



PRICING TREND

Commercial Property Rate Hike Pace Is Slowing

WHILE COMMERCIAL property insurance rates have been increasing for seven straight years, the pace of rate hikes slowed last year, according to a new report.

With many factors continuing to pressure rates, businesses should expect continued hikes for their commercial properties, with the biggest increases taking place in areas at higher risk of natural catastrophes, including California.

The third quarter 2024 “Commercial Property/Casualty Market Index” by the Council of Insurance Agents & Brokers reported a 7.9% year-on-year increase in property insurance pricing, which is a significant drop from the 17.1% average rate increase noted in the same period of 2023.

While rates are still rising, analysts say that the pace of increases may finally be catching up with the higher claims costs and other factors affecting insurers.

If your property policy renewal is coming

up, here’s an explainer of what is driving rates and what you may be able to do about it.

Rate increase drivers

A convergence of factors has caused this extraordinary rate-hardening cycle in commercial property insurance:

Catastrophe losses – This includes hurricanes, floods, wildfires, tornadoes and winter storms. As climate change intensifies, the U.S. and the world at large have seen a surge in the cost and scope of natural catastrophes.

Adding to what insurers pay after these events, Americans have also been migrating for decades to areas that are now most at risk of disasters. With higher population density comes more claims.

Insurers in the U.S. generally paid out increasingly large amounts for natural disasters in the last decade.

Catch-up pricing – Insurers have been trying to catch up after years of underpricing their policies. They had done this by not

keeping up with the cost of rebuilding, but also not requiring policyholders to increase their policies’ replacement costs to keep up with those higher costs.

Bright spot: It now looks like insurers have caught up with prior years’ underpricing as rate increases continue rising, but at a slower rate, depending on where your business is located.

Rising reinsurance rates – Insurers buy their own insurance by contracting with reinsurers, which share the risk. Due to rapidly rising catastrophe claims costs, these reinsurance firms have recorded substantial losses in the last few years due to natural catastrophe hits.

Facing financial pressure, reinsurers have:

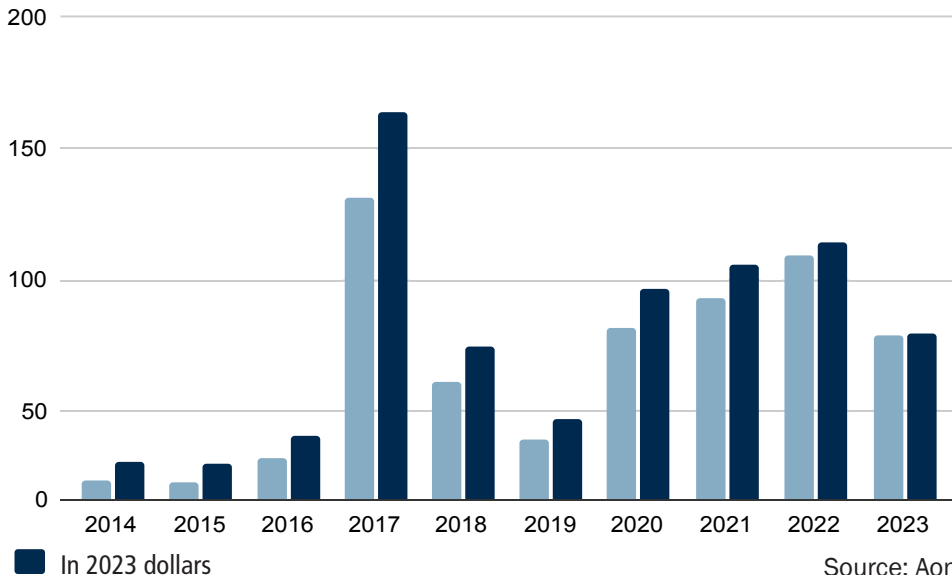
- Raised their own rates substantially,
- Started requiring insurers to carry more of the risk,
- Tightened their terms, which also transfers more risk to the insurers, or
- Pulled out of markets altogether.

Bright spot: Reinsurance rates are leveling off for 2025 and the companies are starting to take on more risk once again, which could bring some relief to commercial property carriers.

Higher construction costs – The cost

See ‘Construction’ on page 2

Insured U.S. Catastrophe Losses Keep Climbing



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SEXUAL HARASSMENT PREVENTION

Don't Forget Remote Workers in Training, Rules

IF YOU have staff working from home as a result of changes wrought by the COVID-19 pandemic, you still need to stay on top of your obligations to protect all of your workers from sexual harassment.

While most workplace sexual harassment has historically taken place in person at the workplace, a good portion has migrated online in the form of harassment by workplace collaboration apps, e-mail, chat and texting. Just because you can't see the harassment, doesn't mean it's not happening.

Most companies, while they likely have policies prohibiting sexual harassment in the workplace, have not updated their policies to include online harassment. And that can leave them exposed to lawsuits by staff who feel they've been harassed by a manager, supervisor, co-worker — or even a customer.

If you have employees, you need to make sure that you have strong policies in place that reach beyond the physical worksite.

What you can, and should, do

Review your sexual harassment prevention policies and training and update them to include employees working remotely. Make sure you have buy-in from management and supervisors for your prevention policies and training to be truly effective.

Remember too that all California employers with five or more workers must conduct two hours of sexual harassment prevention training to all supervisors and one hour of training to all non-supervisor staff six months after being hired, and every two years after that.

The state requires that the training include the following:

- Information and practical guidance regarding federal and state law concerning the prohibition against, and the prevention and correction of, sexual harassment and the remedies available to victims of such harassment.
- Practical examples of harassment, discrimination and retaliation.
- Information about preventing abusive conduct and harassment based on sexual orientation, gender identity and gender expression.
- Procedures for staff to file a complaint of sexual harassment,

as well as your steps for dealing with complaints.

- Appropriate remedial steps to correct harassing behavior, including the employer's obligation to effectively investigate harassment.

The law also requires employers to have in place a written sexual harassment prevention policy that must also be distributed to your staff. You are also required to post sexual harassment prevention posters in the workplace.

The takeaway

You should approach workplace harassment prevention with extreme care to reduce the risk of lawsuits, agency charges and penalties, and other fallout. Not only is training employees on sexual harassment in the workplace required by California employment law, but it is also arguably the first and foremost best practice in preventing legal risks associated with sexual harassment.

Take reasonable steps, such as policy assimilation and training, to prevent discrimination and harassment from occurring. You should prohibit not only sexual harassment but also gender harassment and harassment based on pregnancy, childbirth, breast-feeding and related medical conditions.

If harassment does occur, you must take effective action to stop any repetition and to correct any effects of the harassment. ❖



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Construction Costs Increasing, But at a Much Slower Rate

or construction and rebuilding has skyrocketed since 2019, due to higher material, energy and labor costs. However, that inflation has cooled as well.

Bright spot: According to CBRE, a real estate firm, in 2023 construction costs rose 4.9% year on year, compared to 14.1% between 2021 and 2022 and 11.1% between 2020 and 2021.

What you can do

Depending on where you live, insurance may be relatively easy to secure or it could be near impossible, forcing you to go to a state-run carrier of last resort.

Insurers have gotten picky about which properties they will

insure, but as a property owner you can take steps to improve your insurability or reduce your rates, such as:

- Making sure you have a detailed property maintenance plan in place.
- Replacing or repairing the roof, electrical system and plumbing as necessary, particularly if it's outdated or decades old.
- Having a disaster recovery and business continuity plan to ensure continued operations in case of an event.
- Installing sprinkler systems and leak-detection sensors that can alert you if there's a water leak in the building.
- Thinking about increasing property deductibles.
- Giving us a call. ❖

CYBERATTACKS

The Hidden Construction Industry Threat

AS CONSTRUCTION firms rely more on technology to manage projects there is an emerging risk for the industry: the cyber intrusion threat.

Much new construction machinery is computerized, and most design, engineering and construction firms are using some form of cloud computing. They are also increasingly using electronic platforms to manage projects, which are ripe for cyberattacks:

- Multi-user platforms, allowing contractors, designers and project owners to share data simultaneously.
- Technology-driven applications, such as integrated project delivery, building information modeling, estimating and scheduling programs.

While these tools create efficiencies, the risk of intrusion increases when multiple parties have access to the project data. And if that data is compromised, it could force a halt in construction while you determine the extent of the breach.

Data at risk of exposure includes:

- Sensitive client data
- Confidential project information
- Proprietary data
- Subcontractor data or financials
- Employee data, including personally identifiable information.

The dangers

If cyber criminals gain access to construction data, they could:

- Seriously disrupt a project by destroying data servers and infrastructure, or by threatening the safety of people onsite.
- Infiltrate an owner's design and security systems.
- Get their hands on your intellectual property or data that gives you a competitive edge.
- Use weaknesses in your system to infiltrate project partners' and vendors' IT networks.

IDENTIFYING CYBER WEAKNESSES

You should ask yourself these questions to identify deficiencies:

- Is your network secure and are you confident it is protecting your data?
- How much data do you have and where is it stored?
- Do you encrypt your data when it is on your or your employees' mobile devices and laptops?
- Do outside vendors have access to sensitive information? Perform due diligence assessments before granting them access.
- Are you taking precautions to ensure that third parties are granted access on a need-to-know basis only?
- Do you have policies and safeguards in place to ensure shared information is not disseminated elsewhere?
- Are you training your staff in cyber security and malicious e-mails?



Cyber insurance

Most commercial insurance policies will not cover damages caused by data breaches, but cyber insurance will. Depending on the policy, it can cover losses from various cyber and electronic issues, including:

- Unauthorized access.
- Business interruption.
- Network damage by a virus, malware or human error.
- Any state-mandated notification costs if personally identifiable information was exposed.
- Costs of regulatory penalties, and compliance costs.
- Third party security and privacy liability arising out of the failure to protect confidential corporate information, including personally identifiable information.
- Costs associated with impaired access or denial-of-service attacks.
- IT forensics and expenses.
- Crisis management and public relations expenses.
- Loss of business income due to network interruptions.
- Cost of recovering systems and data.
- Cyber extortion loss. ❖

PROPERTY PROTECTION

GPS Tracking: Monitor and Protect Your Assets

FOR ANY business — big or niche — protecting your assets is key to protecting your company.

A lost or stolen company-issued laptop, for example, poses the risk of exposing trade secrets and confidential information, and a company car or equipment used in a crime may damage your business's name forever.

With theft and shrinkage on the rise, it's important that businesses embrace GPS tracking technology to keep track of their company-owned vehicles and high-value assets, including inventory.

From food service to construction, waste management, field services or whatever business you have, you can have complete control and peace of mind with a GPS asset-tracking system. Combine this with value-adding features such as fleet management and telematics, and you will have an investment that pays for itself.

GPS tracking can increase efficiency, reducing costs, enhancing security, improving customer service — and providing valuable data for decision-making and compliance. However, it's essential to implement GPS tracking ethically and transparently, addressing any employee concerns about privacy and data usage.

Fleet management benefits

Interval-based reporting: GPS asset trackers provide regular reporting about a vehicle's location in intervals or when it moves.

Route optimization: GPS systems can suggest the most efficient routes, reducing costs and improving on-time performance.

Driver behavior monitoring: GPS tracking can record driver behavior such as speeding, harsh braking and excessive idling.

Stolen vehicle recovery: Tracking can assist in quickly locating and recovering stolen vehicles or assets.

Asset tracking and management

Inventory control: GPS tracking can help monitor the location and movement of valuable items, reducing theft and improving inventory management.

Maintenance alerts: Systems can schedule maintenance based on actual usage and location data, reducing downtime and extending the lifespan of assets.

Historical data: Systems store historical location data, which can be analyzed to identify trends, optimize operations and make data-driven decisions.

Other benefits

Accurate ETAs: By knowing your vehicles' exact locations and estimated arrival times, you can provide customers with accurate information, enhancing their experience.

Proof of service: GPS tracking can prove service or delivery, reducing disputes and improving customer trust.

'Geofencing': You can set up geofences and receive alerts when vehicles or assets enter or exit specific areas, helping to prevent unauthorized use or movement. Geofences are perimeters that, if crossed, will alert the system that an asset has left a certain area.

The takeaway

With a quick online search, you can find hundreds of asset-tracking vendors and websites that rank the different systems.

Apart from comparing prices and functions, consider the geographic coverage, after-sales support and maintenance, and other services that GPS asset-tracking vendors offer.

Research which service providers other companies in your industry prefer to use and seek reviews and recommendations from experienced GPS users. ❖

