

Talking Points Newsletter *April Vol. # 11*

TSiB's Talking Points Newsletter covers recent top industry articles in the following categories:

- Insurance Market
- Construction Industry
- Claims
- Trends
- Employee Benefits

This newsletter is meant to be a guide to assist you on the most important events that are going on. We share insight on the importance around each topic and how it can affect you directly.

If you have any questions about any of these articles, other Insurance & Surety concerns, or have specific topics you've like to learn more about, please reach out to us directly at contact@tsibinc.com or visit [our website](#).



Hard Insurance Market Might “Thaw” in 2021!

There has been a lot of talk about the hardening of the insurance market. There is no doubt that the Pandemic has had an effect on the upward pricing pressures. However, the rate correction was in full swing on many lines of insurance prior to COVID-19.

Industry Executives continue to cite the same conditions, Social Inflation, Frequency of Severity, and Low Investment Yields. We continue to see the Carriers press for more rate increases. As a result, we are going to continue to experience a hard market through at least 2021.

Rates are still increasing (an average of 7% in Q1 2021) and it is becoming clear that we are not likely to see a sudden flip into a softer market environment. There will be more likely a gradual move to a plateau and stabilizing rates. With claim costs still skyrocketing companies are still looking for rate. This “thawing” of the hard market is mostly due to a Carrier’s individual profitability, the relationship with the underwriter, and the quality of the account.

TSIB Talking Point: Clean accounts and good relationships, mixed with solid underwriting submissions (market submissions are up as much 150% during this Hard Market cycle) can help clients to mitigate the full impact of the current rate environment.

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Very Active 2021 Hurricane Season Forecast

Weather forecasters are now starting to issue their forecasts for the state of the 2021 Hurricane Season and it is not looking very optimistic.

WeatherBELL is the latest group to issue its forecast, stating the 2021 Hurricane season will be “very active with impacts potentially being seen further to the east and a warning about storms developing closer into the U.S. mainland”.

WeatherBELL is forecasting 16 to 22 named tropical storms for 2021. They believe 9 to 13 will reach Hurricane Status (winds 74 to 95 mph). In addition, 3 to 6 of those are estimated to become major storms (CAT 3 or Higher). Forecasters are predicting storms may be forming closer to land, which can mean a greater intensity potential as they near landfall.

TSIB Talking Point: A difficult hurricane season is ahead of us. The prospects for large losses will continue to impact property pricing across the world. Wind speed is only one of the factors that drive damages. Sea level rise risk and flooding can also occur with or without significant wind speeds.

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Biden's \$2 Trillion Infrastructure Plan Has Something For Everyone -And That's Its biggest risk!

President Biden recently announced the details of a \$2 Trillion government investment to fix the nation's infrastructure. The American Jobs Plan contains:

- \$621 Billion for transportation infrastructure
- \$689 Billion for building and utilities
- \$500 Billion for worker training, research & development, and domestic manufacturing

This bill is larger than FDR's New Deal (1930's), The Federal-Aid Highway Act (1954), and American Recovery & Reinvestment Act (2009) and seeks to correct a 40% fall in domestic investments since the 1960's.

Predictably, the plan has been met with mixed reviews from business groups and Congress. Mostly from the idea that the plan is to pay for this bill over 15 years by rolling back a corporate tax cut. The rate will go from 21% to 28% which would erase a large benefit of President Trump's 2017 Tax Reform.

President Biden, however, indicated that he would be happy to entertain other proposals so long as they do not increase taxes on families making under \$400,000 per year.

TSiB Talking Point: One thing is clear- there will be a fight to pass this through the current Congress.

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World's First Major Ship Tunnel Project To Take Bids

A project in Norway has been greenlit to build the world's first tunnel for large cargo and passenger ships. The Ministry of Transport and Communications will be preparing to take bids very soon.

The geography of Norway's North Atlantic coast exposes the country's shipping industry to perilous conditions during much of the year. This tunnel, located in the southeastern part of the country, will make sea travel much safer and simpler by allowing ships to by-pass a historically dangerous voyage around Norway's most wind-swept points.

The project costs are projected to be \$330MM and begin in 2022, and completed in 2026. The tunnel will be just over a mile long, 120 feet high, and 87 feet wide. The cost for this tunnel can be justified in the saved accidents and weather-hold times from traveling around the peninsula.

TSiB Talking Point: This project is the realization of a plan that has been in the making for many years and solves a shipping problem that Norwegians have been aware of since 1874.

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Coronasomnia Is Real & A Pressing Safety Hazard That Employers Must Address

Industry focus on Workers Compensation claims stemming from COVID-19 has been predicated on employees' contracting the illness. However, trends are now showing that "Coronasomnia" could potentially lead to a myriad of other work-related claims.

There has long been studies on Pilots, Truckers, and Shift Workers – with regard to sleep deprivation and on the job accidents. It is no wonder that we have a new term to consider in workplace accidents. The pandemic has impacted people to varying degrees, emotionally, physically, and mentally. It is important to be cognoscente of these factors and keep a keen eye on trending claims.

TSIB's Talking Point: Construction Workers can suffer greater injuries in both frequency in severity due to fatigue. Employers can look to potentially raise awareness to fatigue issues during toolbox talks. Offering company sponsored subscriptions to apps like Calm or Headspace can also be helpfully.

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Consent to Settle Provisions – Sharing Settlement Decisions Between Insured & Insurer

Consent to settle provisions allows an insured decision-making ability in the settlement process of a claim. Often insureds under a General Liability (GL) policy will assert their discontentment with the outcome of a case. However, the GL policy specifically states the insurer has the right to defend and settle a claim as appropriate.

Professional Liability policies differ and allow the insured to provide their consent to a settle a claim. This can be because the settlement could have an impact on reputational risk or because an early settlement can potentially offset further negative consequences at a later date.

Consent to settle is not a carte blanche right to an insured to control their claim. In an effort to make settlements more of a collaboration between the Carrier and insured, there is typically a *Hammer Clause* inserted into the policy. Hammer Clauses vary in verbiage, but all mirror the same intent. If a Carrier proposes a particular settlement and the insured does not agree, there will be a punitive outcome for the insured if the case settles higher than the original proposed amount. For example, the insured could potentially have to pay the difference between proposed an actual settlement of they may have to cost share 50/50 with the Carrier.

TSIB's Talking Point: It is important to understand the differences in insurance policies with regard to the consent to settle. Understanding what a Hammer Clause is and ensuring the client is aware of the ramifications if consent is not provided.

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Pandemic Insurance Backstop Faces Tough Road Ahead

In spite of the fact that there is a clear need for a government pandemic backstop, Representative Emanuel Cleaver, (D- MS), chairman of the House Financial Services Subcommittee on Housing, Community Development and Insurance, expressed his doubts that it would be possible for Congress to agree to “another government backstop for yet again another insurance issue”. Representative Cleaver made these comments during virtual event, “Addressing the Protection Gap for Pandemic Risk.”

Since most Property Coverage that includes Business Interruption Coverage, does not cover the loss of business created by a pandemic; many small businesses have been upended.

TSiB Talking Point: There is a need for this backstop. However, Rep. Cleaver cites the divisive political environment and inability to work across ideological and political lines.

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Ransomware Top U.S. Cyber Priority

Ransomware attacks are a cybercrime that threatens its victims with the destruction of their data unless a payment is made to the hacker. These attacks have increased over 150% in 2020.

In a recent speech, Alejandro Mayorkas, Secretary of The Department of Homeland Security stated that dealing with ransomware will be a top priority for DHS’s cybersecurity arm, the Cybersecurity and Infrastructure Security Agency.

Cybercriminals often operate in countries that have lax or no laws to prevent cybercrime. Mr. Mayorkas is seeking to hold these countries responsible “that do not use the full extent of their authority to stop the culprits.”

The government is seeking to not only thwart the attackers but also disrupt the underground forums that help these criminals carry out the attacks.

TSiB Talking Point: The news is full of reports about cyber-attacks, most notably the recent attack on the insurance company, C N A. Ransomware attacks are the main factor as to why the cost of Cyber Liability Insurance is up significantly in 2021.

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The 16 Most Popular Employee Perks

A recent survey by the Society for Human Resource Management, shared the benefits that Employers are providing their Employees that support their mental health, financial and childcare challenges during the pandemic. The following is a list of the top perks and the percent of employers offering them:

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| • Healthcare & Flexible Spending Accounts- 68% | • IVF Treatments- 19% |
| • 401(k) Plans- 93% | • Payroll Advances- 15% |
| • Tuition Assistance- 56% | • Paid Parental Leave- 27% |
| • Student Loan Assistance- 8% | • HSA- 56% |
| • PTO For Volunteering- 26% | • EAP- (Employee Assistance Programs) 79% |
| • Fitness Activities- 30% | • Long Term Care Insurance- 32% |
| • Paid Vacation- 98% | • Pet Insurance- 15% |
| • Mental Health coverage- 83% | • Wellness Programs- 58% |

TSiB Talking Point: Employers are finding that their Employees are feeling depressed and burnt out. The pandemic has made it difficult for Employers and Employees to find the correct work/life balance, which makes these holistic benefits even more important.

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39% Of Americans Skipped Medications Due To Rising Costs

A recent survey by the pharmacy discounter, GoodRx has revealed a very disturbing trend in the cost of prescription drug prices.

39% of respondents indicated that they are rationing or skipping doses due to the costs of their prescriptions. While 21% indicated that they are struggling with basic needs, taking on debt, or declaring bankruptcy.

TSiB Talking Point: Prescription Drug prices is a political football. This data shows the very real and potentially tragic problems that some people face. The pandemic has only made this situation worse.

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