



# Talking Points Newsletter *Volume #32*

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](mailto:contact@tsibinc.com) or visit [our website](#).



## 10 Largest Auto Insurers Raised Rates

The S&P Global Market Intelligence reported that all 10 of the top auto insurers in the U.S. raised their rates by double digits in 2023. All these insurers apart from Allstate and GEICO ended the year with higher rate increases in 2023 than 2022. Allstate and GEICO rates eased in 2023, but only because they both took much higher increases in 2022. This is the second year in a row that auto insurance rates have increased above 10%, with the average 2023 increase around 14%.

The U.S. auto insurance market continued to show poor results as their rate increases are not keeping up with the jumps in claim frequency and severity. The S&P Global Market Intelligence previously reported that these higher losses are coming from the increase in litigated claims, severe weather, and an increase in WC loss.

**TSIB Talking Point:** The auto insurance sector has been hit during the hard market. The increase in the cost of the average vehicle and the overall vehicle technological advancements have significantly increased. As a result, insurers will continue to see inadequate conclusions.

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## Commercial Property Insurance Rate Hikes

The commercial property insurance market may begin to ease in the first half of 2024. Capacity increased and the markets are seeing stability, which should moderate rate increases. The property market is driven by their reinsurance renewals which were favorable in 2024, contributing to the slowing of rate increases. Large accounts are seeing oversubscriptions of lines which provides a bit more competition.

Luckily, the U.S. wind season did not produce any major events in 2023. However, the continued fear of CAT losses is still present. The globally insured losses from CAT claims exceed over \$100B.

**TSIB Talking Point:** Severe weather remains a major concern for property insurers. In addition, underwriters have an increased concern regarding the property condition, creating a significantly bifurcated market. Quality, catastrophe exposed accounts, could see a single digit to flat renewal with a CAT exposed, whereas poor accounts can expect double-digit increases. There is more capacity in the market with insurers oversubscribing their participation on some accounts, which may signal that a turn towards a softer market is on the horizon.

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## Trendlines: 2023 Proves a Surprising Year

For construction, 2023 was better than analysts expected. The residential market subsided as the interest rates increased slowing the demand. Non-residential buildings improved with new construction for office buildings, commercial, factories, and lodging. In addition, the CHIPS Act increased manufacturing projects from \$66B annually to \$106B.

The Inflation Reduction Act (IRA) has impacted the non-residential sector, specifically infrastructure. This sector went from \$374M in value in 2022, to over \$400B in value in 2023 due to highway and street construction.

**TSIB Talking Point:** The ebb & flow of the markets will always have a direct impact on construction projects. Interest rates and inflation are still in flux, even though the markets are trying to normalize it. Due to the funding provided by the Federal Government, we remain at a historic level for construction. 2024 may not be a record year, but it will be a good one.

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## U.S. Economy Grew at 3.3% Rate in Latest Quarter

At the end of 2023, we saw the continuation of low unemployment and decreasing inflationary pressures. The results of the gross domestic product (GDP) grew at a 3.3% annual rate in Q4, better than the forecaster's expected. Showing the economy's resiliency.

Many experts expected that the Federal Reserve's plan to aggressively push interest rates would stall the economy. However, the growth accelerated as the overall 2023 GDP grew 3.1%, an increase from less than 1% in 2022.

The first quarter of 2024 has shown that layoffs remain low, job growth is steady, and inflationary forces are subsiding (wages are rising faster than prices). The housing market is continuing to bounce back from the rising interests and inflation continued to ease.

There are concerns that the consumer debt level may not be sustainable should the job market falter. An increased risk from the unrest overseas could have potential consequences in the U.S. However, the stock market is reaching record highs, as Wall Street seems unfazed.

**TSIB Talking Point:** The economy is strong, despite the expert's predictions. With the disruptions of the pandemic, it shows the economic rules were rewritten and historic models do not apply currently. As a result, we can expect construction to continue to be strong.

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## Camera-Shy Insurers Are Subject to Recording

An Examination Under Oath (EUO) is a hearing initiated by an insurance carrier when there is concern over the validity of an insured's claim submission. The insured is required to submit testimony and substantiate its loss in front of its insurance carrier, adjusters, and counsel for the carrier.

Insureds may feel scrutinized and disadvantaged in these types of hearings. In the case of [\*Myasnyankin v. Nationwide Mut. Ins. Co.\*](#), the insured requested that the EUO be video recorded to memorialize the testimony. Nationwide vehemently disagreed and presented the insured with an ultimatum: either submit to the examination without video or have your claim denied for failure to cooperate.

The insured filed a lawsuit claiming bad faith and for a declaratory judgement asking the courts to opine on the reasonableness of the carrier's position. The court sided with the insured and established precedent that the proceedings can be recorded.

**TSIB Talking Point:** Insurance policies are unilateral documents. Meaning the insurance company drafts the policy language, terms and conditions, and an insured accepts said terms. This case is an example of courts correctly construing such language in favor of the policy holder to ensure good faith claims handling.

It is important to partner with a sophisticated broker that can help guide conversations and provide claims advocacy in difficult coverage negotiations.

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## Top Global Risks Include AI-Driven Misinformation & Extreme Weather

The World Economic Forum published the annual Global Risk Report on the key risks expected in 2024. The report included survey results that addressed the likely severity of risks over a 2-year period and a 10-year period. The top short-term (2-year period) concern was AI driven misinformation/disinformation. Whereas the top long-term (10-year period) concern was extreme weather events and was ranked 2<sup>nd</sup> for the short-term.

The misinformation/disinformation issue will impact the legitimacy of newly elected governments causing unrest, hate crimes, and a potential for terrorism.

Outside of extreme weather, other environmental concerns made it to the list of long-term global risks, including:

- critical change to earth systems
- biodiversity loss & ecosystem collapse
- natural resource shortage
- pollution

**TSIB Talking Point:** The reality is that these risks are all intertwined and represent a significant danger. The risk of not doing anything is really the greatest risk. John Scott, head of sustainability risk at Zurich, co-sponsor of this survey said *“Localized strategies are critical for reducing the impact of global risks. The individual actions of citizens, countries and companies can move the needle on global risk reduction.”*

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## Ransomware Events Up Nearly 70% in 2023

Ransomware activity spiked by 68% year-over-year in 2023 and reached an all-time high with 4,496 victims. In 2022, there were 2,670 victims and 3,061 in 2021.

Unfortunately, not all victims are included in these statistics, as they do not report the incident. Realistically these statistics are mostly closer to 7,600 total companies.

**TSIB Talking Point:** There was a bright spot in 2023 as law enforcement efforts made significant inroads and major threat actors were disrupted. The AlphV/Black Cat ransomware gang and Qakbot, a common malware operation, were significantly impacted. Cybersecurity efforts remain paramount to the securing of the companies' assets.

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