A Look at the Fed’s Rate Hike and Its Impact

I’m sure many of you are aware of the Federal Reserve’s December announcement that it would raise interest rates by 25 basis points (a quarter percent) as well as its plans to raise rates another four times this year. At Frankenmuth Insurance, we pay close attention to changes in interest rates that could potentially impact our business and our Agency Partners. Experts agree it will take an extended period of time for the current and anticipated future interest rate increases to be realized in carrier investment portfolios, and, as a result, we believe it’s unlikely these increases will have a meaningful effect on the insurance industry in the near term.

Following the Fed’s announcement, AM Best gathered a panel of economic, insurance and investment professionals to discuss the latest rate increase and how it will affect various sectors of the insurance industry. The conclusions panelists drew from this announcement also indicate the Fed announcements will most likely be “non-events” for the insurance industry.

Meg Mulry, senior economist with AM Best, stated, “Right now, the rate hike will have a very minimal effect on the day-to-day operations for insurers.”

Stewart Foley, a partner with Insurance AUM, agreed, “There is no guarantee that the Fed will continue to raise rates … in the area where most insurance companies are investing, you’re unlikely to see a significant increase in those interests.”

Frankenmuth Insurance prides itself on disciplined business practices that provide stability and security for our Agency Partners and employees. We’ll continue to monitor this situation and appreciate the trust you’ve placed in us with your business.

To view a video of the A.M Best panel discussion, click here.