Talking Points Newsletter *Volume #22*

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

- Insurance Market
- Construction Industry
- Claims
- Trends

This newsletter is a guide to assist you on the most important current events. We share insight on each topic and how it can affect you directly.

If you have any questions about any of these articles, other insurance and surety concerns, or have specific topics you would like to learn more about, please reach out to us directly at contact@tsibinc.com or visit our website.

Insurance Market

Fitch: Hard Market Conditions Diminishing

Analysts at Fitch Rating Service have opined on the state of the four largest reinsurers and concluded that the "hardening market conditions are diminishing but still remain strong enough to counterbalance rising risks from economic inflation and financial market volatility."

Four companies, Hanover Re, Munich Re, SCOR, and Swiss Re have all reported strong improvements in their earnings for 2021. This was due to better pricing and less pandemic-related claims in the property and casualty sector.

However, the four companies also experienced a 100% increase in mortality claims in 2021. Due to COVID-19 there was a rise in mortality in the U.S., Latin America, and India which impacted their Life Insurance sectors.

TSIB's Talking Point: The bottom line is that while there are still impacts expected from the CAT exposed sectors, declining investment income, and mortality claims from COVID-19, the four reinsurance companies will continue to obtain the rate needed to off-set the claim impacts.

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Lloyd's of London Sees Major Claims from Ukraine War

According to Lloyd's of London, there are approximately 100 syndicates that underwrite risks such as aircrafts, ships, and oil rigs. These syndicates are the focus of a study that determines their exposure from Russia's invasion of Ukraine.

The direct exposure to claims is understood to be quite low. However, there are "second order impacts" such as the aviation insurance market. There have been reports that there is concern over a fleet of 400 leased jets, worth approximately $10 billion, may be stranded in Russia.

Lloyd's was hit hard by the Pandemic in 2020. As a result, they implemented virus exclusions and increased premiums. They have recovered from the large loss in 2020 to post a pre-tax profit of $3.04 billion in 2021.

TSIB's Talking Point: Lloyd's of London is an Insurance Exchange that is famous for its ability to provide insurance on almost anything. The direct exposure to claims from the war in Ukraine is limited since most policies directly exclude war as a peril. However, there are some policies that do not exclude war, and these are the policies that are of concern.

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Construction Boom: Agents Can Help Contractors Avoid Big Risks

There is a windfall of new construction projects coming thanks to the infrastructure bill that was signed into law in 2021. Over $1 trillion will be spent in the next 5 years. This is an incredible opportunity for contractors to grow their businesses and they will need assistance from their advisors, specifically, their insurance professionals.

There is a great opportunity for insurance professionals to help their clients understand how the projects they bid on will impact their businesses. There are impacts, both positive and negative, that should be controlled and understood by managing some common risks such as:

- Understanding the job requirements between Public vs Private
- Material and supply chain issues
- Labor shortage challenges
- Helping customers prepare for risk. Specifically, with:
    - Workers' Compensation strategy
    - Coverage flexibility
    - Surety needs

TSIB's Talking Point: There will be many of opportunities for new construction contracts and the successful contractor will be the one that surrounds themselves with the right professionals/brokers to help them navigate the pitfalls and risks.

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Gov. Hochul Earmarks $200M for Shovel-ready New York Jobsites

New York (NY) State wants to attract high tech industries and is investing in creating "shovel-ready" jobsites. Grants will be distributed through Empire State Development, on behalf of the NY State Urban Development Corp and the Department of Economic Development to create or improve the "shovel-readiness" of potential construction sites. Improvements include sewer and water infrastructure, power lines, electrical substations, and gas lines.

In addition to the semiconductor manufacturers, other industries that the Governor is looking to attract with these "shovel-ready" grants include research and development, warehousing, distribution, and logistics as well as office parks.

TSIB's Talking Point: With NY poised to spend $200M to create attractive "shovel-ready" sites, the Governor has clearly announced her intention for NY to attract high tech industry to the state. She is investing this money to attract the projects that will come from the Infrastructure Investment and Jobs Act, and the CHIPS Act, which is specifically written to attract semiconductor industry.

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New York Amends Recently Enacted Comprehensive Insurance Disclosure Act Requirements

As expected, Governor Hochul signed into law amendments that relaxed some of the requirement that the CIDA stipulated. One of the biggest changes is that the Act no longer applies to existing lawsuits, which alleviates a huge burden on compliance. The act also extends the compliance timeline on newly filed suits from 60 days to 90 days.

Another significant change is that insurance applications will no longer need to be disclosed. The accuracy of the disclosures no longer require that they are certified. While information regarding available limits and potential erosion must be disclosed other pending litigation is not required information to be shared.

The burden of disclosure has been significantly reduced but there will still be an onus on insureds and brokers to produce required information in future lawsuits.

TSIB's Talking Point: Always speak to your legal counsel to ensure requirements of the CIDA is being met.

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Cyber Insurers Face Hefty Ukraine War-Related Claims, Despite Fine Print

The Cyber insurance market is one that is constantly evolving to meet the demands of new risks. Along with its evolution, cyber insurance language has been tailored to provide coverage to be specific and not a broad catch-all of losses.

With the Russian invasion of Ukraine, the insurance industry is bracing for the potential of Russian hacking activity that will target U.S. Companies. Though there is policy language currently that excludes war, the interpretation can be broad and difficult to identify the attackers.

The Cyber insurance industry has been subject to rising premiums to offset the recent increase in claims activity, ransomware, and other cyber attacks. Some carriers have adapted policy language and will continue to do so. Other carriers have been slower to react and amend the coverages afforded.

What is clear is that there is a lack of standardization in the cyber insurance market and claims will be at the forefront of scrutiny regarding the application of coverage.

TSIB's Talking Point: It is always important to partner with your broker to assist in supporting claims efforts. Advocacy and policy review are key to helping navigate difficult claims situations. The Cyber market will continue to evolve, and it is important to keep your broker aware of your business risks and discuss ways to best mitigate loss.

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Trends

TSIB

Insurance Firms See Impact from Poor ESG Performance

The move towards creating a strong Environmental, Social and Governance (ESG) is a direct result of the mounting pressure from regulators, employees, and clients to focus on creating a "responsible action on climate change, diversity and inclusion, and financial stability."

Businesses need to evolve and ESG issues speak to the very heart of the changes that we are seeing. Companies are forced to get on board or face deleterious consequences.

The DWF Group is reporting that there is a "spotlight on insurance over the last 24 months compared to other sectors". This spotlight has shown:

- 55% of senior insurance executives say that they feel the pressure, compared to 46% of executives in other industries
- 28% admitted knowing their ESG performance is weak and are reevaluating strategies
- 42% of the companies have seen difficulties in recruiting new talent from poor progress
- 65% of insurance companies stated they have lost work because of their performance compared to 59% of companies in other industries

TSIB's Talking Point: It is somewhat ironic that the insurance industry is lagging in their efforts to create a corporate environment that focuses on creating an agenda around Climate Change, Diversity, and Governance. The public is pushing this change and underwriters are certainly concerned about their insureds facing lawsuits for disregarding the ESG.

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Storms and Sea Level Rise Could Cost Ports Billions

A report commissioned by the nonprofit Environmental Defense Fund (EDF) is saying that the United States' ports could see losses and disruptions of $10 billion per year from climate related events by the year 2050. That figure could increase to $25 billion by 2100, if nothing is done to stem the tide of global warming.

The pandemic wreaked havoc on our ports sending our global supply chain into crisis mode. The threat to the shipping industry is that rising sea levels and more forceful storms will only intensify as the years go on. There are models that show that the damage to the Gulf Coast from a storm like Hurricane Katrina would be 5.5 times larger in 2100 due to increased storm surge.

TSIB's Talking Point: This report talks about the damage that could be caused and highlights how this damage will intensify if nothing is done to counter the effects of climate change. Fortunately, policymakers are already preparing by focusing on upgrades to ports and waterways. In addition, since the shipping industry makes up nearly 3% of global greenhouse gases, some shipping companies are making a move to utilize ships that pollute less.

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