WINERY
SOLUTIONS & PROTECTION ADVANTAGE

As we enter the second quarter of 2021, hardening conditions have tested our resolve and pushed many communities to their limits. In times of uncertainty and with climatic, political, and global strains affecting all industries, it can become difficult to hold on to optimism. Our team has shared their responses to several key areas below to help provide greater insight into our expertise and leverage in the industry and marketplace.

EPIC IS YOUR SOLUTION.

COVERAGES, TERMS & CONDITIONS (CTE)

There has been a significant cutback by many carriers on the first-party cyber coverage that gradually made its way into property forms throughout the past decade. Contingent Time Element coverage continues to draw increased scrutiny and restriction as does coverage for convective storms and, as mentioned, communicable disease.

EPIC'S RESPONSE

A current trend we are seeing is when trying to build in excess coverages, insurers are declining when they believe the primary is underpriced. EPIC will run an exposure analysis to find the ideal coverage and pricing balance. CTE coverage applies where an insured's customer or supplier sustains physical damage to its property. EPIC reviews policy language to see what may be excluded for CTE.

INDUSTRY GROUPS

Some underwriters are non-renewing accounts within particular industries, including food, wineries, high-tech, school districts, waste and recycling, frame habitational, auto dealerships, and chemical risks. These industries are seeing the most severe restrictions in carrier capacity, deductible increases, and rate hikes.

EPIC'S RESPONSE

Our Industry knowledge and expertise allow us to gain access to the best markets for wineries. This coupled with our loss mitigation strategies helps our winery clients to reduce their risk profile.

CAPACITY

Many carriers are cutting back significantly on capacity being offered at renewal. Some carriers have pulled out of the property market completely. Others are exiting industry classes and occupancy types. The lowering of line sizes in shared and layered programs creates gaps that need to be filled. This cutback in capacity directly impacts renewal pricing, as the days of plentiful capacity to use as a leverage tool to blunt rate increases from incumbent carriers are gone.

EPIC'S RESPONSE

We investigate capacity issues well before your renewal to confirm the layers are appropriate for current market availability, so you aren't scrambling come renewal. We leverage our market clout to find the best available placement opportunities and coverage layers. Creativity in timing and placement can make a big difference.

DEDUCTIBLES

Pressure exists to increase deductibles across most classes of business. Some carriers are imposing minimum deductibles in certain classes and converting flat dollar Time Element deductibles to a number of days multiplied by a daily Time Element value. Underwriters are also looking to increase deductibles to eliminate attritional losses such as water damage, especially in the real estate sector. High hazard wind and flood percentage of value deductibles, which were reduced during softer market conditions, are now being tested as well. Convective wind deductibles for events like tornadoes and hail are being looked at with percentage deductibles similar to named storms, as is wildfire.

EPIC'S RESPONSE

Alternative Risk Financing has become increasingly popular for "Best in Class" companies in any industry. These alternatives are considered loss sensitive, as your loss performance is directly tied to your premiums. The programs most utilized today are Large Deductible programs, Captive Insurance programs for Workers' Compensation, General Liability and Auto exposures. For the largest companies, there may be options for Self-Insurance.. These alternative programs offer a unique opportunity to share in the profitability of the success of your company from within your risk management programs and afford substantial ROI potential, if managed effectively. The best candidates will have demonstrated solid financials and a proven track record over time within the performance of their risk management program, such that there is predictability in the loss patterns. Wineries are particularly well suited for these alternatives and are attractive to many underwriting companies and group captives.

PRICING

Whether or not accounts are loss-free, they are experiencing rate increases across the board. Rate increases have accelerated into the second quarter of the year. A contributing factor to this is the capacity cutbacks noted above. Carriers looking at new business are approaching it with technical, modeled pricing and not with aggressive competitive terms and premiums to gain market share. Profitability is now the mantra and overshadows new business growth goals. What was too expensive capacity in the past is now often needed to complete a program, driving up the overall price.

EPIC'S RESPONSE

The reality of the current market is pricing is going up for wineries due to multiple risk factors. EPIC evaluates the Total Cost of Risk (TCOR) for an organization. TCOR is a process that considers the indirect as well as direct cost drivers to create a ratio of all risk management expenses, against sales. This ratio can be charted over time to illustrate the success of the organizations' risk management program, and the value EPIC has effectively delivered to our clients' bottom line. To eliminate the inference of bias towards insurance products, EPIC may offer a 'performance based' compensation arrangement around the TCOR concept, removing commissions from the equation entirely. The Result: You take pricing and turn it into a true ROI.

While no one knows how the insurance market will ultimately respond to the situation we are facing here in California, what we do know is that things are different now and may be for the foreseeable future. It is important to set realistic expectations for the various stakeholders and start renewal discussions early. The process will take longer, and time and thorough preparation will be needed for a successful marketing effort. If a rate increase was experienced at last renewal, it is important to understand where that put the program relative to the carrier's overall pricing and capacity goals for the upcoming renewal. Identify new potential players and get in front of them early. Be open to options, including increased retentions, reducing sub-limited coverages and/or alternative terms and conditions. Lastly, select a broker that will work with and for you in your time of need.

EPIC's Winery Practice is comprised of industry veterans. Our team's brokers, loss control engineers, modelers, and claims professionals can set, enable and execute a strategy to guide our clients through the most adverse market conditions. Collectively, we have seen just about everything, and we stand ready to assist in any way.

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