

In Depth: **Banking**

Competition capping biz insurance rates

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A soft insurance market is good news for coverage-seeking businesses, which are finding better rates this year.

But they know those favorable rates could disappear in the blink of an eye if a catastrophic weather or terrorism event occurs.

And while insurance companies are aggressively competing on price and plan details to land or retain customers, insurers are largely in good financial shape as well.

Behind all the good news is the fact that insurers haven't had to pay out for extraordinary events in several years. In the aftermath of such events, particularly the 9/11 terrorist attacks and Hurricane Katrina, rates soared, businesses had a hard time finding insurance coverage and insurers paid out staggering amounts.

Behind the much improved picture lurks the reality that insurance rates are cyclical and that the situation can quickly change.

"It's definitely a buyer's market," said Sandra Helin, public affairs director with the Austin-based Southwestern Insurance Information Service, a public information organization of insurance companies in Texas and Oklahoma.

"The industry expects a soft market for the future in business property and casualty insurance, with more sellers than buyers," Helin said. "As more companies come in and compete with different product choices and different pricing, businesses have everything to gain."

The softening market, access to the workers' comp network and no loss insurance claims produced a substantial savings for one customer, a Dallas-based metal processing company with about 300 employees, said Frank Swingle, founder of Swingle, Collins & Associates in Dallas and president of the Independent Insurance Agents of Texas.

That company's total insurance bill, not including health care coverage, dropped from \$911,000 in 2006-2007 to \$740,000 for the 2007-2008 year, he said. Overall, companies are looking at 3% to 7% premium rate decreases, Swingle said.

Companies face an array of insurance needs. Basic commercial insurance, called property and casualty, includes property, automobile, liability and workers' compensation insurance. Other insurance is often carried, including directors and officers liability insurance, employment practices liability and professional liability.

On the workers' compensation side, companies offer discounts for top-notch safety programs and look at a company's history of injuries when determining premium cost, Helin said. Workers' compensation issues have eased with legislation passed in 2005, and tort reform legislation has made liability insurance more affordable.

"Prices are down across the board," said Richard Kerr, CEO of Dallas-based **MarketScout.com**, an insurance exchanged founded in 1999 to assist independent retail insurance agents by providing data and expertise in specific industries or coverage classes.

The market has been soft for 29 months, with prices going down now for 29 months, he said. The company closely tracks that and other information.

"The only way a company won't find that prices are down is if they don't bid it, but just renew."

It's an ultra-competitive environment, except in a few particular cases, he said. Companies looking to insure offshore drilling rigs or coastal property will find it tough going. But companies with operations in Houston or other areas closer to the coast are finding better pricing than a year ago, even though they will pay more than companies in the interior parts of the state.

At the same time, insurance companies are making a lot of money after several good years that lacked cataclysmic events such as the hurricanes. "Prices are down, the insurers have had a couple of good years and banked the money. But ultimately that will swing back," Kerr said, because it's all driven by supply and demand.

There is a lot of surplus capacity available now, said Greg Louvier, managing director for the Dallas office of Marsh, which helps arrange insurance for client companies.

"When the market is healthy, there is a lot of capacity and prices are down," he said. Insurance companies wanting to grow their business are forced to reduce their fees.

Even in a buyers' market there are some caveats. Companies going out for bids for insurance should look at solidity of the underwriting, Louvier said, cautioning against making a decision solely on price, which could prove problematic in the event of a claim.

Companies large and small are becoming more sophisticated in dealing with insurance matters, because of its significance to the viability of the company, he said.

"Risk is interwoven in business," Louvier said, and as a result insurance decisions increasingly involve top company executives.

Small companies that are growing rapidly face several challenges in handling insurance issues.

Locally based mattress retailer Sleep Experts opened its doors in 2003 and now includes 26 store locations and a warehouse/headquarters operation.

The company's business insurance has been easy to handle compared to the health care coverage for its employees, said Aundie Money, controller. Insurance costs overall represent 3% of the company's total expenses, a significant amount, but way below salary, advertising and rental expenses.

Initially, insurance issues were problematic because the company had no history, which resulted in higher premiums. At the one-year mark, the company had grown to 52 employees, still a small pool for insurance-buying purposes, Money said. Many insurance companies won't provide policies for a small staff.

Now that the company has 100 employees, more insurance companies are willing to sell it a policy and there's more opportunity to get better rates. "It's a juggling act," Money said, to balance providing good coverage with business needs including funding growth and profitability.

A company can aggressively shop for all kinds of insurance, but a claim of any kind will throw a kink in the works. And companies never know what might happen. One situation Sleep Experts faced recently was when a delivery truck was blown over by high winds as the driver sat at a stoplight on State Highway 121.

"It was a real fluke," Money said. Because this event was unusual, Money hopes Sleep Expert's insurance agent will be able to persuade its insurance company not to increase its premium.

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