consequences of an unwanted risk to an acceptable level;
- Transfer- This strategy involves shifting the burden of the risk consequence to another party, generally an insurance company for insurable risk;



Understanding Insurable Risk

- What are the major insurable risks available to businesses

Risk	Class of Insurance
Bodily injury to staff	Workers' Compensation
Physical damage to property	Industrial Special Risks
Clinical injury to patients	Medical Malpractice
Injury to contractors	General Public and Products Liability
Shareholder actions	Directors & Officers
Breach of privacy	Cyber



Assessing Insurance Cover

- What are the key areas of focus for assessing the adequacy of your major classes of insurance

Class of Insurance	Critical Focus Areas
Workers' Compensation	<ul style="list-style-type: none">- Is cover arranged in all states and territories where the business employs staff;- Does the business have multiple employing entities, and if so, is separate covers arranged where required;- Is the premium calculation option utilised the most appropriate for the businesses needs;- How is the claims performance impacting the premiums.



Assessing Insurance Cover

- What are the key areas of focus for assessing the adequacy of your major classes of insurance

Class of Insurance	Critical Focus Areas
Industrial Special Risks Property & Business Interruption	<ul style="list-style-type: none">- Are your property sum insured limits adequate?- Have you assessed your Business Interruption calculation methodology?- Are there any major peril limitations (Flood, Cyclone, Earthquake);- What deductibles are applied and could the organization retain more;- What conditions or exclusions apply.



Assessing Insurance Cover

- What are the key areas of focus for assessing the adequacy of your major classes of insurance

Class of Insurance	Critical Focus Areas
Medical Malpractice	<ul style="list-style-type: none">- Is your limit appropriate for your level of clinical risk;- Is the deductible structure delivering the most optimum premium outcome;- Is the coverage broad enough to cover all the activities of the business;- Does the cover indemnify all employees (e.g. Medical Practitioners);- Implications of claims made provisions.



Assessing Insurance Cover

- What are the key areas of focus for assessing the adequacy of your major classes of insurance

Class of Insurance	Critical Focus Areas
General Public & Products Liability	<ul style="list-style-type: none">- Do you have any contractual arrangements which mandate minimum cover requirements?- Is the limit adequate for your risk profile?- Is there key restrictions or increased deductibles for contractor related injuries?



Assessing Insurance Cover

- What are the key areas of focus for assessing the adequacy of your major classes of insurance

Class of Insurance	Critical Focus Areas
Directors & Officers	<ul style="list-style-type: none">- Is a deed of indemnity in place and does this specify any insurance requirements?- Are the directors satisfied with the level of cover provided including the limits?- Does the cover include additional insuring clauses that can diminish the cover available to the directors?- Are any specific exclusions applied such as insolvency?



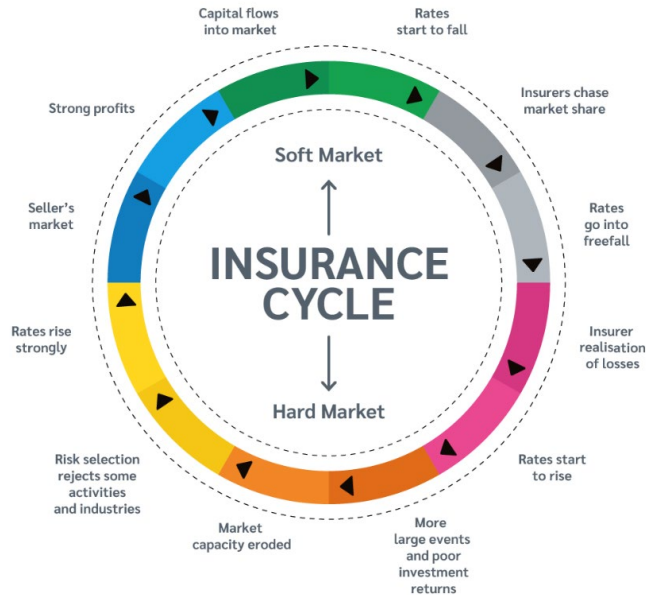
Assessing Insurance Cover

- What are the key areas of focus for assessing the adequacy of your major classes of insurance

Class of Insurance	Critical Focus Areas
Cyber Insurance	<ul style="list-style-type: none">- Does the organisation hold cyber insurance?- Does this policy extend to provide both first party and third-party cover?- What level of business interruption or reputational harm coverage is provided and is this adequate?- How has the adequacy of the limit been assessed?- How robust is the breach response process?



Influence of the Changing Insurance Cycle



- The Insurance market works in cycles ranging from hard to soft.
- Over the last two years, global insurance markets have transitioned to a 'hardening' market cycle where insurers are increasing premiums, reducing limits/capacity and seeking to place more restrictive terms onto their contracts of insurance.



Influence of the Changing Insurance Cycle

Key factors driving the current market conditions:

- Record low interest rates;
- Continued underwriting losses sustained by insurers across multiple classes of insurance;
- Greater scrutiny by Lloyd's of underwriting syndicates as a result of years of unprofitable business following Decile 10 review;
- Deterioration in the claim's environment both in Australia and globally.
- Consolidation of insurers;
- Natural disasters (Queensland floods, Victorian and NSW bushfires, as well as international disasters);
- COVID-19 pandemic.

Influence of the Changing Insurance Cycle

What are the implications:

- Rising premium costs;
- Increased levels of retention (deductibles);
- Need for more insurers to fill a placement;
- Restrictions in the level of cover available;
- Unavailability of certain types of insurance;
- Review of the treatment of certain risks by the organisation.



Importance of presentation of risk

Key points to sell your risk and achieve best outcomes:

- Differentiate your organisation- understand your risk profile;
- Detailed submissions- the more the better;
- Early action- time is of the essence;
- Engagement with underwriters- sell your profile;
- Understanding your particular needs- are you paying for cover or limits you don't require;
- Share the risk- be willing to consider higher deductible levels;
- Understand your cover- the devil is in the detail;

The role of the broker is to achieve sustainable renewal outcomes that meet organisational needs.



Connect › Support › Advance

