

Insurance Rates On The Rise For San Fernando Valley Businesses

By: Peter S. Bauman, Esq.

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Insurance premiums for business policies in the San Fernando Valley have risen this year by two to fifteen percent compared to last year, according to David Russell, an associate professor of insurance and finance at California State University, Northridge.

As [reported](#) in the San Fernando Valley Business Journal on May 14, 2012, the increase has been caused by a variety of factors, including (i) more catastrophic losses suffered by insurance companies throughout the world, including natural disasters that have reduced the profitability of their property insurance lines, (ii) increased medical costs leading to higher workers' compensation insurance rates, and (iii) the economic downturn which causes some businesses to cut back on insurance, which in turn causes insurance companies to raise rates on commercial policies to make up for those that generate less premium during the downturn. One type of policy that generates less overall premium in a struggling economy is workers' comp, since fewer employees need to be covered.

Meanwhile, insurance brokerage firms are benefiting from the rise in premiums, which translates into higher revenue in the form of increased fees or commissions. But it's not all light and roses for insurance brokers. Increasing rates makes it harder to sell insurance and sometimes require that a broker reduce its commission to keep business or hire more staff to search for better priced policies for clients. Consolidation in the insurance brokerage business has resulted.

It's difficult to predict whether insurance rates will rise or fall in the future, but for now, Valley businesses are facing a double whammy – higher rates in the midst of a challenging economy. <http://goo.gl/6ugiL>

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