Health & Retirement Services of Illinois

Newsletter November 2020

OUR NEWS LETTER

HRSI

Protect yourself and your loved ones this flu season

Getting a flu shot is an essential part of protecting your health and your family's health this year. Reducing the spread of illnesses like the flu is more important than ever.

Remember, **the flu shot is covered for people with Medicare** from providers that accept Medicare or your Medicare plan. You can safely get a flu shot at multiple locations, like at your doctor's office or pharmacy.

All places offering flu shots should be following CDC guidance to ensure you have a safe place to get vaccinated. This includes that patients wear a face covering and maintain social distance in areas like waiting rooms.

Getting your annual flu shot as soon as possible gives you and your loved ones the best protection throughout the flu season.

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Cyber: The big 'back to school' risk that can't be overlooked

by Bethan Moorcraft 03 Sep 2020

With ‘back to school’ season upon us, teachers, parents and students around the world are struggling to get to grips with a hoard of new COVID-19 policies. Lots of schools are adopting hybrid models, providing both in-person and virtual learning, requiring parents to make childcare arrangements for when their children are not invited to school. There are debates ongoing around whether children should have to wear masks (both in class and on school transport), new drop-off and pick-up arrangements, and lots of new rules and regulations in place to ensure safe physical distancing between students, parents and teachers.

With all of this going on, there’s one risk - heightened significantly by the coronavirus pandemic - that schools might easily overlook: cyber.

School districts worldwide have some significant cyber security shortcomings, according to Joshua Motta, (pictured), CEO of Coalition, a technology-enabled cyber insurance and security firm servicing the US and Canadian markets. Schools often lack the dedicated funding and the skilled personnel that most for-profit businesses or larger organizations have to continuously vet and improve their defenses. As a result, many schools have made basic security errors, according to Motta, or they’re using outdated technology with unpatched vulnerabilities, thus “propping the door open for hackers and scammers”.

“When you factor in the COVID-19 pandemic, now all of a sudden schools are opening up remote access into these networks,” Motta commented. “The road has been paved for the hacker from the internet into these networks that were already maybe not in the best state [before they were opened for remote access]. So, the coronavirus pandemic is really going to have major cybersecurity implications around the world for educational institutions.

“With back to school, we expect a significant uptick in claims for our education policyholders. That's something that we've been working on diligently at Coalition over the past couple of weeks - to really do a deep dive into all of our policyholders who are in the education sector, scanning their security, going through things, reaching out to them when we're seeing issues, and just making sure that they're prepared, because we absolutely expect an uptick in claims to correspond with going back to school.”

The types of issues Motta expects are nothing out of the ordinary – if you’ve got a finger on the pulse of cyber security trends. There will likely be an uptick in tailored phishing attacks and scams preying on the fear, uncertainty and behavioral changes that teachers, parents and students are going through as a result of the pandemic.

The stakes are also “higher than ever” for ransomware attacks, according to Motta. He explained: “Pre-pandemic, there wasn’t always a significant need for a school’s network to be open across the internet. Maybe they weren’t entirely secure inside of the network, but it was a local network with physical access, so the risk wasn’t so severe. But with the pandemic making remote network access a requirement, it’s these remote desktop protocols or these remote access configurations that I believe the vast majority of ransomware attacks will exploit. We definitely expect to see an uptick in ransomware targeting schools.”

When it comes to mitigating cyber risk in schools, there’s no single comprehensive source of advice for what they should do. According to Motta, it’s best to start with basic cyber risk mitigation that applies to all organizations, whether they’re for-profit, non-profit, education or otherwise. That includes things like segmenting the network so that only the parts necessary for remote learning are accessible over the internet, and making sure that remote access is properly secured and that appropriate controls are in place.

“One of the best ways to secure educational institutions, as it turns out, is more education,” Motta told *Insurance Business*. “We need to educate teachers, parents and students – especially younger students – on how remote learning is going to work, and how the school is going to communicate. We need to make schools aware of the potential threats to students, whether it’s phishing scams or even the Zoom bombing that we saw emerge in the US a couple of months ago. It’s just providing more education so that people can be vigilant, they can be on the lookout for suspicious emails.”

One point Motta was keen to stress is that it’s barely realistic to expect educational institutions to overhaul their entire cybersecurity in the space of a few months, especially in the middle of a global pandemic. To be realistic, and acknowledging that a cyber incident could occur, one of the most practical things that educational organizations can do is make sure they have back-ups, so they can restore their functions in case something does go wrong.

“Beyond the back-ups part, they need to focus on how to limit the potential breach or compromise of student data,” the Coalition CEO added. “Again, now that these networks are connected to the internet, that's more of a concern. So, going through and making sure that they're only storing data that’s absolutely necessary, and doing what they can to limit permissions in their network and limit access to sensitive student data is going to be important.

“Finally, they need to assess their vendors. One of the ways in which educational institutions are scrambling to make remote learning work is by relying on third-party vendors. They're relying on technology providers to get these services, and if they're not diligent about the platforms they're choosing, they could inadvertently be exposing their students to more risk, even though they may feel like they're solving the core issue, which is how to how to pull off a hybrid education scheme.”

Set a reminder—it's time to get ready for Medicare Open Enrollment.

Medicare Open Enrollment runs from October 15 to December 7, but did you know you can get an early look at next year's health plans and prescription drug plans starting on October 1?

Premiums for Medicare Advantage Plans are dropping to historic lows for 2021. This type of Medicare health plan, offered by a private company that contracts with Medicare, is an all-in-one alternative to Original Medicare. These "bundled" plans include Part A (Hospital Insurance), Part B (Medical Insurance), and usually Part D (prescription drug coverage). Most plans offer extra benefits—like vision, hearing, dental, and more.

Starting on October 1, you can take an early peek at Medicare health plans and drug plans by using the Medicare Plan Finder. If you have a Medicare Number, you can log in or create an account to put together or access a list of your drugs, compare your current Medicare plan to others, and see prices based on any help you get with drug costs.

If you're among the 1 in 3 people with Medicare who has diabetes, here's some more good news: starting in 2021, many participating drug plans will offer a 30-day supply of insulin for $35 or less per month. If you take insulin and enroll in one of these plans, you could save an average of $446 per year on your out-of-pocket costs for insulin next year.

Ready to get started? Set a reminder on your phone for October 1 or jot a note on the top of your October calendar, and get ready to compare and save on Medicare health plans and Medicare drug plans.

Remote work presents additional cyber hurdles for organizations

by Alicja Grzadkowska 21 Sep 2020

While working from home has its perks, such as reduced drive times into the office, there are also risks that have been exacerbated as a result of this 'new normal'. In fact, the rise in remote working due to the coronavirus pandemic will increase the risk of cyberattacks, according to analytics firm GlobalData, and some have already seen this increased risk become a reality.

"Employees working remotely and not physically located in an office setting present additional hurdles for organizations to ensure best practices and solid IT organizational security," said Ari Giller (pictured), Director of Underwriting for Tokio Marine HCC - Cyber and Professional Lines Group. "We've seen hackers exploit employees by obtaining their log-in credentials through phishing attacks. As a result, we're experiencing an increased frequency in business email compromise claims, which leads to data breaches, cybercrime losses, and ransomware attacks."

GlobalData also noted that this heightened cyber risk provides insurers with the chance to bolster their cyber insurance penetration rate, building further on the robust demand for cyber insurance already present in the marketplace, which tends to increase after major breaches, like those that affected Target and Home Depot. Nonetheless, Giller noted, "We haven't noticed an uptick in submission counts that are specifically attributable to COVID-19." However, as companies continue to become aware of the weaknesses in their cybersecurity defenses, it's likely that demand for cyber insurance will increase. "As losses increase, we expect an increase in demand for cyber insurance to follow," he said.

Cyber insurance is an even more compelling purchase when you consider that the size of ransomware demands has spiked over the past few years. Three years ago, a typical ransomware claim may have cost around $50,000, whereas Tokio Marine HCC is now seeing six-figure and seven-figure demands as hackers become emboldened by how successful they've been and are able to monitor emails, learn about a company, and exploit this information for profit.

Although no-one knows what the full effects of the pandemic will be, agents and brokers can take the time to highlight the inherent risk that remote work poses, as well as the losses attributable to compromised credentials, to help sell their clients on the benefits of a well-rounded cyber insurance policy. In particular, agents and brokers can focus on small and medium-sized organizations that tend to be more susceptible to cyberattacks because they often don’t invest their resources into IT security – an investment that might be even tougher now considering the financial challenges posed by COVID-19.

“Companies don’t always have the necessary IT resources to implement best practices, which means they are susceptible to an attack if they’re not clearly addressing their exposures,” said Giller.

Companies looking to purchase cyber insurance should look to an experienced insurer that has additional services and offerings in place to help mitigate cyber risks before an incident occurs and assist with the fallout when a cyberattack impacts a company.

“Tokio Marine HCC has been writing this product for over 15 years, and our underwriting expertise and claims data enables us to make smart, calculated adjustments in response to the frequency and severity of claims,” said Giller. “Coupled with our valuable risk management services and comprehensive policy form, we vow to be a sustainable and stable market for our business partners.”

"De-globalization" Already Happened And It Didn't Matter

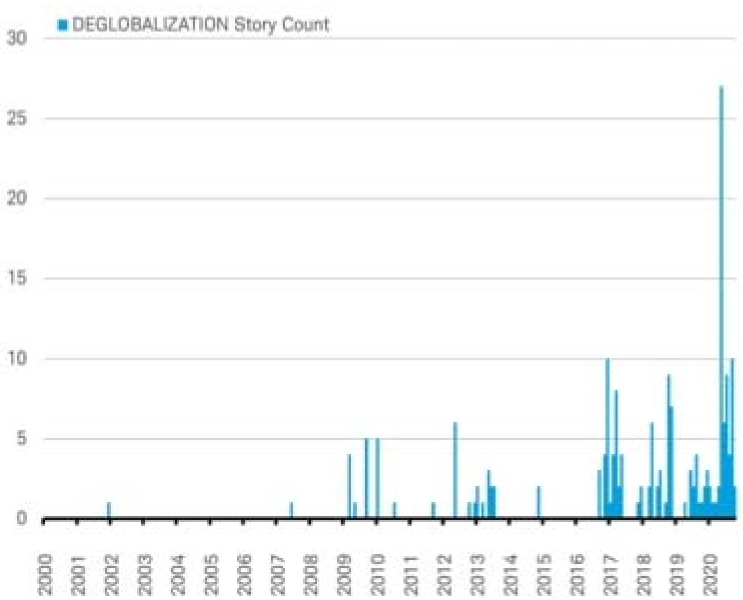
By Jeffrey Kleintop

Key Points

- In 2020, politics and the pandemic have led to a lot of speculation that they could bring about an end to the rise of globalization—yet that began over a decade ago.
- Three major causes of the stall in global trade growth over the past 12 years are: the drop in oil trade, the rise in the value of the U.S. dollar, and products crossing borders fewer times during the manufacturing process.
- For investors, the stall in global trade since 2008 hasn't necessarily lead to a stall in profits for multinational companies that make up the major stock market indexes or a decline in the international portion of those profits.

The "end of globalization" is a phrase that has come up a lot lately. Stories written about deglobalization have soared this year with the pandemic. But they began four years ago, right after the last U.S. Presidential election, as you can see in the chart of major news stories below. Although some authors attribute the potential end of world trade growth to President Trump's trade policy and the supply chain impacts of the COVID-19 pandemic, the data shows that neither of these caused the peak in global trade momentum.

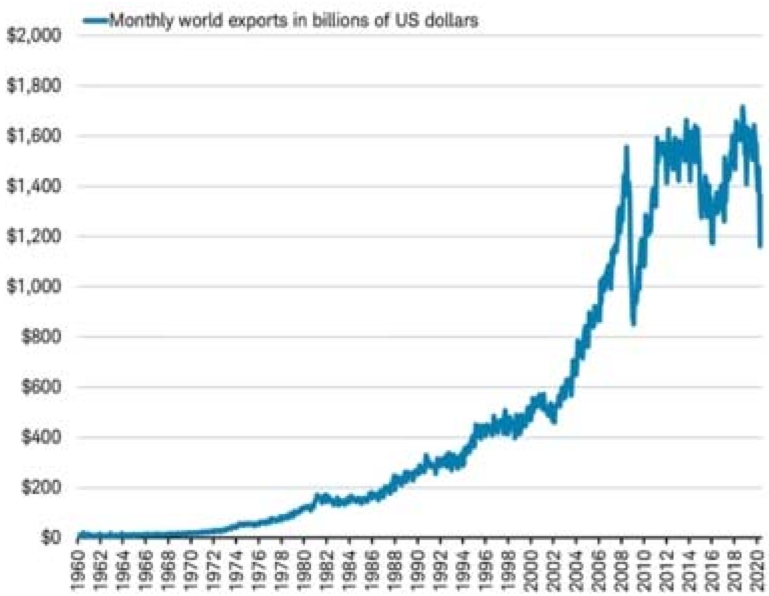
Hot topic



Source: Charles Schwab, Bloomberg news search of major publications as of 10/22/20.

The decline in global trade momentum started back in 2008, as you can see in the chart below, years before articles were being written on the subject. At that time, Obama was elected President and Avian Influenza was declared a pandemic by the World Health Organization. But, the stall in global trade had nothing to do with either of those things either.

World trade has been stalled since 2008



Source: Charles Schwab, IMF data as of 6/30/2020.

It wasn't recent politics or pandemics that changed the long-term trajectory of trade. In fact, the dollar amount of world trade rose 12% during the first three years of the Trump administration from January 2017 to January 2020, rebounding from the oil-related downturn in late 2015 and early 2016. This year, trade has made a sharp comeback, growing 14.5% q-o-q from the low in Q2 during the beginning of the pandemic, according to UNCTAD. Instead of travelling and experiences, consumers are spending on cars and other manufactured goods. The global manufacturing purchasing manager index (PMI) is on track to rise for the sixth straight month in October, while the services PMI fell. Demand for goods has led China's exports to rise 9.9% year-over-year in September, the most since March 2019.

This year's rebound in global merchandise shipments has been record-breaking. For example, Amazon's deadline of November 6 for sellers to get their products to Amazon's fulfillment centers in advance of Black Friday and Cyber Monday means a lot of goods are currently in transit. The shipping rate for a 40-foot shipping container from Shanghai to Los Angeles has more than doubled. Online sales anticipated to set records this year. It seems the pandemic has led to an unexpected resurgence in the trade of manufactured goods, rather than triggering its decline.

Surging demand pushing up shipping prices in USD from China to U.S. for the holidays

Source: Charles Schwab, Bloomberg data as of 10/22/20.

The stall in global trade over the past 12 years took place during general growth in the global economy. Overall, tariffs and non-tariff barriers to trade were lowered, not raised, according to actions tracked by the World Trade Organization.

So, what caused trade growth to stall? And, more importantly, what does the future likely hold for trade and the trade-dependent revenues of global companies?

The causes

Three major causes of the stall in global trade growth over the past 12 years:

1. The oil market acted as a drag on global trade. Fuel made up 16% of global exports in 2008 and fell to just 11% in 2019. This 5% drop in oil trade took place as world growth became less dependent on fossil fuels and U.S. oil supply rose, which eliminated the country's dependence on fuel imports (which once made up nearly half of the U.S. trade deficit).

2. When measuring global trade in U.S. dollars, the appreciation of the dollar weighs on the dollar value of trade, independently of the unit volume. Merchandise trade volume grew 17% from January 2008 to January 2020, according to the widely watched World Trade Monitor, prepared by the Netherlands Bureau of Economy Policy Analysis. But, measured in dollars, that volume gain disappeared. The broad trade-weighted value of the U.S. dollar rose 35%, from 95 to 128, from mid-2008 to the end of 2019, negating the effect of the increase of volume.
3. The localization and vertical integration of supply chains within borders has reduced cross-border trade in intermediate goods. What this means is that a larger portion of overall supply chains are falling within one country more so than in the past so products cross borders fewer times during the manufacturing process than before. The impact of these business decisions may be measured by the falling share of intermediate goods exports relative to final goods exports, especially in China.

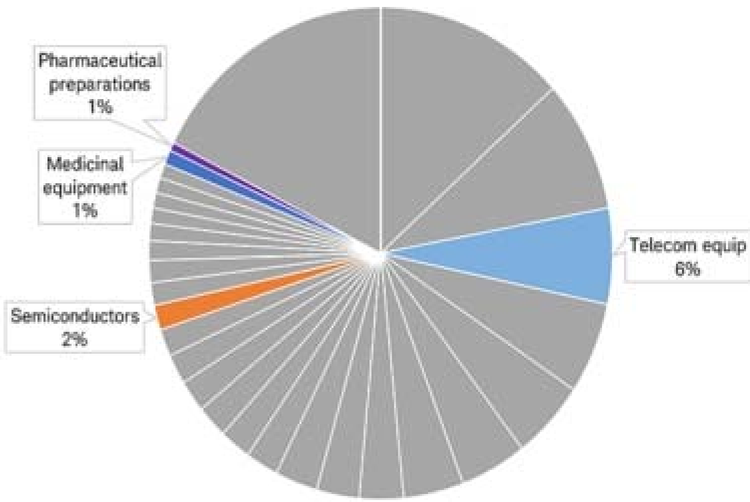
The future

Those who believe deglobalization is related entirely to politics and the pandemic may be surprised. Future developments in the actual drivers may have different impacts on global trade growth:

- Negative: The trend of shrinking demand for oil may continue and further act as a drag on both the volume and value of global trade.
- Positive: The value of the U.S. dollar may have peaked and could head lower in the coming years, counter to the trend of the past 12 years. A return to a declining dollar may boost the dollar value of global trade, as last seen from 2001 to 2008.
- Neutral: Further vertical integration of supply chains in advanced and emerging markets may be offset by scope for a finer division of supply chains in frontier markets like Africa, South America and less-developed parts of Asia.

Politics and the pandemic have favored policies to re-shore supply chains for items deemed essential, like certain health care products and telecommunications equipment. However, these targeted products are just a very small part of global trade. To put it in perspective, overall U.S.-China trade makes up less than 3% of world trade. Within that, only about 2% of China's exports to the U.S. are in the form of health care products recently deemed essential. Another 6% are telecommunications products, some of which could be impacted by the actions of politicians to restrict access in 5G networks. Overall, these targeted areas are very small from the perspective of the entire scope of global trade. Nevertheless, largely because trade between China and the U.S. is the biggest bilateral trade relationship between the two largest economies in the world, these reshoring policies garner a lot of attention and have been the focus of the recent deglobalization narrative.

Percent of China exports to U.S.



Source: Charles Schwab, U.S. Census Bureau for 2018, data pulled 10/22/2020.

Ultimately, the combination of the factors that acted as a drag on global trade growth over the past 12 years may be a net neutral to global trade as we look forward. Global trade could again begin to grow in sync with global economic growth.

Alternatively, the negatives could more than offset the positives. The deepening localization of supply chains means less need for products to cross borders during manufacturing, which could keep the dollar amount of global trade in check and prolong the stall in global trade.

Of course, there could also be other unknown factors yet to emerge and influence the trend in global trade.

The portfolios

For investors, it might not matter that much. The stall in trade since 2008 has not necessarily lead to a stall in profits for multinational companies that make up the major stock market indexes or a decline in the international portion of those profits. Profits for global companies in the MSCI All Country World Index rose 38% from 2008 to 2019. The share of revenue coming from foreign sales remained stable over that period, at around 75% for companies in Europe and around 50% for companies in Japan and the U.S., according to data from Standard & Poors, Nikkei and Factset.

The idea of globalization defined as the sourcing of production in one country with the lowest labor cost and exporting the final product to be sold everywhere else is increasingly outdated. With the advances in robotics and other manufacturing technology, labor has become less of a cost input to manufactured products. The miniaturization and localization of manufacturing has allowed for multiple redundant supply chains and local customization for the products sold around the world, generating profits for companies independent of where they are headquartered. Sales and profits have become increasingly globalized even as the goods being sold rely less on cross-border transportation.

If the past 12 years is any indication, the takeaway for investors is that deglobalization may have very specific impacts for portfolios, but is not likely to be an overall negative for corporate profits, the main driver for stock market returns. There could be some reshoring of industries that make up a small portion of trade and some companies focused in the tech and telecom sectors may be negatively impacted by trade politics. But past 12 years show that as global trade patterns evolve, companies remain as committed to globalization as ever.

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