



The Coverage Gap You Can't Ignore

Punitive damages have long been a concern in the legal and insurance landscape, yet many insureds remain unaware of their potential exposure. Designed to punish egregious misconduct rather than compensate for losses, punitive damages can be financially devastating for businesses. The challenge for insureds is that while some states allow insurance policies to cover punitive damages, others prohibit it, leaving gaps in protection. Given the evolving legal climate and the increasing size of awards, it is more critical than ever for insurance professionals to have informed conversations about mitigating this exposure.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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Punitive damages are a growing risk

Historically, punitive damages were considered rare, but they are becoming increasingly more common. Recent data suggests that about **5% of cases** involve punitive damages awards and the multiples of compensatory damages being awarded are far exceeding the Supreme Court's recommended 4:1 ratio.

While many of these cases are appealed, businesses facing an initial ruling against them may still suffer significant financial strain. Without proper coverage, companies domiciled in states where insurance of punitive damages is prohibited or operating in multiple states risk being caught off guard by an unexpected punitive damages award in a jurisdiction that does not permit coverage through standard liability policies.

What is a punitive damages wrap?

A punitive damages wrap policy is one of the most effective solutions for closing these coverage gaps. Unlike endorsements such as the most favorable venue clause, which relies on multiple legal parties agreeing to shift jurisdiction—an uncertain and often unsuccessful strategy, a wrap policy provides affirmative coverage regardless of the state where the claim arises. This means businesses can ensure protection even if an incident occurs in a state that does not allow domestic insurers to cover punitive damages.

Essential conversations for retail agents

Despite the increasing relevance of punitive damages, many retail agents remain unaware of wrap policies or do not fully understand their benefits. This creates a risk that a competing retailer could educate a client first, leading to lost business opportunities.

Encouraging discussions about punitive damages wraps with clients is not just about selling coverage—it's about providing essential risk management guidance and positioning retailers as trusted advisors. Insureds need to be made aware that punitive damages exposure is a growing threat, and a wrap policy offers a simple yet cost-effective way to mitigate that risk.



Accessibility

Securing a punitive damages wrap policy is a straightforward process. In most cases, obtaining a quote requires only a copy of the domestic quote and quotes are typically turned around within 24 to 48 hours. The cost is generally around 10% of the domestic premium, making it an affordable solution for businesses that want to ensure full protection.

More domestic carriers are recognizing the need for this coverage and are either partnering with third-party providers or setting up sister companies in Bermuda to offer wrap policies. As availability increases, insureds have more options than ever to protect themselves from punitive damages exposure.

Industries with the most exposure

While no business is immune from punitive damages, certain industries face higher risks. Multi-state trucking companies, healthcare providers and other entities operating across jurisdictions should strongly consider a wrap policy.

Several other states prohibit punitive damages coverage with domestic insurers, having people turn towards Bermuda insurers for additional coverage. Without proactive risk management, these companies could find themselves unprotected in the event of a lawsuit that results in a punitive damages award.

Takeaway

Punitive damages exposure is increasing and businesses cannot afford to overlook the potential financial consequences. The best way to ensure protection is to proactively secure a punitive damages wrap policy before an incident occurs. Retail agents should take the lead in educating clients about these risks and offering viable solutions. With more markets offering wrap policies and pricing remaining accessible, now is the time for insureds to fill coverage gaps and safeguard their financial future.

We help you win

Amwins Bermuda has been offering punitive damage wrap-around coverage for more than 20 years. With access to exclusive markets and extensive expertise in punitive damages coverage, we help retail agents secure the right protection for their clients.

Our team understands the nuances of punitive damages wraps and works quickly to provide tailored solutions. If you're looking to differentiate yourself in the market and add value to your clients, partnering with Amwins is the right move. Contact your broker today to help your clients find the coverage that best meets their needs.

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