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Employers grapple with climbing workers' comp rates, insurance premiums

Pittsburgh Business Times - by [Jane-Ellen Robinet](#)

Dave Jeroski has a job that, in today's insurance environment, few would envy. As vice president of risk management for General Nutrition Companies Inc., Downtown, Mr. Jeroski has had his fair share of bad news to deliver to the firm's top management. He handles **GNC's** insurance coverages, and premiums of all types are heading up -- way up.

But it's the premiums for workers' compensation insurance that stand out like the proverbial sore thumb. In fact, Mr. Jeroski said he expects that GNC's workers' comp premiums will rise anywhere between 20 percent and 50 percent in the year beginning June 1 -- for lower coverage levels than the company had previously.

"And I'm a good account with a low loss history," Mr. Jeroski said, meaning that GNC has a good on-the-job safety record for its workers.

"But all companies are facing a tough time now. It's a tough world out there," he added.

One of the most visible examples of the tough times came when Triangle Messenger Service said in early March that increasing workers' comp costs were going to force it out of business. The company said its worker comp expenses would total about 19 percent of its payroll this year. Dallas-based Dynamex Inc. ended up buying Triangle late last month and announced it was ending its bike messenger service.

WIDESPREAD TREND

Premiums for workers' comp insurance in this region are rising anywhere from 10 percent to 50 percent, depending upon whom you ask. Workers' comp, which Pennsylvania law requires employers to carry, covers an employee's medical costs and part of his or her lost wages stemming from an injury on the job.

And while a double-digit workers' comp increase would be painful under any circumstance, it is particularly difficult now because rates on all kinds of insurance are rising.

Part of the blame, not surprisingly, can be placed on the Sept. 11 terrorist attacks. Insurers are grappling with financial losses stemming from paying out claims related to the terrorist attacks. And reinsurance -- which is insurance for insurers -- is increasingly tough to come by.

"It's a different world now," said Rick Hager, a vice president at Downtown Marsh USA, an international risk and insurance services firm.

The rest can be blamed on what one analyst called a crumbling insurance market. Pennsylvania's workers' comp reforms and a booming stock market helped keep a lid on workers' comp rates in the late '90s.

But once the stock market began its slide, insurers' investments tanked and they raised their premiums on all kinds of insurance to recoup lost income.

"The insurance market was crumbling long before 9/11," said Richard Caputo, president of Caputo Insurance Agency in Beaver Falls. "As the market was falling apart and investment income came down,

(insurance) companies came out in late 2000 with 25 percent increases" in workers' comp, Mr. Caputo said.

NEW RISKS

But whatever the cause, there is no doubt that insurers now see risks where they might not have seen them before -- and they're either charging accordingly or not writing the policy at all.

"Everyone is becoming more conservative," said Don Backes, a senior vice president at Downtown-based Aon Consulting, an insurance brokerage and consulting firm.

"Certain carriers are saying that they won't write (coverage for) stadiums, large auditoriums or places with high concentrations of population. You have underwriters saying 'I don't do the following classes' of risk,' " Mr. Backes said.

Mr. Hager said insurance "carriers are now asking us to give them a listing of any location that has more than 100 employees concentrated in one location."

The insurance industry's concept of "concentration exposure" has taken on a whole new meaning after Sept. 11, Mr. Hager said.

Prior to the attacks, a firm employing 300 lawyers in a swank Downtown office building would have likely seen modest workers' comp rates.

"But that's all changed now. Going forward, there's a fear that if (a terrorist attack) happens again, the potential concentration exposure needs to be evaluated" before an insurer writes a workers' comp policy for that company, Mr. Hager said.

ACROSS THE BOARD

But workers' comp rates are only one of employers' problems, said Mr. Backes.