

A black and white photograph showing two construction workers on a scissor lift. One worker is on the upper platform, and the other is on the lower platform. They are working on a large metal structure, possibly a bridge or a large industrial building. The lift is extended upwards.

Talking Points Newsletter *Volume #21*

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 that are going on. 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 & 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](#).

On The Rise: Architect & Engineer Professional Liability Rates

A recent survey of the top 16 Professional Liability Insurers published by Ames & Gough stated that over 80% of the markets that write architects and engineers errors and omissions insurance coverage are seeking rate increases this year with the remainder of the markets holding rates flat.

Approximately 31% of the markets plan to raise rates across their entire book with 38% stating that they will be more strategic with their rate increases and base them more on their historic claim experiences or their perceived risk levels. Geography may also play a part in the rate increases which will be more prevalent in states like California, Florida, New Jersey, and Texas.

All companies that participated in the survey received increases both last year and this year. Of the markets, 56% are looking for increases up to 5%, with the remaining 44% looking for increases of 6% or more. 13% of those are looking to increase in excess of 10%.

TSIB's Talking Point: Claims experience continues to be the rationale for rate increases showing once again that this market will continue to punish accounts with claims. However, a smart client may be able to take advantage of the diversion of responses in the market and alleviate large rate increases.

[Click here](#) to read more.

Commercial Premium Renewal Rates Lower in January

Ivans Insurance Services has issued their January 2022 Rate Comparison Report indicating there is a pullback in the average rate increases from the December 2021 rates.

Rates are generally still increasing but some lines such as Auto Liability and General Liability are showing signs of slowing down. General Liability rates are still high but the rate increase from December was 4.23%, which is down from the December 2021 report. Auto Liability rates rose 4.13% down from 4.55%.

Property rates are holding steady at 6.17% increases compared to 6.14% last month and Umbrella rates rose to 5.58% from 5.40% in December 2021.

TSIB Talking Point: Insurance companies continue to seek rate increases but there is a pullback from the highs of 2020 and 2021. This provides clients with opportunities to find aggressive markets that will help to keep their insurance budgets in check.

[Click here](#) to read more.



Construction Faces Over Half-a-Million Worker Shortage

According to a study completed by the Associated Builders and Contractors (ABC) there is a significant gap in the number of construction workers that the industry will need to meet the demand in 2022. Predictive models from the ABC show that the industry will need 650,000 additional workers to fill this gap.

There will be an increase in demand for skilled labor as the projects begin under the recently signed infrastructure bill. The ABC indicated that for every 1 billion dollars in additional construction spending, there will be 3,900 jobs gained. Anirban Basu, Chief Economist for the ABC describes this as, “the most acute challenge” contractors face in 2022.

Exacerbating the shortage of workers is the fact that this industry has an older workforce that does not seem to be adding younger workers fast enough to replace retirees. Based on government data, the average age for retirement is 61 and at this time more than 20% of the workforce is over age 55. Moreover, the total number of construction workers has grown by less than 25% since 2011.

TSIB’s Talking Point: Despite the overall labor pool shrinking, there is an increase in entry-level jobs. However, contractors should be concerned about the lack of experienced workers, when there is an increase in entry-level jobs and a faster than expected departure of older & more experienced workers. Contractors should take steps to mitigate a potential increase in Workers’ Comp and/or Construction Defect claims due to this experience gap.

[Click here](#) to read more.

Materials Costs Set to Moderate in Q1

Linesight, a construction consulting firm, recently published their quarterly Commodity and Price Forecast which has found that the pricing increases we have seen in recent months will level off or begin to subside in 2022.

The increases in pricing were mostly due to shortages resulting from pandemic related supply chain issues, increased global demand, labor disruptions, and extreme weather-related delays. Prices will not fall back to their pre-2020 levels. The report indicates that these prices will begin to slowly reduce, stemming the tide of escalating costs on project sites.

TSIB Talking Point: The increases in commodity pricing are due in part to the strong demand for materials in new & existing construction projects and the slowdown in manufacturing created by the pandemic. It will still take some time for the supply to catch up to the demand. Unfortunately, the pricing for materials, while easing, is still very volatile and should be monitored closely.

[Click here](#) to read more.



Nuclear Jury Verdicts Here to Stay in Commercial Auto

Nuclear verdicts are crushing the trucking and automotive industry. Auto is not the only industry impacted by nuclear verdicts, big pharmaceutical and medical malpractice are also hit significantly with explosive jury verdicts.

Generally, nuclear verdicts are considered verdicts awarded to a Plaintiff in excess of 10 million dollars. However, that is narrow in scope, as these verdicts are a disproportionate award of damage vs. the damage sustained. These awards are a culmination of both social inflation as well as being punitive in nature. These verdicts are often outside the scope of what the insurance sector intended to cover.

Social inflation is comprised of several factors which are leading to these enormous awards. The jury pools have begun to view the insurance companies as having unlimited funds to pay out big awards to injured parties. Additionally, there is a predominance of corporate distrust.

TSIB's Talking Point: It is imperative to partner with your insurance broker to try and insulate your risk. Employing risk management tactics to help avoid risk and carrying adequate insurance with broadest coverage available is the next best tool in your defense. Unfortunately, there appears to be no end in sight for the trend toward larger damage awards by juries.

[Click here](#) to read more.

Turner Construction Launches Risk Management Consultancy

Turner Construction has launched a Risk Management and Consulting company, called Stratus Risk Associates to provide advice on insurance placements, risk analysis, and claims services to the U.S. based construction affiliates of HOCHTIEF, AG.

Aside from assisting its sister companies, Turner Construction, Flatiron Construction, and EE Cruz, Stratus will also provide services to smaller construction companies, Developers, Architects, and other companies working within the construction sector.

Kevin King, President of Stratus Risk Services stated, "Our intent is to never to be a broker, but with the expertise we've built up over the years we understand how to resolve claims in the most reasonable way and how to reduce the total cost of risk."

TSIB's Talking Point: Stratus's team experience will benefit smaller construction companies working with complex construction risk management and claims issues. Ultimately, working with a consulting company such as Stratus can help smaller construction companies become stronger and more competitive.

[Click here](#) to read more.



Wildfire Safety Plan: Will it Fix California's Insurance Crisis?

Claims for damage done by wildfires have increased like wildfire! In 2017 & 2018 claims for wildfires cost insurers over 29 billion dollars combined. Even though 11 billion dollars were reimbursed due to a settlement with PG&E, the insurance companies stopped selling coverage in high-risk areas and dropped thousands of policyholders, creating a major crisis for affected residents and businesses in fire-prone areas.

In February 2022, Ricardo Lara, The State of California's Insurance Commissioner, released a plan called "Safer from Wildfires" that is designed to fix this insurance crisis by encouraging residents in rural areas "to retrofit their homes with fire resistant roofs and double-paned windows, trim their trees, and clear flammable debris from their yards."

The wildfire risk is showing signs of easing. Although the number of acres that have burned has dramatically increased over the past two years, the number of homes that were damaged has decreased.

TSIB Talking Point: This is yet another example of how the changing climate has a direct effect on people. With no signs of the drought ending, the state is releasing millions of dollars to assist communities in fire prone areas, but the individual homeowner may still face expensive renovations to install fire resistant roofs and double-paned windows.

[Click here](#) to read more.

Hard to Say Goodbye

If you are a dog owner, you know that leaving him home alone can often be a heartbreaking experience. Just looking into their eyes, you can see the emotions stirring. Separation anxiety is a very real condition, and it turns out that the very human instinct of performing a "goodbye ritual" can do more harm than good by causing additional stress for the pup.

In a survey of 2,200 pet owners, Nationwide Pet Insurance found that 87% of pet owners have some sort of "goodbye" routine: 65% give an extra pet on the head, 40% give them a kiss, 42% just say goodbye, 33% play with them and 30% give them a treat.

However, veterinarians agree that this type of ritual can trigger or heighten a pet's anxiety and a well-intentioned show of affection can cause more anxiety. As a result, it would be best to consult your vet to find out ways to treat this anxiety and work on specific behavior modifications to alleviate the problem.

TSIB Talking Point: The saying, "your pet is part of your family" cannot be truer. Considering your pet's well-being is now as popular as ever which is why the market for Pet Insurance has exploded over the last several years. Larger companies are offering access to quality Pet Insurance at discounted rates. This space is something to watch.

[Click here](#) to read more.

