

7 Ways to Reduce Your Insurance Costs

1. You must shop around for your insurance coverage

Blindly staying with the same company year after year will rarely, if ever, result in the best coverage for the best rates. I suggest that you bring in 3 agents each year, or at least every two years, to review your insurance needs, recommend coverage, and provide costs.

I would bring in a regional independent agent, a major independent, and a carrier's agent directly. By doing this you are accomplishing a number of things. First, you are shopping for the best costs. But, secondly, and as importantly, you are seeking to find out what coverage each will recommend. This will help you find out if your current coverage is adequate, if you are over covered, or under covered. If all three companies recommend the same levels of coverage then you are probably safe. If two of the three recommend higher or lower levels of coverage than you have then you better find out why and see if you agree.

You do not need to be an insurance expert as long as you deal with someone who is. You want to avail yourself of their expertise and by undergoing this process at least every two years this is exactly what you will be doing. You want each to give you a complete written proposal including recommended coverage, explanations for these recommendations, and costs for each. Without costs for each area of coverage, you will have no way to effectively evaluate one company against another and you will lose the option to pick and choose policies for different areas of coverage from one company to another.

Remember, you do not need to have all your coverage with one company. In fact, unless the individual costs are all best with one company, or unless one company has a special package plan for your type of business, you probably should not keep all coverage with one company.

There is no reason why you can't have business coverage with one company and auto coverage with another, etc. In fact, unless you are being given significant discounts for doing so, the only reason that would cause you to buy all coverage from one company, even though some policies may cost more, would be laziness or convenience which is often nothing more than another form of laziness.

I know of one company who had not undertaken a competitive review of their insurance for over 20 years. When they did they saved themselves \$30,000 a year or almost 15% in this case.

2. Make sure you are not over insuring

It will do you no good to insure something for \$100,000 when the replacement value is only \$75,000. The agent and company may have no trouble taking your money but they will not pay

you more than they have to. They will not rebate premiums if you have overvalued something and therefore over insured.

It is up to you to know the value. If you cover equipment for \$10,000,000 maximum at replacement value and the total replacement value is only \$5,000,000 that is your problem. You should know or have a darn good idea as to the real replacement value. The opposite of this is also true, do not underinsure. Make sure you know whether you are insured for replacement value.

This is an area where a lot of gray area exists. This is one more good reason for conducting annual reviews. By conducting these you will get opinions and advice from a number of different sources and an inconsistency is much more likely to surface. Remember, do not just ask agents and companies to provide bids on current coverage but to evaluate your operation and recommend coverage and provide costs.

3. Ask your agent what you can do to reduce your insurance costs

They won't tell you unless you ask. By asking you are expressing concerns over costs. Dissatisfaction over costs should be construed by the agent as a sign you are going to look elsewhere for coverage. The agent suddenly has a great incentive to try to reduce your costs.

4. Look for agents or carriers that specialize in your type of business

Start by asking any association you belong to for suggestions. Also, ask competitors, suppliers, and even the Chamber of Commerce. If special plans exist for your type of business you should be able realize significant savings due to bundled types and levels of coverage. You will find that needed levels of coverage are built into the plan and that if purchased separately they would cost you a great deal more each year. I was able to save over \$1,200 a year by finding a plan designed to cover companies in my industry.

A note of caution however, just because an agent tells you they are offering a great plan for your type of business don't assume this is true. You should still get at least three quotes. The agent with the special plan may be just calling it that to sell you when indeed it is not that special at all. The plan may be designed for your type of business but it is overpriced, or contains elements that might be germane for most types of businesses in your industry but are not needed for your business at all.

5. Make sure that your insurance covers replacement value not current value

It may seem that you are saving money by covering for current value but if you have a claim and need to replace the lost or damaged equipment you will quickly find out that you have been very

short sighted. The current value will in most cases be a fraction of the cost you will need to replace the item. **Don't cut corners in this area.** Make sure you have replacement value or at least coverage equal to what the cost of very good used equipment would be.

6. Remember, premiums are just another name for payments

Your goal is to control these payments; buy only what you need, and get the best value for your purchase. Request written recommendations on coverage and costs and make the agent justify these recommendations to you. Insurance agents are sales representatives. Insurance is their product. Don't forget this. Plain and simple, like any other purchase you consider they should justify this purchase to you.

7. Whenever you have a claim get your own estimate

Don't do what most companies do and just take whatever they tell you the claim is worth. This is not an open and shut case; just because they say so, does not make it so. By securing your own estimate you can either verify the insurance company's estimate and know you have a fair settlement or you can disagree with their costs and fight for a higher settlement. If you just accept their estimate you may find the actual loss involved to cost more, much more in some cases.

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