



## Insurance Survey September 2020

The CPA carried out a survey to care providers between Monday 7<sup>th</sup> September and 22<sup>nd</sup> September 2020 to capture cost changes in insurance premia over the last three years; better understand how insurance is bought and managed across services; and understand the implications of cost changes since COVID-19 on running services. Below is a summary of the key findings.

### Key findings

#### 1. Who responded to the survey?

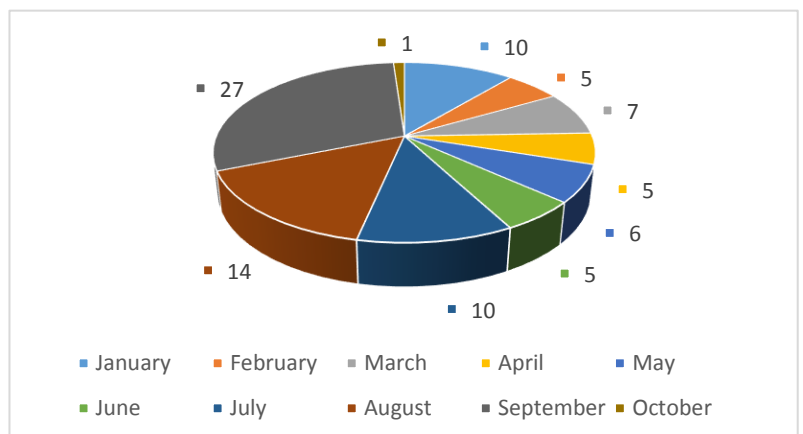
98 care providers took part in the survey. The majority of responses were providers operating care/nursing homes and home care, and providers supporting service users aged 65+ and working age adults across England. Services registered with the Care Quality Commission had a rating of Good (78%) or Outstanding (13%). 9% were rated Inadequate.

#### 2. How is insurance purchased?

- 54% provided services across multiple locations with 46% operating at one location, indicating an even spread of SME and large operators.
- 75% of respondents bought insurance at company level with 26% buying insurance for individual locations.
- The top five insurance products are: Public liability, Employers' liability, Business Interruption, Professional indemnity, and Buildings and Contents insurance.
- 79% purchase combined policies and 21% purchase separate policies.
- Aviva and Zurich were the top two insurance companies, however the majority of providers purchased their insurance products through brokers that are underwritten by different companies.
- The majority of providers buy their insurance annually (60%) with 37% paying for premiums on a monthly basis.

#### When did you last renew your insurance?

We specifically targeted providers who had renewed policies from January 2020 to take part in the survey. Of those responding, the majority (72%) had renewed, or were in the process of renewing their insurance policies and so were able to answer the questions in relation to how the insurance market has been affected by the pandemic.



### 3. Cost of insurance, exclusions and restrictions

We wanted to ascertain the cost of insurance per mia over a three-year period from 2018 to 2020 to work out the overall percentage increase in costs. The table below shows the percentage increase for the sector as a whole. On average there has been a 19% increase in the cost of insurance since 2019, and 31% increase in costs since 2018.

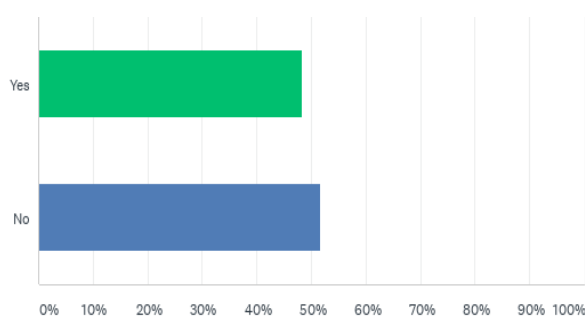
Year	Total cost of insurance from survey respondents	Percentage increase
2020 compared to 2018	£10,333,311.66	31%
2020 compared to 2019	£8,687,386.20	19%
2019 compared to 2018	£7,890,620.12	10%

“Many insurers have applied COVID related exclusions to the policy, or withdrawn from the market entirely. Aviva have been able to maintain the same cover, however in order to do this their premiums have increased.”

“They said it had gone up so much because as a sector everything had so overall went up 100%.”

#### **When you renewed your insurance this year, were there any exclusions/restrictions applied (including but not limited to those related to COVID-19)?**

48% said there had been exclusions/restrictions applied, and 52% said there hadn't been any exclusions/restrictions applied. Of those that answered that restrictions and exclusions had been applied, the main reason was COVID related claims affecting Public and Employers' liability insurance and professional indemnity insurance. A number of care providers also stated restrictions to business interruption insurance.



“Any future COVID related claims that do not arise in the 2019/20 insurance year. From renewal no communicable disease cover.”

“It does not cover if we have to close business due to COVID-19.”

“Public liability cover restricted to a maximum of £100k with a single claim limit of £7.5k and an excess of £2.5k for each claim. Aviva have attempted to include a broader exclusion for communicable diseases but after the event. More than 4 months into our cover, we are still waiting for final wording.”

18% reported that they had been refused insurance in 2020 by their previous or potential insurer. Providers reported a decline in the number of insurers in the market with some insurance companies refusing to quote, or pulling out of the sector entirely. Providers also noted a reduction to some insurance cover.

“Many insurers refused to offer any cover stating Covid-19.”

“Market problems with Nursing home insurance this year. Market and capacity restrictions.”

“We approached Aviva for a quote, they would not quote us because we have had a claim for legal expenses. We were also told that there were not any other Insurance Companies willing to take on new Domiciliary Care Providers at the time we were looking for quotes.”

“The previous company had closed down. And new providers were not willing to support due to CQC rating.”

#### 4. Business risks and claims

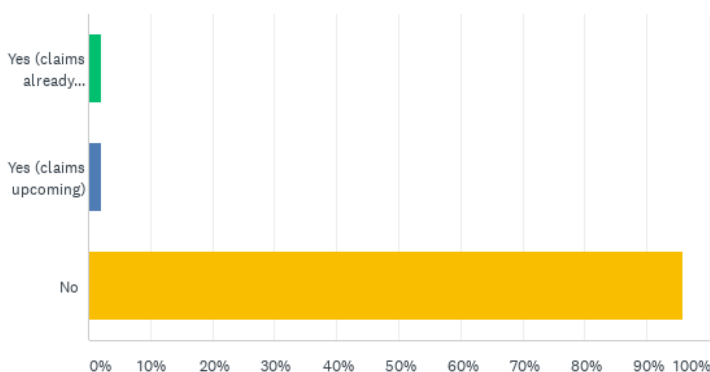
##### **If your premia has increased in 2020, or you have had exclusions/restrictions applied to your policy (or policies), or both, what has been the impact on your ability to provide services?**

There were over 50 responses to this question with many stating that the increase in costs, exclusions and restrictions applied is yet to cause any direct impact to the provision of services. Care providers noted the financial impact and its effect on managing costs. One provider mentioned a threat of possible closure, however in the main the majority view was that it was still early days in assessing the real impact of the additional costs to service provision.

“Financially very difficult as all costs gone up significantly due to Covid. Worrying about lack of Covid-19 cover.”

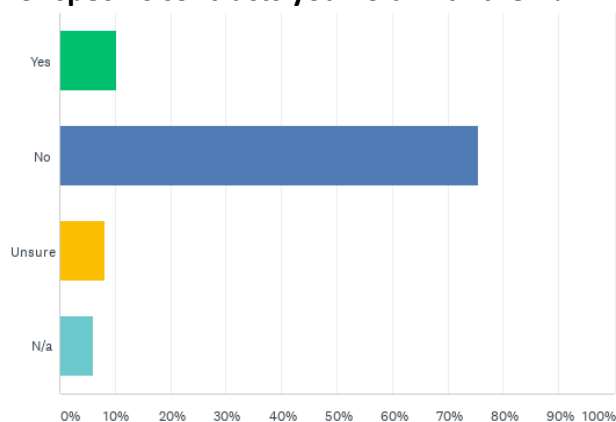
“We are currently in the process of renewing our insurance so the increase in premium and changes in cover have not had any effect yet but we will have to review our practices going forward in light of the fact that we will be carrying an uninsured risk of claims from our residents, their families and other visitors to our services in relation to COVID-19. We will be reviewing our visiting policies and also reviewing the cost of carrying the risk. As we have only just been notified

##### **Have you already had claims related to COVID-19 brought against you, or are you aware of any upcoming COVID-10 related claims that could be brought against you?**



All participants responded to this question. Two providers said they had claims already brought against them and another two said they had claims pending.

### Have you had any experience with your local authority asking for an increase in your Public Liability cover for specific contracts you hold with them?



The majority (76%) of participants did not have any experience of local authorities asking them to increase their public liability cover.

However, 10% had experienced it and named the local authorities to have made such a request.

Essex and Worcestershire were named three times respectively.

### Have you considered, or will you consider, insurance risks as part of your business continuity planning?

“I can’t operate without insurance, so need to swallow the higher premiums.”

“Concern there will be a large rise in premiums incoming year that will effect cash flow/profitability or cover is reduced that would mean not being able to operate services.”

“We review all risks as part of the process to determine how me minimise, tolerate or terminate the risk.”

“Insurance risks are included in the company's strategic risk register in relation to business continuity. Because business continuity is covered as part of our commercial combined insurance policy with Ecclesiastical, as opposed to our liabilities policy with Markel, the Board's main concern is around uninsured risks due to the nature of cover we are being offered, including issues around communicable diseases.”

To conclude, there has been a 19% increase in the cost of insurance this year, with most providers stating that policy restrictions and exclusions have been applied relating to potential COVID-19 claims. The extent of insurance cover has also been reduced for some policies and the number of insurers in the market declined reducing choice and availability.

It is still early days to fully assess the financial impact of the cost increase, as most providers have found ways to finance the additional costs in order to continue providing services. However, ongoing operational costs during the pandemic means that care providers have the added burden of seeing their costs significantly increase in the event of a claim being brought against them for COVID-19. To date, the potential risk of such claims have not been fully considered, with most providers trying to continue with business as usual until such a time as this becomes an issue for them directly. Such an approach poses significant risk to providers and the sector as a whole. Should there be the event of a class action, or a successful claim setting a precedent for future claims, the care sector as it stands will be significantly exposed. We therefore reiterate our ask of government for full indemnity for the care sector against COVID-19 related claims on the same parity as our partners in the NHS.

