

Workers compensation insurance, while generally one of the least expensive of the many forms of insurance that restaurants need to purchase, is nonetheless getting more expensive all the time. There are many factors that affect workers compensation rates in various states from the political and regulatory environment to medical costs to even the benefits allowed in each state. But one factor that has an impact on your workers compensation rates comes from a source that most might find a bit strange: The comments of the Federal Reserve chairman.

For sure, the one huge component of workers compensation rates is medical costs. We all know that medical inflation has been running at many times the rate of inflation for other goods in our economy and sadly we are probably starting to get used to these annual increases on our health insurance policies. But with workers compensation insurance, the medical expense is only one component of the claims cost picture. Another huge component is the disability payments. These are paid out often over a very long time frame and this is why workers compensation is referred to as a long tail line of insurance. This simply means that the final payment and settlement of a claim can take quite a long time to develop and finish out. This means that investment return becomes a huge factor in the costs of this kind of insurance policy. The higher the investment returns that an insurance company can receive on its surplus, the less they will have to collect in premiums to pay these long tail claims.

With this in mind, now enter the Fed comments. Several workers compensation insurance carriers are now saying that statements from the Federal Reserve earlier this year may have fueled an uptick in workers compensation pricing. The comments in question? Well the Fed indicated that interest rates were not likely to rise for the next two years. This comment removed any residual optimism that workers compensation carriers had for greater interest rate income to improve their surplus positions. When that happened there was a noticeable shift in the underwriting credits on new accounts with a definite tightening there. Next to be impacted will be renewal pricing.

One effect of this that agents are reporting is that their underwriters are less willing to listen to the specific details of an account and price it according to this additional information. The impact of long term lower interest rates has resulted in underwriters being given marching orders to achieve a certain percentage increase in premiums without regard to the individuality of a specific customer's situation.

These kinds of knee jerk reactions are often softened over time but for the near future we can all expect tougher underwriting and higher pricing for workers compensation insurance. If your

restaurant buys workers compensation, and it should, then it becomes even more important for you to carefully select the right agent to help you with your workers compensation insurance needs. Your agent should have a large enough book of restaurant insurance business that he or she can have an impact on the relative pricing for your policy and he or she should also represent enough workers compensation only insurance companies that he or she will be able to offer you options should plan A go awry.

Clinard Insurance Group is an independent insurance agency located in Winston Salem, NC. We insure hundreds of restaurants all across North Carolina, South Carolina, Georgia and Tennessee and we would be honored to have an opportunity to answer your questions about restaurant insurance. Please call us, toll free, at 877-687-7557 or visit us on the web at www.TheRestaurantInsuranceStore.com