



# Talking Points Newsletter *Volume #34*

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](#).



## Commercial insurance Average Rate Hikes Slow in Q1: MarketScout

According to the insurance exchange MarketScout, the commercial insurance rates for the first quarter of 2024 showed an improvement over the fourth quarter of 2023. The average rate increase for Q1 24 was 3.9% as compared to 5.6% in Q4 23.

Commercial auto led the increases, with a rate increase of 6.7%. Property and the umbrella/excess market were both up 6.3%. However, General Liability rates rose only 3.7% with D&O popping by 2.7% as the Workers' Comp market remained flat.

The increases are also reported by premium size. Small accounts, up to \$25,000 and jumbo accounts, excess of \$1 million increased by 4.3%. The middle market accounts were split. Accounts with premiums of \$25,000 to \$250,000 increasing by 3.7% and the large accounts of \$250,000 to \$1 million seeing a bump of 5%.

**TSIB Talking Point:** The hard market persists but with continued reports like this one and other news about the state of the insurance market, it appears that there is data coming in to support that the worst is coming to an end. There is no question that Auto and Property will remain stressed.

[Commercial insurance average rate hikes slow in Q1: MarketScout | Business Insurance](#)

## Jerome Powell Just Revealed a Hidden Reason Why Inflation is Staying High: The Economy is Increasingly Uninsurable

Last month, in a statement to the Senate committee on monetary policy, the Federal Reserve Chairman, Jerome Powell spoke about the effect that the soaring cost of insurance premiums has had on the inflation rates and that is hindering the Fed's goal of reducing interest rates down to a target of 2%.

He stated to the committee that, "Insurance of various different kinds- housing insurance, but also automobile insurance and things like that- that's been a significant source of inflation over the last few years".

Data from the Bureau of Labor Statistics showed that the cost of auto insurance for private passenger vehicles has increased over 20% over the last year. Additionally, data from S&P Global Market Intelligence found that homeowner's insurance increased over 11% last year.

Inflation rates for the same period were around 3.2% according to the Bureau of Labor Statistics.

**TSIB Talking Point:** There are many reasons why insurance rates have increased so dramatically. Climate Change has accounted for trillions of dollars in claims from severe



weather. These losses are passed on to the consumer as the insurance companies and reinsurance companies readjust their rating structure to account for these losses.

However, the auto insurance market is approaching a 50-year high. This is directly linked to the sharp rise in new car prices and the increase in the cost to repair, what was once a routine job.

[Click here](#) to read more.



## David Werpin Sponsors Bill To Make Staged Construction Accidents a Class E Felony

New York State Assembly member for District 24 in Queens held a press conference in Albany last month to announce a bill that he is sponsoring that would make staged construction accidents a [Class E Felony](#). This bill is very similar to a bill that Assemblyman Werpin sponsored that became law in 2019, called [Alice's Law](#) that makes it a Class E felony to stage an auto accident.

As the chairman for the assembly insurance committee, Assemblyman Werpin was joined at this press conference by representatives from contractors, the President of the New York Insurance Association and other officials, including state Senator Neil Breslin, who is sponsoring the companion bill in the NY State Senate.

**TSIB Talking Point:** This bill is aimed at combatting insurance fraud, which is a major problem on construction sites. Since insurance companies seek to pass down their losses to future customers, any law that seeks to find ways to reduce these costs should be supported as well as applauded. However, it does not do anything to reform the most problematic issue in NY Construction Insurance, section 240 and 241 of the NY State Labor Laws.

[Click here](#) to read more.

## Major U.S. Bridges Could be Vulnerable to Ship Collisions

The accident that demolished the Francis Scott Key Bridge in Baltimore has predictably triggered investigations into the protective measures at other important bridges across the United States. One report from CNN looked at more than a dozen bridges that have cross-shipping lanes leading to the country's largest ports and found that while there were many that had more robust safety measures, many did not. This included the Chesapeake Bay Bridge that is roughly 20 miles downstream of the Key Bridge and on the same shipping route.

Most of these bridges are vulnerable to "fracture critical members" which means that if one area is struck and goes down, the entire bridge will fall. This is what we saw with the collapse of the Key Bridge and is leading to a reassessment of measures that are currently in use to shore up the safety measures to protect against collisions.

There are several ways to protect bridge supports. The most basic would be to install fenders that could absorb the impact of a collision. In addition, some bridges install piers or islands that create distance between the impacting vessel and the bridge. Another method, called "dolphins", installs structures detached from the bridge structure itself and acts as a buffer.



As a result of the recent expansion in the Panama Canal, ships are getting larger and larger. Bridges that were built before this expansion could not have foreseen these risks, which mean that they were not designed to withstand a collision from a ship the size of the one that struck the Key Bridge.

**TSIB Talking Point:** It is not a surprise that there is a heightened interest in the adequacy of the safety protections that are being used to protect these important bridges. The cost to rebuild the Key Bridge and the economic impact that will hit the Baltimore Port and surrounding area is estimated to be in the billions of dollars. This more than justifies the added expense to shore up these defenses and protect our bridges.

The Delaware River Port Authority has been called out as an Authority that has been taking this protection seriously since they started to shore up their defenses years ago.

[Click here](#) to read more.



## How Generative AI Enables a Brighter Claims Future in 2024 & Beyond

Generative [Artificial Intelligence](#) (AI) has begun to transition from innovation into a useful tool in many different fields, particularly the insurance industry. To illustrate this point, the statistics in one recent study show that as of the end of 2023, half of the insurers will have tested generative AI solutions within excess of 25% planning to solidify a solution by the end of this year.

Generative AI is a perfect solution for claims administration due to the need to streamline workflows that are defined in terms of their volume of work and repetition, and reliance on manual processes. This new technology can help to reduce administrative costs and let the adjusters spend more time in front of their clients and claimants with positive effects on patient outcomes.

According to Ernst and Young, 50% of the insurers surveyed from June 2022 to June 2023, stated that improving claims efficiency is a priority for the near term. As the technology continues to improve, Generative AI's most logical impact is to use its ability for natural language processing to speed the process in summarizing claims documents including key medical information and uncover trends or insights that may not be obvious to claims adjusters at first read. In addition, these systems are automating simple medical only claims, clear liability property damage only claims, some first party auto damage claims as well as property claims. There is a learning aspect to these systems so that they can utilize predictive decision making to "learn" from past claims and identify patterns that allows them to autonomously process some claims based on certain predefined criteria.

Generative AI can also be deployed to assist insurers with pricing models using their predictive analytics to develop a better understanding of the factors that will affect the client's overall risk profiles. These risk management models are particularly useful in the Workers' Comp markets. They are helping with return-to-work analysis as well as physical demand requirements and pain levels that will help to provide a better claim result.

There is roughly \$307B of insurance fraud every year. Leveraging the information found in historical claims data, Generative AI can help to identify patterns and highlight outliers which can kick off fraud investigations.

**TSIB Talking Point:** As Generative AI continues to become more advanced, it is important to take the right steps in using this generative AI to your advantage. One aspect that needs to be considered is building in ethical and responsible uses for AI and making sure it works for the benefit of the claimant's welfare. In addition, it is also important to note that while the machine can take on some mundane tasks, there is no substitution for the human element. AI can make a claim professional's job easier but it will never be a complete substitution for the human touch.

[Click here](#) to read more.



## Extremely Active Atlantic Hurricane Season Forecast: Colorado State

As they do every year, the Colorado State University Department of Atmospheric Science published their forecast for the 2024 Atlantic Basin Hurricane Season.

The forecast looks at factors such as sea surface temperatures, that will remain at well above average temperatures and other long-term conditions that effect the weather patterns, such as the transition from the current El Niño conditions to La Niña conditions. Both of which provide for favorable conditions for a “conducive dynamic and thermodynamic environment for hurricane formation and intensification”.

All of the categories that CSU report on in this year’s forecast compare the anticipated storm totals to a twenty-nine (29) year average from 1991 to 2020. This year all categories are well above average with the total number of Named Storms in 2024 reaching 24, compared to the average of 14.4. They see 11 hurricanes vs. 7.2 and of those, 5 will be major hurricanes over an average of 3.2.

In addition, the probability of a CAT 3, 4 or 5 storm hitting land along the Eastern Seaboard of the US is 62% compared to a 140-year average (1880 to 2020) of 43%.

They break it down further as it is more likely for a major storm to hit from the west coast of Florida to Brownsville, TX (TX-Mexico Border) 42% probability against the average of 27% as it is to be hitting eastern Florida- 34% compared to 21%.

**TSIB Talking Point:** Once again, there is an elevated risk of damage due to stronger and more frequent hurricanes. As we have seen in the past, the surface temperatures of our oceans are rising. Warm water acts as an accelerant for hurricanes. From an insurance perspective, as we saw with Hurricane Ida in 2021, it really only takes one major storm to impact property underwriting.

[Click here](#) to read more.

## Maryland Transportation Authority has Filed Insurance Claim for Key Bridge Collapse, is in Talks about Replacement Span

Insurance is purchased for when the unthinkable happens and on March 26<sup>th</sup>, the unthinkable happened to the Maryland Transportation Authority (MDTA)- A mega-container ship struck and destroyed the Francis Scott Key Bridge.

That day the Maryland Transportation Authority filed a claim with their property insurance companies. The Authority maintains a property policy that covers its five bridges (including the Key Bridge), two tunnels and one toll road. The policy has a loss limit, or a maximum dollar amount that the policy will pay out of \$350M with a deductible of \$50M.



In addition, the MDTA has an Excess Liability Tower of \$150M with a \$5M Retained Limit that the Authority also placed on “notice” for a potential claim.

The Authority is working with the US Department of Transportation and the Federal Highway Administration to find an innovative project delivery solution to rebuild the bridge as quickly as possible.

**TSIB Talking Point:** The rebuilding of the Key Bridge is going to be a logistical nightmare. Aside from the finger pointing and lawsuits, the fact remains that the MDTA’s insurance proceeds from their property policy of \$350M, are less than adequate. In addition to the physical structure, which will cost in excess of billion dollars, there is also a loss of revenue component. The Key Bridge generated about 7.4% of the MDTA’s annual revenue which is roughly \$500M a year for an annual loss of revenue of \$37M.

The Authority put their Excess Liability tower on notice as well. The litigation arising out of this situation will be something to watch as the impact of this claim is estimated to be in the \$2B to \$4B range.

[Click here](#) to read more.

