

SECOND OPINION

SMALL DOSES OF HEALTHCARE INSIGHT



When Insuring Healthcare Management Liability Risks, Experience Counts

Within the world of private/not-for-profit risks, one of the more complex industries is healthcare. While this niche group fits neatly within the Private and Not-for-Profit Management Liability line, its unique nature – and the significant impact a loss can create – requires a deeper dive into their exposures and liabilities.

Healthcare organizations include any facilities providing the delivery of health care services. These include, but are not limited to, hospitals, health systems, medical groups, nursing homes, clinics, surgery centers and others. In addition to examining the exposures submitted on an application, within the loss runs and financials, you have to dig deeper to understand the key environmental factors:

- The competitive landscape (both geographically and from an industry perspective)
- The contracts in place (with partners, vendors, providers, and managed care entities)
- Current legislation and upcoming changes (what effects will these have?)
- Changing regulatory issues (related to government contracting)
- Business model changes (and the ability to support it with available resources)

Understanding these risks and their exposures, not only requires keeping a pulse on the daily changes these clients are facing, but also an understanding of their history and the history of the industry in general. This requires experience from a trusted advisor.

Your Underwriter as a Value Add

Brokers who operate in this market have a competitive edge if they work with an underwriting team that has the experience to understand these quantifiable and environmental variables that impact healthcare organizations. Here are just a few benefits of working with experts:

- **Measure of Confidence** – for both the broker and the client. Knowing that your underwriter is evaluating and understanding all of the exposures and can keep pace with the concerns and logic of coverage structure, while providing informed perspective, is invaluable. This helps to ensure that both buyer and broker have secured the right mix of protection and feel confidently covered.
- **Intermingling of national and regional landscapes** – it's important that you can converse with someone who is informed on current national and regional factors.
- **Healthcare Subsectors** – The exposures that hospital management teams face can be very different than those confronting medical groups. Lumping all facilities in to the same "healthcare" bucket does not benefit the buyer, broker or underwriter; there are nuanced differences and fundamental distinctions. An underwriter that has the depth and breadth to understand these subtleties will be conversant in your subsector.
- **Time Savings** – these risks are time consuming, requiring research and a key understanding of this market. Experienced underwriters will save brokers time because the research and knowledge is already there.

- **Crafted Coverage** – each entity is unique and complex, which requires crafting the coverage to suit each organization. Understanding the risks and environmental factors comes in to play while creating bespoke coverages that address current and potentially future exposures.
- **Private is not Public** – one of the major exposures facing healthcare organizations is the liability associated with Entity coverage (claims that name the organization for wrongful acts such as mismanagement, antitrust or regulatory abuse). These claims can be extremely costly and detrimental to the organization. Public Company D&O does not offer this critical coverage.
- **Private vs. Not-for-Profit Facilities** – each brings distinctly different levels of exposures, requiring specific coverage. Privately held healthcare organizations face shareholder exposures, and often the shareholders are physicians, which creates a unique dynamic. Not-for-profit organizations can face enormous pressures related to their financials and scrutiny over their tax status.
- **Knowledge is power** – An informed underwriter will not only be asking the following questions, but also providing solutions:
 - Is there Managed Care exposure? Medical Malpractice exposure? Cyber exposure?
 - What claims have the potential to hit multiple policies, and how can we work with the broker and buyer to address that?
 - Are there Legacy Claims? A healthcare underwriter will have knowledge of claims trends (current and historic) by the type of organization and is conversant – he/she will work with you to address the coverage concerns.
 - Stress Testing. In such a changing environment, there is always something 'new' to research and discover. Your underwriter should be on top of this.
- **Other things to consider:**
 - Existence of claims teams that specifically handle healthcare claims. If you think insuring/underwriting healthcare organizations is difficult, imagine how tough it can be to handle these types of claims. It is important to have an experienced team of claims specialists who know how to support your clients.
 - Risk management services specific to healthcare clients – the best way to avoid a loss is to proactively work to prevent it from occurring. Does your carrier have resources available to help your clients avoid or reduce the impact of a claim?

The Value in a Second Opinion

Your clients are confronted with difficult decisions in an ever-changing industry that includes environmental factors over which they have little to no control. There is great value in utilizing underwriters who know the industry and have the experience and resources that can help you look for ways to keep them viable and protected. Offering solutions that address complex insurance challenges – and demonstrating the industry knowledge that is needed – brings immeasurable value to your clients.

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QUESTIONS?

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