



## Business Insurance Costs

Many business insurance customers may have complaints such as the following:

- Why have my insurance costs gone up so much in the past couple years when I haven't had any claims?
- Doesn't anyone in this state offer affordable business insurance?
- Why doesn't my insurer write this type of insurance in my state?
- I've only had two claims, why won't anyone insure me?

Businesses price their products to cover the costs of production, plus sales and marketing expenses. Prices also reflect some post-sales costs such as repair or replacement under warranty. At one time many industries began pricing their products below their true costs. The strategy was based on the assumption that increased sales would make up the difference. The strategy wasn't successful. It hasn't worked for the auto industry, the computer industry or the insurance industry.

The problems of the insurance industry became apparent about three years ago. Individual companies were just beginning to alter pricing as part of the solution. Then the terrorist attack of September 11, 2001 changed everything. Suddenly, a catastrophe beyond imagination hit this country and the insurance industry in a very significant way. Workers Compensation, a coverage that had never experienced a loss of this magnitude, was struck by a catastrophic loss. Property losses, business income losses, liability losses, life insurance claims, every type of policy was affected by this horrific event. What started to be a gradual correction became a sudden and violent change. Now the industry has to handle many more claims being presented many years after their policies have expired. In the case of pollution, asbestos and employment practices, the industry is being asked to handle losses that policies weren't designed to even cover.

Well, what can a business owner do to minimize their high insurance cost? Before considering sacrificing the amount of protection you carry to save money, consider alternatives. Some other solutions would be:

1. Review your coverage:
  - a. Take a close look at your insurance. Could you increase the deductibles to lower your premium?
  - b. Are you carrying physical damage coverage on commercial vehicles that aren't worth it?

- c. Are you insuring items you could replace out of pocket? Are there pieces of equipment that are insured when they could be replaced from operating funds without submitting a claim?

2. Review your exposures:

- a. Could you reduce the premium by installing an alarm system or fire protection system? Would these premium savings offset the cost of the system?
- b. Could you implement safety programs that would reduce the cost or make the insurance company more interested in providing coverage? For example: driver safety programs, back to work programs, safety training in proper use of equipment and job functions.

3. Identify your insurance goals:

- a. Do you need an insurance company that can provide loss control services?
- b. Do you need an insurance company that can provide claim-handling services for your Workers Compensation insurance?
- c. Do you need an insurance company that will allow you to make payments by phone or on-line 24/7?
- d. Do you need an insurance company that has a local agent/representative that can assist you in your insurance solutions?

Shopping and price are not the only issues in insurance. What you don't know can cost you more in the long run than you could ever save in premiums. Discuss your situation with an insurance professional and make the choice that works for you.