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Biz insurance rates likely to start rising

Dallas Business Journal - by [Lisa Tanner](#) Staff writer

Dallas-area businesses aren't likely to see any impact on their property and casualty insurance rates as a result of Hurricane Ike.

But it's likely that rates will begin to inch up anyway.

"Hurricane Ike will have no impact on Dallas. It won't change a thing in terms of insurance availability or pricing," said Richard Kerr, CEO of Dallas-based [MarketScout](#), an electronic insurance exchange that underwrites and distributes product lines to a national agency network.

But insurance prices have been down for 42 months, and now the trend is flattening and unlikely to continue to decline, Kerr said.

"But now we're at the bottom of the trough," he said.

"Companies that are budgeting for 2009 should not anticipate the premium reductions they've received during the past three years," he said. "They may see a slight uptick."

How much premiums might rise is to be determined by the effects of Congress' bailout of the financial markets and other current situations, he added. Many businesses have become accustomed to seeing reduced prices as insurers competed for their business in a soft market.

But the decline and premiums combined with weak investment returns are hitting insurer profitability.

The 10% to 20% premium decline that companies have experienced for the past several years is over, said Frank Swingle, founder of Swingle, Collins & Associates, a large property and casualty insurance agency in Dallas.

"If [AIG](#) had gone out of business, the rates would have gone up the next day, because of the capacity that would have gone out of the market immediately," he said. "As it is, I think we'll see a flattening to a general increase in rates. They won't continue to slide."

Rates liable to rise

Companies face an array of insurance needs. Basic commercial insurance, called property and casualty, includes property, automobile, liability and workers' compensation insurance.

Property insurance lines tend to lead the way in rate changes, as the market softens or hardens, said Ken North, Dallas market president for [Frost Insurance](#), a subsidiary of Frost, a banking operation of financial holding company [Cullen/Frost Bankers Inc.](#) (NYSE: CFR)

So clients with large property portfolios are concerned, North said.

One potential impact on pricing is whether other reinsurers follow the lead of one of the world's largest, Munich Re, which said in late September that it planned price increases by double digits for contract negotiations in 2009.

Those increased rates would boost the rates insurers charge.

In the past 150 years, the insurance industry has been through every conceivable economic experience, including recession, wars, inflation, stock crashes, said Robert Hartwig, president and economist at the Insurance Information Institute in New York City.

"As a result, insurers tend to operate conservatively," Hartwig said.

But the large impact on the industry will stem from whatever is enacted by elected officials in response to the nation's financial crisis, he said.

"Whatever regulation comes down the road has the potential to be a major change," he said, because the ability for insurers to earn premiums is related to economic growth.

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