



Talking Points Newsletter *Volume #35*

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 or visit [our website](#).



Reserve Strengthening for Casualty Lines Not Over

In a report just issued, Moody's Investors Services states there will be reserve strengthening for all commercial casualty lines for the accident years of 2022 and 2023. This is due to the adverse development of personal auto claims and the prediction that more severe General Liability claims are to follow.

Analysts at Moody's look at the shorter tail lines to predict how the reserves will need to be set. As a result, the personal auto sector is providing insight into how future years will need to be reserved. Insurers are building in higher expected losses into their policies, which is raising the price for the insured.

General Liability and Commercial Auto losses have more than doubled over the last 10 years, while the Workers' Compensation market has remained flat during the same period.

TSIB Talking Point: The losses for personal Auto and General Liability continue to deteriorate. Insurance companies have no choice but to increase their reserves, which in turn affects the pricing of the insurance. Unfortunately, as this cycle continues, it is difficult to see any meaningful break in the pricing.

[Click here](#) to read more.

Maryland Estimates Bridge Replacement Cost to be Almost \$2B

The Maryland Department of Transportation recently indicated that the cost to rebuild the Frances Scott Key Bridge will be as much as \$1.9B and completed by 2028.

The U.S. Department of Transportation has already provided \$60M in emergency funds to help the state clear the waterway of debris. In addition, Congress is working on passing legislation to waive the requirement that the state pays 10% of the costs and guarantees there is enough money in the federal rebuilding fund.

TSIB Talking Point: Maryland Department of Transportation purchased an insurance policy with a total limit of \$350M. Chubb Insurance, the sole insurer, recently stated that they completed their investigation and were issuing a check for \$350M.

There will likely be a great deal of litigation arising from this accident. Senator Van Hollen, of Maryland stated that, "any funds recovered from lawsuits for wrongdoing will be recouped by federal taxpayers."

[Click here](#) to read more.



Chubb Readies \$350M Payout Tied to Baltimore Bridge Collapse

The Frances Scott Key Bridge, which collapsed after an ocean-going cargo ship collided with one of its supports, had an insurance policy with a loss limit of \$350M. The insurance policy was written by Chubb through its broker, Willis Towers Watson.

The accident turned deadly when six people who were working on the bridge at the time of the accident were lost in the bay. In addition, it is unclear what the impact will be on shipping and business into and out of the Baltimore Harbor.

Given the expected size of the loss, Chubb made the decision to pay out the limits of their policy. It is expected that the economic impact of this loss will reach as much as \$4B.

TSiB Talking Point: Reports have shown the cost to fix the bridge alone could be \$1B. Chubb's decision to issue the check makes sense. In the future, they may have rights of subrogation to some or all of their money back. However, at this time, it is prudent to let the State of Maryland, the City of Baltimore, and the families of the victims lead the effort to sue the ship owners and any other responsible parties.

[Click here](#) to read more.



Public Sector Increases Nonresidential Construction Spending

According to an Associated Builders and Contractors (ABC) analysis, after 2 months of reduced construction spending, the nonresidential construction ticked up 0.2% in March. This represents a seasonally adjusted rate of \$1.19 trillion. The analysis continued to indicate this increase was due entirely to the rise in public sector construction projects.

Of the 16 nonresidential subcategories, 10 of them posted gains for the month of March. In addition, spending for both public and private nonresidential construction remains 35% higher than at the start of the pandemic. The spending in nonresidential construction continues to outpace “economy-wide inflation.”

In an Associated General Contractors of America (AGC) analysis, officials maintained that these results are good for the industry. They also cautioned that worker shortages remain an issue and that could lead to “longer project completion times and suppression of the monthly spending in private projects.”

TSIB Talking Point: Construction spending has been reaching record levels over the last few years. A pullback does not necessarily signal hard times for the industry as programs such as the Federal Infrastructure Bill continue to pop up. We do need to keep an eye on the labor market, as the number of projects seems to be outpacing the number of qualified & experienced workers needed to staff these projects.

[Click here](#) to read more.

Increase in Earbud Use Creates Safety Hurdles

A woman was killed when she tried to retrieve her earbud that dropped onto a conveyor belt. Bringing to light a new risk that Safety Professionals and Risk Managers need to deal with on job sites. Employers in the construction, manufacturing, transportation, and utility work need to educate their employees on the dangers of using devices that may impair hearing. Specifically in jobs where situational awareness is vital, and it is necessary to communicate quickly.

As it relates to construction, although citations can be issued for violations of using distracting technologies, OSHA has some guidance on using earbuds. Their guidance centers around banning the use of earbuds if you are unable to hear machinery and other environmental sounds. Unfortunately, it does not have any specific regulations.

TSIB Talking Point: This is a problem that can be fixed with education, training, and understanding. It is important for companies to update their safety policies. In time, this issue will be just like the push to wear seatbelts or use handsfree devices to talk on the cell phones, when driving.

[Click here](#) to read more.



DOL Increases Compensation Threshold for Exempt Employees

The Department of Labor (DOL) increased the minimum salary thresholds for employees covered by overtime exemptions under the Fair Labor Standards Act (FLSA) at the end of April. Employees holding “white-collar” jobs such as executive, professional, and administrative jobs will be affected. The increase is slated to happen in phases:

- July 1, 2024
- January 1, 2025
- July 1, 2027
- With automatic increases every 3 years thereafter

If an employee’s salary falls below the increased threshold, then the employer will need to either increase the exempt employee’s salary to meet the guidelines or re-classify the employee as non-exempt and pay the required overtime.

The current threshold for exempt employees is \$684 weekly / \$35,568 annually. The new guidelines indicate that the new minimums will increase to:

- \$844 weekly / \$43,888 annually starting July 1, 2024
- \$1,128 weekly / \$58,656 annually starting January 1, 2025

Some states where the state law minimum salary thresholds for exemption already exceed the new FLSA requirements, such as New York and California, will not be noticed immediately. In total, more than 4M employees are expected to have their salaries adjusted by 2025.

TSIB Talking Point: It will be important to audit exempt employees and their current salaries to stay ahead of the new requirements immediately since the first increase phase is only a couple months away. Employers are going to need to either increase salaries or reclassify employees. Since wage and hour lawsuits have been on the rise in the last several years, make sure you speak to your broker to ensure that your Employment Practices Liability policy is endorsed to address such lawsuits.

Click below to read more:

[DOL Increases Compensation Threshold for Exempt Employees](#)

[DOL Issues Final Rule Raising Salary Threshold for Exempt Employees](#)



5 Trends Shaping Insurance in 2024

Many trends taking hold in 2024 are building off Artificial Intelligence (AI). Based on this new technology, there are 5 trends that insurance Thought Leaders have identified for the rest of 2024. They are:

1. **Insurance On Demand**- If you are planning on renting assets, (ex. AirBNB) with the help of an AI Risk Assessment, you can have renters obtain a short-term insurance policy to protect your liabilities & assets.
2. **Embedded Insurance Everywhere**- Insurance options are being offered for concert tickets, ride sharing, a new e-bike, or online banking.
3. **Generative AI Powered Bots**- It is now possible to buy insurance from an AI Powered Bot. These Bots pull underwriting information from local news, stats, social media, and historical claims to aid the underwriting process. These Bots are also able to enhance claims management, customer service, marketing, and sales functions.
4. **Increased Protections from Generative AI Fraud**- AI can be used against itself to falsify or exaggerate claims to defraud the insurance companies. On the flip side, it can also be used for predictive modeling, continuous learning, data, and text analysis.
5. **Demand for More Cyber Insurance**- AI is being used to access critical systems and create more elaborate phishing schemes or deposit malware. With the increased cyber-related threats, it's important to make sure you have the proper cyber policy.

TSIB Talking Point: New technologies create new opportunities for businesses. Unfortunately, it also creates new threats. Remaining vigilant and having a good Cyber Insurance program in place is a great way to protect your company and ensure the technology is serving its intended purpose.

[Click here](#) to read more.

