



Talking Points Newsletter

May Vol. #12

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

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

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'd like to learn more about, please reach out to us directly at contact@tsibinc.com or visit [our website](#).



A List Of Articles Discussing Insurance Carriers Q1 Earnings

As a resource, below is a list of articles that discuss the Q1 earnings for popular Insurance Carrier's:

AIG Profit Beats Estimates On General Insurance, Retirement Gains

[Click here](#) to read further about this.

France's Axa Posts 3% Drop In Q1 Revenue

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Berkshire Hathaway Swings Back to Q1 Profit of \$12B (USD)

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Brown & Brown Sees Some Rate Hikes Slow As Insurers Compete

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C N A Financial Turns Q1 Profit

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Chubb Moves Past Failed Hartford Bids- Reports Higher Profit

[Click here](#) to read further about this.

Liberty Mutual Reports Sharply Higher Profit Despite CAT Losses

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P/C Price Increases Slow To 18% In Q1- But Cyber On The Rise: Marsh

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WTW Predicts Return To Soft Cycle As Rates Decelerate

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TSIB Talking Point: Based on the headlines we are seeing from the Insurance Companies' earnings calls and the reports from various sources, the hardening market is beginning to show signs that it is pulling back. This means that clients may expect to see competitive quotes for their renewals.



Construction Industry

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U.S. Gives Go-Ahead For Its First Major Offshore Wind Farm

A project to build a wind farm off the coast of Martha's Vineyard that generates 800 MW of electricity received the go ahead from the Department of the Interior. The Vineyard Wind 1 Project is a joint venture between Copenhagen Infrastructure Partners and Avangrid Renewables is expected to provide enough power for 400,000 homes and businesses and create 3,600 good jobs. The cost is approximately \$3B and should take two years to build.

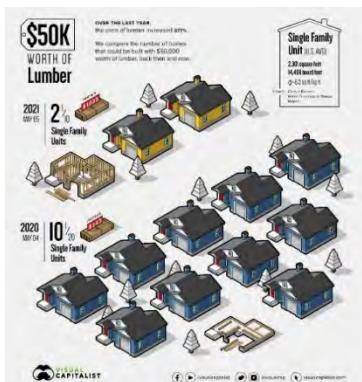
The approved proposal called for a wind farm with no more than 84 turbines to be off the coast of Massachusetts. However, since the project will utilize the much larger Halidate-X Turbines manufactured by GE and will only require 62 turbines to reach the 800 MW.

The U.S.A. lags behind Europe in Offshore Wind Energy production and this project takes a big step in closing that gap. Last year, 2,900 MW of offshore wind capacity was installed in Europe.

TSIB Talking Point: The U.S.A. has significant on land wind farms. The Biden Administration has set a very ambitious goal of 30 Gigawatts of wind capacity by 2030. There is a great benefit to the wind power. Environmentally, it serves to decarbonize our power grid. In addition, it serves to reduce our reliance on foreign oil.

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Visualizing The Recent Explosion In Lumber Prices



Lumber is a commodity that is traded on the Commodities Future Markets. There was a drop in capacity due to the Trump Administration raising existing Lumber Tariffs (up to 24%). Plus the additional production delays created by the work stoppages during the COVID-19 lockdown. This drop in capacity and the increasing demand, created from the rise in homeowner renovations & new home construction, has caused the cost of lumber to explode, increasing 377% in one year.

The price per 1,000 Boards which prior to this price spike had a brief high of \$600 per 1,000 Boards in April 2018. Pricing stabilized soon after in the \$250 per 1,000 Boards but then shot up to a high of \$1,635 per 1,000 boards.

There is a concern that the cost of lumber may cause a drop-off in demand since the materials are no longer affordable.

TSIB Talking Point: COVID-19 has impacted many aspects of our lives. Price increases for lumber is not uncommon since lumber is traded on the Commodities Exchange. This latest increase has impacted home construction. In 2020 you could build 10 homes with \$50,000 of lumber, in 2021 that number drops to 2 homes.

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Federal Judge Dismisses Wife's COVID-19 Tort Suit Against Husband's Employer

A case entitled *Kuciembra v. Victory Woodworks, Inc.*, was filed in U.S. District Court for the Northern District of California was dismissed on May 10, 2021. The wife of an employee at Victory Woodworks sued the employer after she contacted COVID-19 from her husband. She alleged due to the employers failure to provide a safe place to work she contracted the virus. The court dismissed her claims and found no duty to non – employees.

TSIB TALKING POINT: This case is the first precedent to be set with regard to an Employers' duties & obligations to employees and others, with regard to contracting COVID-19. It is important to follow the ongoing litigation as this could bear resemblance to asbestos litigation, where family members were successful in suing employers for their exposure to the toxin.

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Eight Circuit Will Not Let Insurers Pick their Favorite Endorsement

The U.S. Court of Appeals announced their decision from the Eight Circuit reinforcing when a policy or endorsement create ambiguity coverage must be interpreted broadly in favor of the insured.

This crux of this case involves a D&O policy which had two conflicting endorsements.

Endorsement 11 removed exclusion D from the policy and replaced the verbiage with similar language but varied the exceptions. Endorsement 13 was issued which deleted exclusion D in its entirety. The question of fact was whether Endorsement 13 applied to only the main form of the policy or unilaterally across all forms and endorsements.

The court ruling was significant as it not only reaffirmed policy ambiguity but it also established that the numeric order to the endorsements were irrelevant. Simply relying on the order of issuance was not enough to decide the case as both endorsements were retroactive to the effective date of coverage. The distinguishing factor was could both endorsements be interpreted reasonably applicable. The answer to that question in this case is in the affirmative as such coverage was applied broadly.

TSIB TALKING POINT: It is important to review all forms and endorsements to the Policy when interpreting coverage. Having a clear understanding of the forms and application of coverage is paramount when loss is involved.

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Fitch Warns- Further Challenges Ahead For Cyber Insurers

The recent trend in the ever-hardening Cyber Market is showing no signs of easing and will face continuing pressure to show profits in this line. In 2020, the P&C Insurance Companies that write Cyber Insurance are experiencing substantially higher losses than in any prior years.

Ransomware attacks will continue to thwart any short-term reversal of any underwriting performance even in the wake of higher premiums and restrictive terms. Direct Written Premiums (DWP) for standalone Cyber programs have increased by 27%.

TSIB Talking Point: The cost of Cyber Insurance will continue to spike due to the influx of Ransomware claims. However, demand for this insurance will not abate due to the fact that both large and small companies are at risk of a major incident. Cyber is key to the growth for the insurance and reinsurance markets.

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Cyberattack Exposes Lack Of Required Defenses On Pipelines

Cyber criminals attacked the Colonial Pipeline with Ransomware that resulted in the shutdown of the pipeline for almost a week. The pipeline was brought back online after the Owners paid the attackers \$5MM for a decrypting tool to restore their systems. ([Click here](#) for Article on Ransom).

This latest incident in a seemingly never-ending string of cyber-crimes, which highlights a very significant cyber security issue for the United States Energy Grid. Pipelines are not included in the U.S. Government's compulsory cybersecurity protocols that the rest of the Power Grid must abide by.

Oversight for the pipelines falls to the Transportation Security Administration (TSA) which has only provided voluntary security guidelines. Moreover, the TSA does not have the staffing to handle this oversight. Pipeline Operators are subject to different laws and regulations based on what they are transporting which makes it more difficult to provide a unified policy.

TSIB Talking Point: The recent wave of Cyber Crime is creating havoc. Criminal's shutdown a major pipeline that handles a 100's of millions of gallons of fuel per day and effectively caused a shortage. The fact that there are no standards for security to prevent this from happening is quite distressing. As long as criminals know that they will get paid, these attacks will continue, further threatening our overall infrastructure.

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Employee Benefits

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There's a Name for the “Blah” You’re Feeling: It’s Called Languishing

As you start to deal with a stressful situation, our brain has a threat detection system that puts us in a Fight or Flight status which enables us to assess the stress and respond accordingly.

As we have been dealing with the COVID-19 Pandemic, most people’s natural Fight or Flight reactions helped get them through the initial stages of the lockdown. As the pandemic continued, the sense of dread is replaced by something that Psychologists call, languishing. Languishing is defined as a sense of stagnation and emptiness, like muddling through your days. Mental Health is viewed on a spectrum that goes from depression to flourishing. Languishing sits in the middle between them. Not depressed but not flourishing or happy.

The issue with languishing is that you become indifferent and lose the drive to participate in society. As a result, you can lose any ability to even seek help to ease your suffering. Languishing is the name for the helplessness that you may feel and the best way to move out of this funk is to first understand and actually recognize that there is a name the way that you feel. The obvious antidote is to find projects to immerse yourself in and rekindle that sense of belonging.

TSIB Talking Point: Human Resources Managers, Company Executives, and Psychologists have been talking about the need for more of a focus Mental Health Care. Not being depressed does not necessarily mean you are not struggling.

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UnitedHealth CEO: Most Negative Effects From COVID-19 will Recede Next Year

In remarks made during the Bank of America Securities 2021 Virtual Healthcare Conference, Andrew Witty, CEO of UnitedHealth Group said that he believes that the negative effects that the Health Insurer has felt due to the Pandemic will fade in 2022.

UnitedHealth Group expects earnings per share for 2021 to be between \$16.90 to \$17.40. This includes a \$1.80 per share in potentially unfavorable earnings due to the costs associated with treatment, testing and any residual effects of patients deferring care in 2020.

TSIB Talking Point: Health Insurers are now starting to come to grips with the costs associated with COVID-19 and discuss when they will come back out of this.

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