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OUR NEWS LETTER

Property insurance costs to keep rising in 2021 – report

by Ryan Smith 27 Jan 2021

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The cost of property insurance is expected to continue rising for the foreseeable future, according to Risk Placement Services' (RPS) *2021 U.S. Property Market Outlook.*

The effects of the firming property market will be felt by every commercial insurance buyer, according to RPS – whether through higher premiums, less capacity, stricter terms, or all three. During the first half of the year, insureds can expect rate increases from the high single digits to the 15% range on clean accounts, and higher increases on accounts with losses.

The rate hikes are partly driven by carriers passing on their own increased reinsurance costs. Insurers paid rate hikes around 10% to 15% to renew their treaties at the end of 2020, in addition to mid-year rate increases of 25% to 35%, according to RPS.

During 2021, reinsurance will likely "play a larger role in rates, capacity and terms as carriers continue to improve their book composition and move toward the use of 'technical pricing,'" said Wes Robinson, national property brokerage president at RPS. While reinsurance rates have spiked, "the losses have not let up, so many carriers are still not making money," Robinson said.

Climate change has also affected the property market. Climate change was a driver of more than 800 wildfires in the west that burned more than six million acres. Billions of dollars in insured claims spurred a standard market exodus in many parts of California, according to RPS. And although the E&S market is available to cover many of those losses, premiums are higher than many insurance buyers are willing to pay.

A significant spike in tornadoes in the Mid-South region has also been attributed to climate change, as well as a record number of US-landfalling hurricanes.

Excess carriers have also been taken by surprise by some claims piercing excess coverage layers following disasters, due to heightened rebuilding costs in the wake of natural catastrophes. In most cases, carriers' catastrophe models showed that excess layers should not have been hit, according to RPS. As a result, underwriters at many excess carriers are re-rating policies internally, pricing risks up to 40% higher than what is submitted or what their models estimate.

"Insurance-to-value is a very, very hot topic, and it will be again for 2021," said Stephen Adair, senior vice president at RPS. "It has been challenging placing excess coverage without solid valuations."

Capacity is also predicted to tighten for buyers in catastrophe-prone coastal areas and in parts of the Midwest, requiring many to obtain coverage from multiple insurers in order to get the excess limits they need. Fortunately, more ILS capacity is coming into the E&S market thanks to investors who see a potential for profit in the sector.

Other highlights of the RPS report include:

- Multiple insurers will be needed to obtain higher excess limits.
- New communicable disease and riot exclusions.
- Restrictions on time element, ingress/egress business interruption coverage.
- Builders' risk extensions, and food processing accounts moving into the E&S market.
- Increased scrutiny of hospitality and habitational accounts.
- Demands for more detailed and up-to-date property valuations.
- Increased focus on engineering/loss control.

5 Most Common Money Traps to Avoid

For many of us, managing our personal finances can be about as fun as doing our taxes. But just like software can make the tax process easier, there are specific things you can do to make money management as painless as possible. Below are five common money missteps and what you can do to get on track.

1. Delaying saving for retirement. It's easy to put off saving for retirement when you're in your 20s—it seems far-off and making a day-to-day budget work may be challenging when you're starting a career. Soon enough you reach your 30s, and your priorities may shift to saving for a house or paying for childcare—still not an easy time to save for retirement. The fact is, it may never be easy. But it will always be necessary. And yet, a quarter of American families don't have any retirement accounts at all.[1]

The fix: As soon as you start a new job, sign up for your employer's 401(k) plan. If your employer doesn't offer a 401(k), set up an individual retirement account (IRA) and automate your monthly deposits. If you don't get used to having extra money in your paycheck, you won't miss it when it automatically goes into your retirement savings. Plus, if you start early, your earnings will have a chance to generate more earnings, growing your savings at an accelerated rate over time—that's the power of compounding.

2. Skimping on an emergency fund. Twenty-four percent of all Americans have no emergency savings set aside to cover home repairs, medical bills, temporary unemployment, or any number of unforeseen (and pricey) expenses. Close to 75% don't have six months' worth of expenses saved, and only one in five people have three to five months' worth of expenses saved, according to an August 2020 Bankrate.com survey.

The fix: Stash away three to six months' worth of cash in a separate account to cover essential living expenses. The number may be daunting, but you don't have to get there overnight. Funnel part of your paycheck automatically to a separate account and you'll make steady progress over time. And remember to increase your savings rate as your earnings—and cost of living—go up.

3. Taking the short view on investing. Given the bear markets earlier this year or from 2007 to 2009, it's easy to understand why so many investors react rashly when the market takes a dive. The Dow Jones Industrial Average lost about 20% of its value between February to March, and more than 50% from its peak in October 2007 to its lowest point in March 2009. But it's the investors that have the fortitude to buy and hold who tend to prevail: The market has now generally recovered, and from that rock-bottom point in 2009, the Dow Jones Industrial Average has risen more than 20,000 points. Investors who cashed out earlier this year or back in 2009 may have locked in losses and consequently missed some or all the upswing.

The fix: Stay invested. If you have a history of making investment transactions right after a major event, consider reducing the number of times you log in to view your account—say monthly or quarterly. Remember: Day-to-day market fluctuations have little impact on your long-term goals. Bear markets typically come to an end and research shows that staying invested over the long haul—and not trying to time swings—can be the best way to participate in the market.

4. Avoiding the market. Market volatility may be scary, while past performance is not guarantee of future results, there has never been a 20-year period when stock returns were negative. Keep your time horizon in mind when you're investing in stocks. Having most of your money in the stock market can be quite reasonable for a young person when investing for retirement. You should consider some exposure to stocks, even *during* retirement.

The fix: You don't have to jump in cold. Get in the habit of investing by moving a portion of your cash savings into a diversified portfolio each month. This approach, known as "dollar cost averaging," ensures you buy more shares of an investment when the price is low and fewer shares when the price is high. If you have a significant amount of money to invest, dollar cost averaging will reduce the impact of market volatility on large purchases.

5. Concentrating your investments. Some of us might have too much of one type of investment in our portfolio. Maybe it's stock in the company we work at, or municipal bonds inherited from a relative. But there's a benefit to owning many different types of investments. Having that variety in your portfolio—called diversification— tends to reduce its volatility and risk. Each investment responds

differently to changes in the market or economy. If geopolitical events shake up your international stocks, for example, U.S. bonds might rise and help smooth out your portfolio's return overall.

The fix: Make sure that you have investments across numerous sectors, industries, and geographical areas. Once you have a diversified portfolio in place, revisit your portfolio's allocation mix on a yearly basis to make sure it still aligns with your investment goals.

6 Financial Planning Tips for New Parents

For most new parents, focusing on the big picture isn't easy. You're sleep-deprived, juggling naps and feeding schedules, and excited about the new little person in your life. But milestones are on the horizon, and you'll want to prepare for them while keeping your own finances on track.

Here are six tips for new parents:

1. Consider insurance—both life and disability. Adequate health insurance is crucial, but you'll also want to consider life and disability insurance. Life insurance can pay for the things you'd like your family to have, such as a paid-off mortgage, school tuition, or a future wedding. Life insurance can help protect your growing family by making sure financial resources are available to them if you're no longer there and can provide peace of mind for your partner and loved ones.

Disability insurance can also be a major help if one or both parents becomes unable to work due to a disabling illness or injury. While you may have employer-provided disability insurance, make sure that it will be enough to cover essential expenses like your mortgage, debt, childcare, and household expenses for a reasonable length of time. You may want to consider supplementing your existing coverage with an individual policy or using an individual policy instead to provide more customized coverage for your needs. While you shop around, keep in mind that some policies may pay benefits only if you can't perform any work at all, rather than being unable to do the specific type of work you currently do.

2. Increase your emergency fund. Having a child raises the stakes for "rainy day" planning. You'll want to be sure you can keep your household running smoothly in the event of job loss, illness, or a large unexpected expense. As a rule of thumb, most financial experts recommend keeping three to six months' worth of essential living expenses readily available for emergencies. This money doesn't have to be in a single account, but can be spread between interest-bearing checking or money market accounts, certificates of deposit, short-term U.S. Treasuries, or other relatively conservative, liquid investments

3. Take advantage of tax breaks. For many working parents, childcare can be as expensive as a second car payment or mortgage. Fortunately, tax breaks can help. If you meet certain criteria, the Child and Dependent Care Credit can cover 20% to 35% of eligible expenses, depending on your income,[1] with a limit of $3,000 for one child or $6,000 for two or more.

A flexible spending account (FSA) is another option. This is an employer-sponsored program that allows you to set aside up to $5,000 per year tax-free for qualified childcare expenses for couples filing jointly with one or more dependents. You typically enroll in or renew your election in your Dependent Care FSA through your employer during your Open Enrollment period each year, but certain changes in status of "qualifying events" during the year -like having a new baby -allow you to make changes. Your human resources department or benefits administrator can tell you when employees in your organization can enroll in a Dependent Care FSA and help you get started.

You can use the dependent care FSA to pay for eligible Pre-K childcare expenses tax-free including nursery school, pre-school, or similar programs below the level of kindergarten. Expenses to attend kindergarten or a higher grade aren't eligible FSA expenses, but down the road childcare, expenses for before- or after-school care of a child in kindergarten or a higher grade up to age 13 are eligible. The care provider just can't be your spouse or another dependent child.

Generally speaking, high-income families will benefit more from an FSA than from the Child and Dependent Care Credit (you can't use both). A potential drawback is that the IRS requires money contributed to a FSA to be spent during the plan year (or a grace period extension). If the money isn't used, it's forfeited. Check with a tax advisor to see what works best for your situation or review IRS Publication 503 – Child and Dependent Health Care Expenses for more information.

4. Start saving for college now. By the time a child born on January 1, 2021 packs his/her bags for college, four years of tuition and fees are projected to be roughly $243,000

at a public university (in-state resident).[2] The earlier you begin saving, the better off you'll be. For example, if you begin contributing $500 per month for college savings at birth, assuming a 5.14% rate of return, the amount would total about $216,000 by the time your child reaches age 18. If you postpone saving until your child is 10 years old, the final amount will be roughly $86,000.

5. Prioritize retirement savings. If you must choose between saving for college and saving for retirement, choose retirement. Your child will likely have more than one way to pay for college—including scholarships, loans, and grants—but you can't make up lost retirement savings. It's great to care for your kids, but not if it means potentially burdening them financially for your care later on.

6. Update your estate planning documents. One of the things that a will does is allow you to indicate who you would like to serve as guardian for your child if something happens and you're not there. Have a conversation with an attorney to make sure other parts of your estate plan are in order, including powers of attorney for financial and health care decisions and up to date beneficiary designations. Your attorney can help you determine if setting up a trust makes sense for your situation and goals.

Social media activity exposing many users to cyber risks – report

by Ryan Smith 03 Feb 2021

Nearly three quarters of people post information on social media that could make them vulnerable to a cyberattack, according to a new report from security company Tessian.

The report, titled "*How to Hack a Human*," found that 84% of people post on their social media accounts every week, with 42% posting every day. Many of these people, Tessian found, are unwittingly revealing information that could help hackers launch social engineering or account takeover attacks.

The report included findings from a survey of 4,000 professionals in the UK and US, and interviews with hackers from the HackersOne community. It found that 50% of people share names and pictures of their children. Seventy-two percent mentioned birthday celebrations, and 81% of workers update their job statuses on social media.

Fifty-five percent of respondents said they had public profiles on Facebook, and only 32% said their Instagram accounts were private.

Hackers interviewed for the report said that cyber criminals use social media posts to help identify targets, and craft highly targeted and convincing social engineering attacks. For example, hackers can identify new joiners to LinkedIn and target them in phishing scams by impersonating a senior executive in the company, who the new joiner has likely never met. Cyber criminals can also use knowledge of who is in a target's network to impersonate someone the target trusts in order to convince them to send money or share account credentials.

"Most people are very verbose about what they share online," said Harry Denley, a hacker and security and anti-phishing expert at MyCrypto. "You can find virtually anything. Even if you can't find it publicly, it's easy enough to create an account to social engineer details or get behind some sort of wall. For example, you could become a 'friend' in their circle."

The report also found that out-of-office (OOO) emails are being used to craft social engineering attacks. Fifty-three percent of employees say they share how long they'll be away in their out-of-office emails, 51% provide personal contact information, and 42% say where they're going to be while they're away.

“OOO messages – if detailed enough – can provide attackers with all the information they need to impersonate the person that’s out of the office, without the hacker having to do any real work,” said Katie Paxton-Fear, cybersecurity lecturer at Manchester Metropolitan University and a member of the HackerOne community.

Social engineering attacks are becoming more frequent, according to Tessian. The company’s platform data revealed that social engineering attacks spiked by 15% during the second half of 2020 compared to the six months prior, while wire fraud attacks also rose by 15%. Eighty-eight percent of survey respondents said they had received a suspicious email in 2020. The survey also found that only 54% of respondents paid attention to a sender’s email address while at work, and less than half checked the legitimacy of links or attachments before responding.

“The rise of publicly available information makes a hacker’s job so much easier,” said Tim Sadler, co-founder and CEO of Tessian. “While all these pieces of information may seem harmless in isolation – a birthday post, a job update, a like – hackers will stitch them together to create a complete picture of their targets and make scams as believable as possible. Remember, hackers have nothing but time on their hands. We need to make securing data feel as normal as giving up data. We also need to help people understand how their information can be used against them in phishing attacks if we’re going to stop hackers hacking humans.”

Why COVID-19 and climate change go hand in hand

by Alicja Grzadkowska 03 Feb 2021

Few individuals like to be on the receiving end of an 'I told you so,' but if anyone has the right to say this phrase right now, it's the World Economic Forum (WEF), which, in January 2020, devoted an entire chapter in its annual risks report to the risk of health systems not being ready for a pandemic.

Unsurprisingly, in its Global Risks Report 2021, published in partnership with Marsh & McLennan Companies, SK Group and Zurich Insurance Group, the WEF put the COVID-19 pandemic at the top of its list of concerns, though it's far from the only major exposure that the insurance industry and businesses in general should be wary of moving forward.

Climate change-related issues are, for one, top of mind for global leaders, including those in the US, with President Joe Biden already making climate change one of his administration's key priorities. After a rocky wildfire season in the US that resulted in estimated insured losses totaling somewhere between $7 billion and $13 billion, according to RMS, and an Atlantic hurricane season that broke the record (previously held by 2005) for the most named storms, more attention on climate fallout couldn't come soon enough.

"We're seeing bigger interest now among world leaders to address the longer-term challenges and risks, especially with climate change," said Børge Brende, president of the WEF, during a recent Press conference on the new risks report. He pointed to Biden's plan to re-join the Paris Climate Agreement of 2016, which the President has since signed off on via an executive order.

Looking at the broader global landscape, "We are seeing also that stimulus … is now used to accelerate the green economy and the transformation into low carbon society, but of course, there are dilemmas there, too," noted Brende. "There are still 1.3 billion people not having access to basic electricity in the world, so how [can we] make sure that there is access to electricity and at the same time, get the CO2 emissions down?"

Nonetheless, the silver lining of the pandemic has been that when it comes to climate issues and longer-term risks, COVID-19 has served as a "wake-up call," added the WEF leader.

This doesn't, however, mean that the coronavirus has resulted in a new and more urgent approach to climate issues. Historically, it has been a challenge to alert the public,

businesses, and politicians to the slow-burning fire known as climate change, compared to a crisis event that has impacted the entire world like COVID-19. Panellists at the WEF press conference addressed why it's so difficult to get people concerned enough about climate issues to

"It's actually almost against human nature. Humans are very 'fight or flight' focused," said Peter Giger, group chief risk officer, Zurich. "Dealing with immediate risks, we're very good at; with the slow-burning fires, we're not nearly as good. I think that's why we find it so hard as a society to deal with climate change, and if there were a silver bullet, I would have spent it a long time ago."

Corporations are another story, especially depending on where in the world they're located and the politics of a particular region, which in some places, are far 'greener.' Notably, even among the insurance industry, companies have felt more pressure to focus corporate social responsibility efforts on the environment, seen most recently when AXIS Capital stated that it will not provide insurance coverage or investment support to projects related to exploration, drilling, or the production of oil and gas in the Arctic National Wildlife Refuge.

"Corporate players are under incredible stress to meet their climate obligations. We are under pressure from virtually all our stakeholders, from governmental stakeholders and employees to our shareholders, and this is very much something that we have in mind," said Guillaume Barthe-Dejean, director, chairman's office, SK Holdings. He added that while the pandemic has emerged and been disruptive in its own right, "I wouldn't say that it has … shifted the question of climate change to one side – it hasn't de-escalated it."

There have also been climate benefits from COVID-19, such as the fact that fewer people are traveling, whether it's on long-haul flights or to and from work in their vehicles, which has had a significant impact on the carbon footprint. Nonetheless, said another panellist, it's important to point out that cargo has continued to be shipped around the world and manufacturing likewise hasn't come to a standstill.

As a result, "The climate change conversation is far from over," said Carolina Klint, risk management leader, Continental Europe, Marsh, though she added that the pandemic has increased awareness of low-probability, high-impact events in boardrooms.

"At the same time, we do see regulators pushing hard for corporations to take more responsibility and to measure their climate change mitigation in a more transparent and public way. I think the opportunity here is for companies to prepare for that increasing pressure on climate issues from all of their stakeholders."

Are You Saving Enough for Retirement?

By Rob Williams

Knowing how much to save for retirement is a two-fold challenge. First, it's difficult to estimate your expenses—and thus your income needs—for a retirement that's years, if not decades, away. Second, even after you settle on a target portfolio size, it's hard to gauge if you're saving enough each year to reach that goal.

To bring some clarity to this retirement-savings conundrum, we've developed a formula you can use to calculate how your current savings stack up against your retirement goals, based on your age, annual contributions, and target annual withdrawals. Once you've determined whether your portfolio is on track, behind, or ahead of your target goals, you can consider next steps.

How much will you need?

Let's first consider how much you'll need for retirement. Retirement looks different for everyone, but there are some basic assumptions we can use to figure out how much to save. One approach is to assume you'll maintain the same lifestyle in retirement that you enjoy today, which many retirees do, at least in the early years.

Fortunately, that doesn't mean you'll need to generate your current annual salary from your retirement savings, especially after accounting for Social Security benefits and the annual retirement savings contributions you'll no longer need to make.

For example, if you currently earn $50,000 a year, contribute $10,000 annually to your retirement accounts, and expect to receive $12,000 per year in Social Security benefits, you'll only need to withdraw $28,000 a year from your portfolio to maintain your current lifestyle ($50,000 – $10,000 – $12,000, in today's dollars).

Once you know how much income you'll need from your portfolio each year, you can determine whether your current portfolio balance is on track using the equation below.

Note: When entering your total annual contribution, include your employer's contributions, if offered.

(The multipliers are calculated using a variety of factors, including life expectancy and projected investment returns.)

❶ How much are you saving in your retirement accounts each year?

❷ How much money will you withdraw from your portfolio in your first year of retirement?

$ ______ Total annual contributions* ÷ $ ______ First-year withdrawal† = ______ % Savings rate

❸ Cross-reference your savings rate with your age (rounding up your age, if necessary) to find your multiplier‡

Age	0%	5%	10%	15%	20%	25%	30%
30	6.5	5.5	4.5	3.6	2.6	1.6	0.6
35	7.9	7.0	6.1	5.2	4.3	3.3	2.4
40	9.6	8.7	7.9	7.1	6.3	5.5	4.6
45	11.6	10.9	10.2	9.4	8.7	8.0	7.3
50	14.0	13.5	12.9	12.3	11.7	11.1	10.6
55	17.0	16.6	16.2	15.7	15.3	14.9	14.5
60	20.6	20.4	20.2	19.9	19.7	19.5	19.2

(Columns: Savings rate)

❹ Multiply your first-year withdrawal by your multiplier to calculate how much you should have saved by now to be on track toward your goal.

______ Multiplier × $ ______ First-year withdrawal = $ ______ How much you should have saved by now

*Total annual contributions include employer contributions, if offered. | †In today's dollars. | ‡Multipliers are calculated using a variety of factors, including life expectancy and projected investment returns.

Where does your balance fall?

By running your numbers through the above formula, you can determine whether you're behind target, on track, or ahead of target to reach your retirement savings goal.

Here's what to do next, depending on your situation:

If you're behind: Don't panic—but do act. Here are a few things you can do to get back on course:

- **Save more now:** It's the most obvious—and probably the most difficult—solution, but the sooner you boost your savings, the longer your money has to potentially benefit from

compound growth. Make sure you're saving at least enough to capture your full employer match, if offered.

- **Reassess your goal:** Are you sure you'll need as much as you think? Don't forget to consider Social Security and other sources of income when calculating how much you'll need from your portfolio in that first year, as well as expenses that may go away in retirement, such as commuting costs or a mortgage payment.
- **Stay flexible:** Don't get discouraged. If you work a few years longer, or if you work part time in retirement, you may not need to tap your portfolio for income right away. That could also help delay Social Security, which could boost your benefit by as much as 8% per year after you reach full retirement age.

If you're on track: Keep up the good work:

- **Max out your retirement accounts:** If you're age 50 or older, in 2021 you can contribute up to $26,000 to a 401(k) and up to $7,000 to an Individual Retirement Account. (Those under 50 can contribute up to $19,500 and $6,000, respectively.)
- **Stick with stocks:** Your portfolio should become more conservative as you near retirement—but not too conservative. Consider maintaining at least some exposure to stocks to capture market growth, but not so much that you lose sleep should the market stumble.

If you're ahead: Congrats! To maintain your cushion:

- **Keep saving:** Continue saving as much as you can for as long as you can. You never know when life—or the market—will throw you a curveball.
- **Revisit your assumptions:** Double check that you haven't underestimated how much income you'll need in retirement, or overestimated how long you can stay in the workforce. And be sure you've accounted for expenses that may go up in retirement, like health care and housing.

Get a second opinion

No matter where you are on your journey to retirement—but especially if you're falling behind on your savings—working with a financial planner is a great way to pressure-test your retirement assumptions and create a realistic plan. And the sooner you act, the more time you'll have to make any necessary course corrections.

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