



Greater New York
Automobile Dealers
Association





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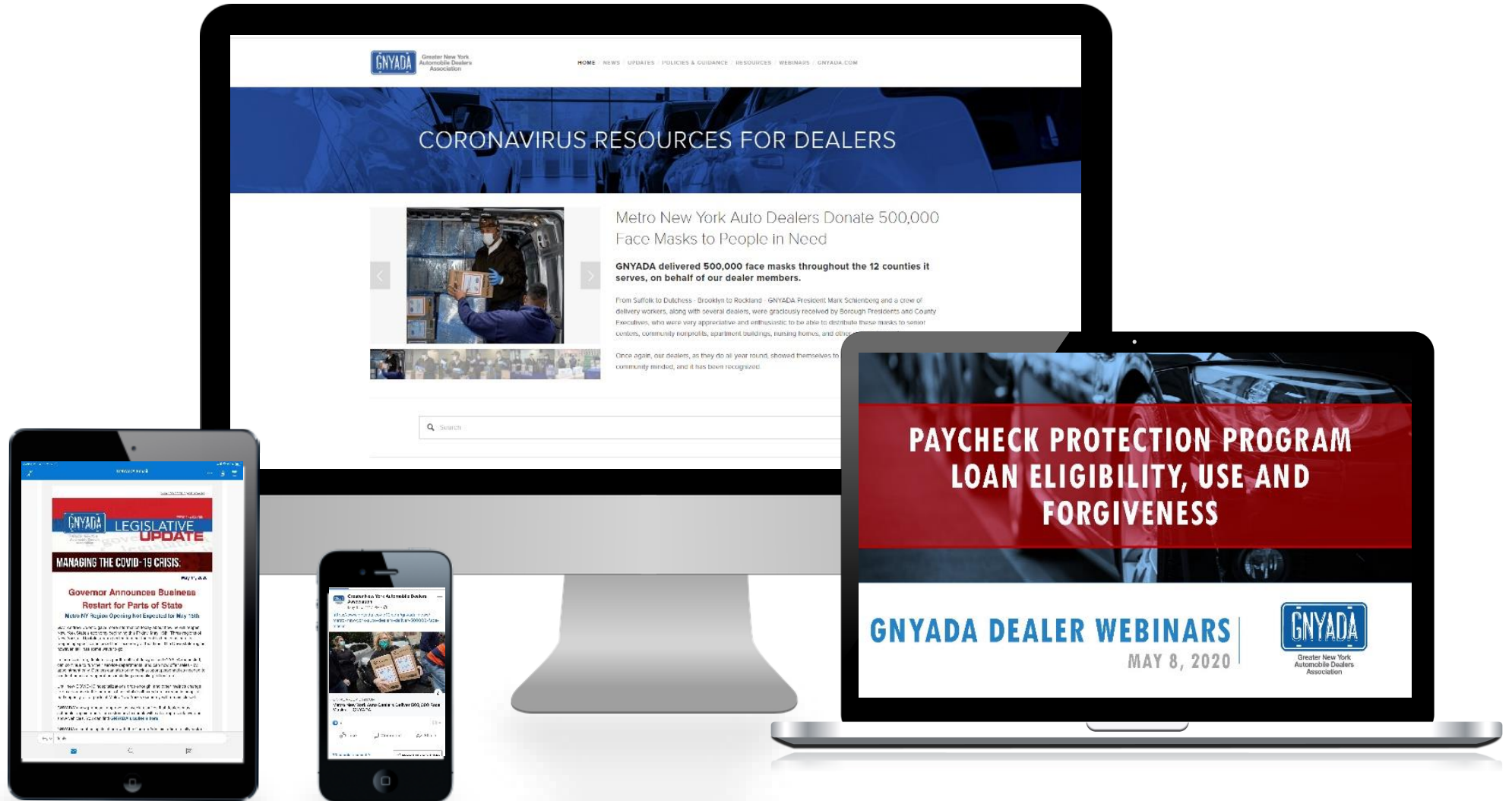
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Greater New York Automobile Dealers Association



Risk & Insurance | Employee Benefits | Retirement & Private Wealth

Webinar: State of the Property & Casualty Insurance Market – How Dealers Can Manage Risks and Lower Costs

August 5, 2021



**Greater New York
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Agenda



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- Market characteristics:
 - Characteristics of a Soft Market
 - Characteristics of a Hard Market
- What has hardened the insurance market?
- Critical issues for Automobile Dealers
- What are we seeing today?
 - Property/Garagekeeper Liability/Umbrella
- How will this affect your dealership?
- Strategies to become and remain “Best in Class”
- Summary

Market Characteristics




Soft Market

Many carriers willing to quote
Declining Deductibles
Increased Limits
Broader Coverage
Easing of underwriting standards
Recommendations not as important
Buyer's Market

Hard Market

Few carriers willing to quote
Increased Deductibles
Reduced Limits
Coverage More Restrictive
Tougher Underwriting Standards
Stricter compliance requirements
on recommendations
Seller's Market



What Has Hardened the Insurance Market?

- Economic Effects – poor investment income.
- Cost of Reinsurance.
- Uncertainty exacerbated by global pandemic.
- Increase in frequency and severity of claims.
- Declining market capacity due to carriers withdrawing from specific classes of business.



Some Critical Issues for NY Automobile Dealers



Automobile Dealer insurance has been greatly affected by COVID-19, social inflation and rising insurance costs:

- Since the onslaught of the pandemic, Automobile Dealers across the U.S. have faced closures, staff furloughs and a reduction in inventory values.
- With the addition of COVID-19 related employment-related lawsuits, many carriers are increasing Employment Practices Liability (EPL) premiums at this year's renewal.
- As catastrophic, (CAT claims) have increased due to an uptick in severe weather, so have claims against Open Lot insurance.
- Reinsurance rates skyrocketed across markets due to COVID-19, social inflation and high claims payouts. The result is rising rates and limit reductions.

As A Result...

- Carriers have begun exercising more underwriting discipline through risk selection.
- Rate increases are being seen across all lines of coverage, some more severe than others.
- Carriers are exiting from the market.
- Umbrella Risk Purchasing Groups are either disbanding, cutting limits and/or applying stricter underwriting guidelines.



What Are We Seeing Today?



Property

- 10-15% Increases on Best Risks.
- 30% and Up on Automobile Dealers with Adverse Losses.
- Non-Renewals on Automobile Dealers with frequency or severity are not uncommon.
- Water Damage Deductibles are increasing significantly irrespective of losses.
- Absolute Virus Exclusions.

What Are We Seeing Today?

Garagekeeper Liability

- 10-15% on Best in Class Risks (some carriers are offering lower increases, but only on fully owner occupied risks with clean losses).
- Non-renewals on Auto Dealers with adverse losses - could be frequency of losses, or one or more severe losses.
- Communicable Disease Exclusions included on renewals.



What Are We Seeing Today?



Umbrella

- 35-50% increases, even on Best in Class Automobile Dealers.
- 100% + on Automobile Dealers with even one large claim - could be frequency of losses, or one or more severe losses.
- Communicable Disease Exclusions/Follow Form wording.
- Significantly reduced capacity due to fewer umbrella programs (RPGs).



What Can You Do?

What Can You Do?

Position Your Dealership as **“BEST IN CLASS”**



What Can You Do?

In partnership with your broker and property manager, demonstrate to the marketplace why they should want your business...

- Proactive on safety to reduce potential for claims.
- Proactive on contractual risk transfer.
- Demonstrate dealership upgrades, i.e., roof, electrical, plumbing...
- Willingness to work with carrier on recommendations.



Strategies to Become and Remain Best in Class



- Implement outstanding recommendations from previous insurance carrier inspections.
- If not able to implement, be able to demonstrate and clearly explain the rationale for not doing so.
- When implementing risk control measures, first consideration should be given to improvements that have the greatest influence on loss severity.
- Regarding past losses, be prepared to explain corrective actions taken to prevent similar losses in the future.

Summary



- The insurance market is firming. Capacity is limited and is being used with more discretion.
- Contractual Risk Transfer has never been more important.
- Understand your claims and why they are occurring.
- Work with your insurance broker to implement or enhance loss prevention programs.
- Use broker resources to help with carrier recommendations.
- Even the best risk should expect increases in today's insurance environment.
- "Best in Class" risks will achieve best results.

Thank you.



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