

The BMS Casualty Practice Group has been tracking the evolution of potential impacts to the casualty market segment stemming from the coronavirus. While circumstances continue to shift and change on a continual basis, there are undoubtedly key factors impacting the short and long term profitability of liability lines of business emerging.

Potential Positives

While it seems counterintuitive to consider “positive impacts” stemming from the current pandemic, there are some signs emerging along this path. Many publications continue to highlight decreases in both frequency and severity of claims activity. Frequency reduction is intuitively tied to the decrease in economic activity, and may or may not revert back to the norm – or in fact have a “whiplash” effect and spike once a return to normalcy occurs. As court systems remain bogged down, there have been reports of more open claims being settled pre-trial, for less than what a potential verdict might have awarded. There are myriad potential contributors to this, including cash flow constraints or simple uncertainty of how long a trial might take. Benefits extracted from these lower claim settlements will provide some short term, bottom line improvement to loss ratios.

Emerging Challenges

While meaningfully rose-tinted glasses are required to extract many positives from the current coronavirus lock down, assembling a list of challenges and issues for casualty writers is daunting, especially from the perspective of knowing where to stop. Areas of potential concern span from general liability, to products liability, D&O, E&O and beyond.

Traditional exposures in the general liability world include trip and fall and customer safety related claims. In today’s world, with limited numbers of consumer locations seeing meaningful foot traffic, might potential exposures shift to grocery store customers alleging that they contracted the virus due to unsafe practices at the retail location? What damages and ultimate dollar values could these types of claims generate? Is there the possibility for class actions lawsuits?

While a great deal of publicity has been made around the initiative to re-direct some of the largest manufacturing entities in the United States to making ventilators, masks and other essential items to fight the coronavirus, there are potential challenges related to casualty lines stemming from these actions as well. Might there be an increase in products liability claims stemming from either the emergency products themselves or some impact once manufacturing shifts back to each company’s original products resulting from a miss in the retooling process?

On a more macro level, any type of economic downturn typically drives an increase in claims frequency within the D&O and E&O segments. In many ways the severity of the coronavirus economic impact has been more dramatic than The Great Recession, and certainly the onset and severity of impact hit over a shorter duration. How soon the economy can restart efficiently, and how quickly financial markets can approach their previous levels will likely drive results in the coming quarters and even years for these lines of business.

Only a few months ago, the pervasive buzz words in the casualty market were “social inflation” – not to be confused with the current societal buzz words “social distancing.” Undoubtedly, social inflation is not gone, and the new emerging arena of coronavirus related claims and potential coverage disputes may even spark an increase in liability related claims not contemplated in historical pricing and policy terms.

Down the Road

Once the world reaches the other side of this pandemic, there are additional potential exposure to the casualty market that might emerge and are worthy of thought. When testing becomes widespread and research into transmittal and origin of infection becomes clearer, could there be potential liability exposure to establishments that are found to have been key points of viral spread? Could these types of later emerging exposures create a “second wave” of claims?

BMS

The one certainty is that many unknown risks remain and that we are here to assist in identifying and mitigating these risks as they emerge. No one can identify or quantify every potential impact stemming from the current “new normal” we find ourselves in, but we at BMS will continue to work tirelessly with our clients and prospects to navigate these uncertain times together.

For ease of reference, below are links to more line of business specific content related to the current pandemic that the BMS Specialty Practice Groups have recently published.

[Property Reinsurance Market
Coronavirus Update](#)

[COVID -19 Non-Standard Auto
Implications](#)

[COVID -19 Workers' Compensation
Market Update](#)

[COVID -19 MGA Implications](#)

[COVID-19 Healthcare Liability
Reinsurance Update](#)

[COVID-19 Impact Analysis
Summary](#)

[Regional/Mutual COVID -19
Update](#)

[AM Best to Delay Filing of SRQ to
Develop Further Stress Testing](#)

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