

# ABM

Insurance & Benefit Services, Inc.

# Commercial Newsletter 2023

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## Our Exclusive Newsletter for Commercial Clients

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## 3 Factors Affecting Commercial Insurance Clients in 2023 *by Michael Teng*

The beginning of a new year is always a great time to evaluate trends and uncover those items that will affect our clients. It is also a time to reflect on your goals to help improve operations. In 2022, Independent agents, placed 88% of all commercial line premium. That means the next conversation you have with customers could play a critical role in helping them make informed decisions about protecting their business.

Here are three issues and trends most likely to shape 2023, and why they're worth monitoring:

**1) Material costs and severe weather harden the property market.** Inflation has affected nearly every aspect of running a business, including the buildings and equipment necessary to deliver products and services. As the cost of materials and labor has increased, the cost to repair and rebuild damaged property has followed. And when property is damaged, it's often taking longer to replace due to supply chain constraints.

In recent years, severe weather has compounded these issues and caused widespread damage to several regions. The financial impact to both insurance and reinsurance markets has been significant. Storms have become less predictable, and oftentimes,



## **Mike's Blog**

### **2023 Employee Benefits Outlook**

The 2023 Employee Benefits Market Outlook examines critical employee benefits topics and trends, delivering insights into the market and forecasting where the industry may be headed in 2023 and beyond.

Before addressing future trends, it's critical to understand the important themes from 2022 that laid the groundwork for this year. To that end, the Market Outlook provides a snapshot of key benefits trends from 2022. The Market Outlook then discusses key topics and trends for 2023, including implementing effective mitigation strategies to combat rising health care costs, bracing for a recession, prioritizing holistic employee well-being, bolstering voluntary benefits offerings to meet employee needs and more.

This Market Outlook is provided by ABM Insurance & Benefit Services. **CLICK On Bitly FOR THE FULL DOCUMENT--<http://bit.ly/3IMRMrl>**

Call us to discuss how changes and trends can help you and or organization create a sustainable, robust benefit offering that will attract, motivate and retain the top talent in your industry. Reach out to discuss these topics or visit us at <https://go.getagreatquote.com/grouphealth> You can also reach us at **800-362-2809**.

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more frequent. These trends in tandem continue to put greater pressure on both policyholders and insurers.

What does this mean for commercial property clients? Higher replacement costs and less predictable weather events will have a negative impact on property premiums and availability. It will be important to work with customers to help them understand changes to their premium and reassess the value of their buildings and belongings. An updated valuation can help them avoid underinsuring their business' structures and equipment while keeping their company better prepared for the unexpected.

If a customer has business income interruption coverage—or is considering it—help them determine if their coverage accounts for longer recovery timelines. You can also help them maintain a business continuity plan to protect lives and minimize damages to their property in case a catastrophe strikes.

**2) Auto accident frequency and severity stress the need for rates and safety.** As the economy recovered, traffic congestion worsened in 2022. Unfortunately, unsafe driving behaviors haven't subsided with more drivers on the road, leading to higher accident frequency and severity. And like the property trends above, it's now more expensive to repair and replace damaged vehicles. Companies also face the increased risk of litigation if one of their drivers is involved in an accident. In addition to social inflation, part of this can be attributed to higher plaintiff attorney involvement, litigation financing, and evolving plaintiff attorney tactics.

What does this mean for commercial auto clients? All of these factors will continue to drive commercial auto and umbrella rates up as insurers try to keep pace with rising claim costs. As an agent, you can help your clients manage some of these costs by exploring potential loss-sensitive

options for their business. This allows customers to lower their upfront premium costs while sharing more risk with their insurer.

It also underscores the growing importance—and benefit—of providing in-house safety services to customers. Insurance carriers often have resources to help you develop safety practices for your customers. Insureds who proactively promote and enforce safe driving habits can lower their risks, reduce their claims, and ultimately save on their insurance premium costs.

**3) Workers compensation to continue seeing downward pressure.** If there's one coverage line that could provide some stability to businesses in 2023, it's workers comp. In 2021, the market remained favorable, finishing at a net combined ratio of 87.2%, according to NCCI.

Many industries saw fewer workplace injuries, while others saw wage inflation affect their payrolls and premiums. In the upcoming year, hiring and employment numbers may slow as the economy cools down, which could affect injury frequency and auditable payroll.

What does this mean for business clients? Customers will benefit from continued rate decreases as the National Council of Compensation Insurance (NCCI) and other rating bureaus recommend pure premium decreases in many states. As economic growth and demand slow down, workers comp audit premiums will likely be lower in 2023 than they were in 2022.

Still, businesses that do continue to hire will need to maintain strong hiring standards and training programs to reduce injury risks. Your agency can help customers by offering risk management resources and helping them incorporate safety fundamentals throughout their workplace.

Every year we see new trends emerge and businesses adapt. As an agent, you can help your customers navigate these changes by starting the conversation now. Help them anticipate what's on the horizon and the steps they can take to protect their business. That quality is why so many companies place their trust in independent agents. Best of luck in the upcoming year.

## Meet our Commercial Lines Producer



*Kimberly Elliott*

**Email:** kimberly@getagreatquote.com

**How long have you worked at ABM?** 3 years

**What do you do at ABM?** Manager of Commercial Lines and Renewals

**What do you love about your job?** Between my team and I we are able to provide outstanding support to our insureds and in return it makes me feel good about myself and what I do for others.

**Why do you think ABM is a great company?** People genuinely care about each other personally and work together as a team. Additionally the tasks are personally challenging and match my career goals.

**Fun Fact about yourself:** My daughters and I are allergic to apples.



# Help wanted: A rise in automation and climate crises will boost the need for HVAC workers

By Deanna Cuadra

Every industry has felt the brunt of the U.S. labor shortage, with 4.3 million Americans quitting their jobs in August alone. But some workforces, like HVAC technicians, have felt the sting of talent shortages long before the great resignation started haunting the labor landscape.



Skilled in installing, repairing and maintaining heating, ventilation and air conditioning equipment and systems, HVAC technicians make up approximately 325,000 laborers in the U.S workforce, according to Bluon, a tech support platform and digital training hub for HVAC workers. But while it's estimated that this industry's value will increase by \$7 billion by 2025, Bluon foresees the industry being short 100,000 technicians.

"An overarching misconception is that technology and automation are going to decrease the need for talent," says Peter Capuciati, founder and CEO of Bluon. "That's not true because at the end of the day, all of the equipment needs hands-on maintenance."

Capuciati points out that the HVAC industry is unique since the lifespan of the equipment can be stretched up to 40 years. Not to mention, badly maintained equipment could mean a substantial waste of electricity and added CO2 emissions. For example, after testing 10,000 units, Bluon found that 90% were running at least 30% less efficiently than they should, resulting in 30% or more of electricity wasted.

"By my account, if technicians do their job well, they have more ability to affect environmental damage and climate change than any other labor group," says Capuciati. "There are so many new technologies and new systems, but almost nobody is paying attention to maximizing the efficiency of how it runs."

Capuciati estimates that one good HVAC technician could mean the difference between plus or minus 10,000 metric tons of CO2 per year (in comparison, a typical vehicle emits 4.6 metric tons of CO2 per year) and says a shortage of talent in this industry could translate into environmental setbacks.

This particular workforce has been at a disadvantage since a decline in vocational education, beginning in the 80s and 90s, led to a nationwide drop in skilled workers and tradespeople. Now, in the wake of a fresh labor shortage, Bluon has turned its focus to ensuring the current HVAC workforce has information and training at its disposal.

Bluon's app offers a database on HVAC units, manuals and a 24/7 technician support line. Capuciati notes that two different sets of age groups work in the industry and do not have the same relationship with information and training. Older generations have gone to vocational school and taken classes where they memorized information — Gen Z will have a different approach.

"The younger generation doesn't want to memorize a million things — they want to know a million places to go and find information," Capuciati says. "They want an index, and the HVAC industry hasn't figured that out yet."

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The company is also working to correct a loss of mentorship within the industry. With union membership dropping 20% since 1983, according to the Bureau of Labor Statistics, it's become more challenging for new workers to find support and guidance. Part of revitalizing this industry will revolve around rebuilding community and educational resources, Capuciaty says.

"The market is desperate for more skilled labor but that's not going to happen overnight," says Capuciaty. "In the meantime, we can give our current skilled labor the tools to be more productive."

### **ABM Bad Joke Of The Month...**

**Who is the coolest Doctor in the hospital?**

The hip Doctor



## **Cyber Criminals Target Remote Workers and 'Critical Infrastructure to Corner Stores'**

The share of policyholders who filed a cyberattack claim jumped by 50% from the first half of 2020 compared to the first half of 2021, according to a new report by cyber insurer Coalition.



An increasing number of attacks were made against smaller organizations, while both the amount of ransom demanded and the amount stolen through fund transfer fraud more than doubled, the company said.

"It's clear that ransomware and other cyber crimes have escalated considerably in the past year," stated said Joshua Motta, chief executive officer and co-founder of Coalition. "Bad actors are targeting everything from critical infrastructure to the corner store."

Cyber criminals seized an opportunity created by the COVID-19 pandemic when employees began working remotely, often using Microsoft Remote Desktop.

To compile the report, Coalition analyzed claim data from January through June 2021 from its 50,000 policyholders in the United States and Canada and compared the frequency and severity of claims to data from the first half of 2022.

The report says 2.4% of Coalition customers filed a cyber claim in the first half of 2021 compared to 1.6% in the first half of 2020. The frequency of claims against policyholders with fewer than 250 employees jumped 57% during that period.

Coalition said the analysis shows that cyber criminals seized an opportunity created by the COVID-19 pandemic when employees began working remotely, often using Microsoft Remote Desktop (RDP) to connect to their home offices. Left exposed to the internet, those access points became favorite targets for criminals.

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"Many companies failed to recognize that what makes it easier for their employees to access accounts and sensitive information also makes it easier for hackers to target and access the same information," the report says. "Criminals seized the opportunity, increasing the sophistication of their operations and evolving their tactics with precision. They started targeting new industries, smaller businesses, and smaller pockets."

The number of organizations that were RDP enabled when they applied for insurance with Coalition nearly doubled from the first half of 2021 to 2022, the insurer said. The rate of policyholders who experienced a claim due to exposed RDP also increased from 29% to 40%, and the severity of these incidents increased by 103%.

Remote work also led to more electronic fund transfers, creating opportunities for hackers to use social engineering and phishing to steal money. The Coalition said the average funds transfer fraud claim was \$247,000 in the first half of 2022, compared to \$215,000 in the first half of 2021 and \$88,000 in the first half of 2020.

Coalition said electronic fund transfers and ransomware attacks make up 50% of claims. When hackers succeeded in planting ransomware on policyholder servers, they demanded far more from policyholders. Coalition said the average ransomware demand increased from \$444,489 in the first half of 2021 to \$1,304,743 in the second half of that year, and then dropped slightly to \$1,193,159 in the first half of 2022.

But hackers didn't always get that money. Coalition said the average severity of ransomware claims dropped to \$184,000 in the first half of 2022 compared to \$339,000 in the second half of 2020 and \$284,000 in the first half of 2021. The company said it was able to negotiate with ransomware hackers to reduce the amount of their demands.

The report says, however, that ransomware attacks won't go away as long as criminals keep finding ways to take organizations' data hostage. Coalition said it has seen the emergence of ransomware as a service, which allows criminals with limited technical expertise to try their hand at cyber extortion.

The report cites data from security firm Coveware that 70% of ransomware attacks impact organizations with fewer than 1,000 employees, which may be more vulnerable to attacks.

If you and your organization would like to review your programs and look at coverage to protect your business from financial devastation resulting from a cyber attack or breach, call our Commercial team at 800-362-2809. It is more affordable than you might think

## **6 Benefits to Attract and Retain Small Business Employees**

Attracting and retaining employees is a constant struggle for organizations of any size, but it's particularly so for small businesses. With smaller teams, employers need to hold onto talent whenever possible. And that can be a challenge, especially when resources are scarce as they are currently amid the lingering effects of the COVID-19 pandemic.

That's why it's critical for small employers to tailor their benefits offerings in a way that attracts and retains the most employees. One of the best ways to start this process is by surveying existing and potential employees.

While each workforce will have unique needs and interests, there are some commonalities seen among small business employees. This article outlines six of the most popular benefits that small businesses are using to attract and retain employees.

**1. Health Insurance**—Health insurance is consistently one of the most desired benefits among small business employees. That may be because health care is so expensive and is unaffordable without employer-sponsored insurance. Having good health coverage is more critical than ever. This provides employers with an opportunity. By offering generous health benefits, employers can compete for top talent. In fact, doubling down on health insurance might be a better option for some employers than adding other ancillary benefits that employees don't need or want.

**2. Leave Benefits**—The ability to take time away from work is an important consideration for employees. Employees may have more caregiving responsibilities than they had before—making scheduling flexibility all the more important. Leave benefits will vary by workplace, but they typically include paid time off (PTO), vacation days and sick time. These types of leave usually come with specific use requirements. Employers could allow faster PTO accrual, providing more sick days or allowing for flexible scheduling.

**3. Performance Bonuses**—Employees want to be recognized for their hard work. Failing to do so can lower morale and affect retention. Introducing performance bonuses as an employee benefit can be a way to combat this. Performance bonuses will vary, but the general idea is to compensate employees in some way for a job well done. How this looks in practice will depend on the employer. For instance, employees might receive incentives such as gift cards, cash, additional PTO or other perks, depending on their achievement. However, before implementing such bonuses, employers should ensure compliance with any applicable workplace laws regarding employee compensation.

**4. Retirement Planning** Financial security is very important to employees, and that sentiment grows as employees near retirement age. Employees want their employers to invest in their retirements in return for years of service. Offering a 401(k) with contribution matching can be a powerful attraction and retention tool, as it demonstrates an employer's investment in their workers in the long term.

**5. Professional Development** Employees may leave a workplace simply because they want other opportunities or need more of a challenge, rather than being driven solely by compensation. Generally, this involves cross-training employees on other positions or otherwise preparing them to take on additional responsibilities. This helps provide the employee with more growth opportunities while still keeping them within the business. Offering such development opportunities also signals to prospective employees that a workplace has upward mobility and is willing to help workers along with their career pathing goals—two factors that can weigh heavily in recruiting conversations.

## **6. Wellness Benefits**

Wellness is a hot topic these days, and employees are looking more and more for employers who take wellness seriously. For instance, benefits may include mental health counseling, health breakroom snacks, gym memberships, fitness trackers, yoga sessions or other perks. When it comes down to it, employees want to feel like their employers care about them as individuals. This means prioritizing well-being.

Knowing which employee benefits to offer as attraction and retention tools isn't always easy. One of the best places to start is by surveying current and prospective employees, as the offerings are meant for them. Reach out to ABM Insurance & Benefit Services today to learn more about these perks and other potential incentives. Call 281-448-3040 to speak with a Commercial Agent.



# ABM

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Kimberly has been very attentive to our needs regarding our insurance. She is able to answer difficult questions when they arise. She's very reliable and a great person to have in your corner.

- Dave M.

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