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Business insurance may get pricier

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For the past few years, most firms have enjoyed double-digit percentage decreases in their business insurance premiums. Area insurance brokers think that trend is about to end. More and higher claims, and steep declines in the stock market, mean that insurers will be doing some belt-tightening, brokers said.

Last week, the property and casualty insurance industry reported that after-tax net income in the first half of 2008 fell more than 57 percent. The industry is reeling from a net loss in underwriting and a more than 18 percent decline in net investment gains, said the report from ISO and the Property Casualty Insurers Association of America.

"When you see results like this, it will come," Anita Bourke, president of IMA of Kansas, said of rising business insurance premiums. "Some people are saying it will happen by the end of next year. And some are saying sooner."

Richard Kerr, founder and chief executive of MarketScout, a company that provides services to independent insurance agents, agreed that higher rates are on their way. They could come as soon as this month. "The impact of the financial collapse of name brand banks, insurers and other companies is pending," Kerr said on his company's Web site this week. "We may start seeing rating adjustments in October. Terms and conditions for most policyholders had already been agreed in September, prior to the market collapse."

Bourke and other brokers said that rising and falling rates are part of a normal cycle. But this last cycle of falling rates has seemed to last longer than previous ones, said Chock Chapple, chief executive of Commercial Insurance Group. "We're still seeing a soft market," Chapple said. "It just blows my mind. We're probably going to see it dry up soon."

The last time rates climbed was earlier in the decade. Then, the rate increases were in the double digits but dropped to the single digits, Chapple said. Chapple said an average business insurance account in Wichita has annual premiums ranging from \$10,000 to \$25,000. Bourke said she thinks that one reason she has yet to see rate increases is because of American International Group.

Last month, the Federal Reserve provided the world's largest insurer with a two-year, \$85 million loan at an interest rate of about 11.5 percent. At the time, AIG teetered on the edge of failure because of stresses caused by the collapse of the subprime mortgage market and the credit crunch that ensued.

Bourke said she thinks that AIG is working hard to retain and recruit new business, thus it's still offering competitive rates. She said on some of the business insurance her company renewed recently, there were 10 percent rate decreases. But, she said, "we're seeing a little more flattening of the decreases."