

South Florida BUSINESS JOURNAL

May 6, 2011

Tough, costly times ahead for business owners, insurance agencies

BY JEFF ZBAR

Workers' compensation premiums are on the rise, as are hurricane and windstorm policy coverage – if you can get it. The spate of cyber theft and fraud has business owners scratching their heads in confusion about what “cyber crime liability” policies protect.

High-value executives are expecting more protective coverage for their salaries and benefits, and fleet managers have seen rate hikes from personal injury protection fraud.

If you're a business owner, tough times lie ahead in commercial insurance. And hurricane season is just about here.

“Pricing over the next two years will go up on every line of insurance,” said Anita Byer, president of Setnor Byer Insurance & Risk, a property and casualty firm in Plantation.

With rising costs and threats across the business landscape, business owners are struggling to keep up with threat assessments and costs related to insuring the business.

Take computer fraud, for example. If sensitive customer data is stolen by a hacker, an outsider commits a fraudulent electronic funds transfer of client proceeds, or the company suffers a denial of service that shuts down customer access to vital online services, the theft, invasion of privacy

or lost business generally is not covered by typical business coverage, she said.



Byer

It's a critical issue. The problem is telling that to a client who's struggling to meet payroll or doesn't understand the implications.

“It's such a complex product. ... We've had very few takers,” Byer said. “It's very difficult to get them to expense for this.”

“The challenge has become understanding the coverages and true financial risk of these exposures,” said Kevin Tromer, president of MacNeill Group, a Sunrise-based managing general agency. “If someone's database is breached and identities are lost, now what? Nobody can put an economic proposition around it, for good or bad. The struggle is that this is a little ahead of its time.”

WINDSTORM WORRIES

Windstorm coverage remains a market-by-market issue, said Phil Zelman, executive VP with NCF Insurance Associates in Miami. In some cases, businesses along Brickell Avenue are finding it easier to insure than those in Coral Gables, for example.

The struggle to insure extends to executives with luxury homes in coastal areas from Miami to Palm Beach County, said Dulce Suarez-Resnick, VP with NCF and legislative chair for the Latin American Association of Insurance Agents, who is closely watching property insurance bills working through Tallahassee.

Owners of homes with replacement value in excess of \$2 million will struggle to find suitable windstorm coverage, especially as the reinsurance market faces issues, she said.

“The property situation is in dire need of major change in Florida,” Zelman said. “There are lots of situations where we can't find insurance pertaining to property.”

Employers and high-level executives are showing interest in covering gaps in their insurance, said Robert Lenz, agency training director with Cypress Financial Group in Fort Lauderdale. According to an annual MetLife study, senior and highly compensated employees are growing concerned that they're not prepared for catastrophic events. Half of respondents were worried about security for family, ability to pay bills in event of income loss and serious illness, he said.

One-third of executives surveyed carry no disability insurance. Companies have group benefit plans, yet those generally cover only

60 percent of salary. For highly paid executives compensated with bonuses, benefits packages don't typically cover pay beyond the base salary, he said.

WORKERS' COMP WOES

Recent rises in workers' compensation premiums have come in tandem with growing litigation, likely due to layoffs, business closures, reduced corporate assets and “secondary gain motives that often accompany a suffering economy,” said Heath Eskalyo, a partner with law firm Kelley Kronenberg in Plantation. “Litigation remains active.”

Workers' comp could be a sleeping giant of insurance issues, said Stewart Martin, senior VP for casualty with Seitlin in Fort Lauderdale. Premiums saw a 7 percent increase on Jan. 1 – the first in about eight years, he said.

At the same time, medical inflation is rising fast with an aging population, he said. The costs are a reflection of declines in general public health, he said.

To combat health-related insurance spikes, companies are fighting back with programs designed to improve worker health, and lower claims and premiums.

“It's on the radar of a lot of companies, but for some, it's not worth their investment,” Martin said.