Talking Points Newsletter *Volume #23*

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

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P&C Underwriting Results to Deteriorate in 2022: Insurance Institute

The Insurance Information Institute reported that the combined ratio for the Property & Casualty (P&C) industry worsened by more than 6% from 99.5% to 105.6%. The report indicated that the results were caused from the impact of Hurricane Ian and "significant deterioration in the personal auto line, making it the worst year for the P&C industry since 2011".

The Auto line will continue to deteriorate to a combined ratio of 104.7% with underwriting losses forecasted through to 2024 due to economic inflation and social inflation.

There will continue to be premium pressures as overall Property & Casualty prices are forecasted to increase upwards of 8.8% in 2023 as the hard market conditions continue.

Workers' Compensation remains strong. However, margins are expected to shrink into 2024.

TSIB Talking Point: Losses continue to mount, combined with the supply chain disruptions, inflation, and the Geopolitical Risks, the hard market is expected to continue.

Click here to read further about this.

Captives Offer Solutions to Capacity Shortfalls

The hard market is expected to continue for the foreseeable future. As a result, contractors are turning to alternative risk transfer methods, particularly captives.

According to industry experts, there is an increase in the interest in captives. Clients are using data and analytics to understand if they should "retain or transfer their risk".

TSIB Talking Point: The hard market has many contractors and owners taking a long look at how they utilize insurance. Many companies are being forced into taking larger deductibles or even captives. However, these changes in their programs must be fully understood since the changes may have significant impacts.

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Construction's Death Rate Hasn't Budged in 10 Years

In a recent investigation into the effectiveness of OSHA, Construction Dive has concluded that the death toll in construction has not changed much in the past ten years. Over the ten-year span from 2011 to 2020, fatal construction accidents continued to occur at the same rate- 10 out of every 100,000 workers. This can be explained by weak enforcement, meager inspections, and fines. In addition, despite OSHA's best efforts at providing worker education, 60% of the workers who died, died from the same causes, known as the "Fatal Four"- Falls, Electrocutions, Struck-bys and Caught-in/betweens.

At the current staffing levels, it would take 236 years for inspectors to visit every workplace in the U.S. Moreover, the fines and penalties are simply not severe enough to deter the bad decisions by management that often lead to fatal accidents.

Large contractors have embraced OSHA as a resource and work with the agency. It is the smaller contractor that is most at risk. Many of these deaths are preventable and buy in from the top of the organization will go a long way to reducing the mortality rates.

TSIB Talking Point: It is in the contractor's best interest to focus on safety and abide by OSHA's rules. Trade Contractors that want to work with large General Contractors or on Government jobs often face prequalification that includes OSHA data. In addition, the best way to reduce the cost of insurance is to maintain a loss free workplace.

Click here to read further about this.

Non-residential Construction Starts Plunge 25%

Dodge Construction Network has reported that the month-to-month construction starts fell 18% from October to November.

In November, non-residential building fell 25% and non-building starts also fell 21%, while residential building starts dropped 5%. However, the good news is that the year-to-year comparison shows that non-residential is up 36% with total construction starts up 14%. Higher interest rates and higher material costs are expected to continue to come down off their 2022 highs plus the influx of Public Infrastructure money should help to maintain some of the momentum.

TSIB Talking Point: Construction starts continue to fluctuate but the expectation is that the market will remain strong due mostly to the public infrastructure and non-residential projects such as data centers, manufacturing, and healthcare projects.

Click here to read further about this.

Litigation Landscape Around PFAS is Heating Up

The regulatory environment around chemicals known as PFAS, also known as “forever chemicals” has changed. The Environmental Protection Agency (EPA) has recently proposed to designate two of the most common per- and polyfluoroalkyl substances (PFAS) as hazardous substances under the “Superfund” or its more formal name, the Comprehensive Environmental Response, Compensation and Liability (CERCLA).

There is very compelling evidence that these chemicals present a substantial danger to human health or welfare or the environment. The Federal government has made a commitment to “tackle environmental injustice and improve public health” and this applies directly to these chemicals.

Based on industry information, there is an increase in the litigation alleging bodily injury and property damage from exposure to these “forever chemicals” or PFAS.

Currently, there have been millions paid out in claims against the major manufacturers and sellers of these products. 3M and DuPont have been named in state driven and class-action lawsuits. Based on this trend, it is more than likely that we will begin to see these claims come in against the customers of the manufacturers of these chemicals. The companies that are using these chemicals in their process will be the next targets.

PFAS are chemicals that don’t naturally break down. This means that there is a build up of these chemicals in the water, on soil and even in blood. PFAS can enter your body through the skin or can be inhaled but is most likely to be ingested.

High levels of these chemicals can be linked to an increased risk of cancer, changes in liver enzymes or a decrease in vaccine responses.

There is a grave concern for agriculture and farming exposure as PFAS tainted water can contaminate the crops and/or the animals which will then be ingested by humans.
PFAS compounds are used in many well-known products including cookware, carpets, cleaning products, and wax paper. There are many applications for these chemicals which makes the problem more severe. This is a problem that we will be dealing with for a very long time.

TSIB Talking Point: We are seeing PFAS exclusions on policies from GL to some Pollution Policies. It is important to understand what your exposures are to these chemicals since they are so widely used. One thing is crystal clear- PFAS is the new Asbestos.

Click here to read further about this.

Trends

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Do Workers Feel Returning is Worth it?

The N.Y. Times examined how returning to the office was going now that companies are asking their employees to come back. Working from home afforded employees opportunities to spend more time with their families (and pets) and live a more “relaxed” life. Going back to the office took a lot of that flexibility away.

However, the consensus is that most people saw the value in coming back to the office and working remotely. Most Managers are in support of that Hybrid model.

TSIB Talking Point: If employees feel they are valued and can socialize in their offices, people are ok returning in a hybrid model.

Click here to read more.

Are Cyber-Attacks at Risk of Becoming ‘Uninsurable’?

In December 2022, an article published in the Financial Times shared that Mario Greco, CEO at Zurich Insurance Company stated that although losses from natural catastrophes topped $100B for the second year in a row, there is a higher concern for Cyber losses than systemic risks.

From an insurer’s point of view, insuring the losses if someone takes control of our vital infrastructure is most concerning. We have already seen attacks that have shut down pipelines, disrupted hospitals, and targeted government departments. Lloyds of London has already taken steps to control the risk to state-backed attacks.

Greco is looking for governments to set-up public/private schemes to handle the cyber risks, similar to how the U.S. government backs the risk of Terrorism with the TRIA program or the Federal Flood program.

His comments have sparked a bit of a backlash from the business world, as many felt Greco was overreacting.

TSIB Talking Point: Mario Greco’s concern is valid, as there has already been a cyber-attack that has caused “real world” consequences. There was a temporary gasoline shortage in the southeast U.S. after a Ransomware event shut down the Colonial Pipeline. Luckily, this attack did not cause any catastrophic damage, but it is very easy to see just how real this danger is.

Click on to read more.