

# Businesses Can Cut Costs by Reviewing Insurance Policies

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*Higher Deductibles, Loss Prevention Among Ways to Save Money*

## INSURANCE INFORMATION INSTITUTE

Contact: Press Offices

New York: 212-346-5500; [media@iii.org](mailto:media@iii.org)

Washington, D.C.: 202-833-1580

**NEW YORK, October 7, 2008** - More than 25 million small businesses operate in the United States today, yet many of these business owners did not take advantage of the many ways to save money on their insurance. In lean times like this, it is even more important to evaluate your business and consider ways to reduce spending while boosting profits, according to the Insurance Information Institute (I.I.I.).

The I.I.I. suggests eight ways business owners can save money on their insurance:

### 1. Shop around.

Prices vary from company to company, so it pays to shop around. Get the names of companies or brokers who specialize in your type of business. Call several so that you can compare prices and get a feel for the types of services they would provide. Ask the agent or company that provides your personal insurance whether they offer business insurance. It is also important to pick a company that is financially stable. Check the financial health of your

potential insurer with rating companies such as [A.M. Best](#) and [Standard & Poor's](#).

## **2. Look at Group Rates.**

Purchasing your insurance through a business or professional organization can save you money. Many different business organizations offer insurance plans and/or discounts on business insurance to their members. The bigger the group, usually the lower the insurance premiums. The savings typically outweigh any member dues. There are professional organizations for almost every business occupation from electricians and plumbers to writers and artists. General business organizations, such as your local Chamber of Commerce and the Better Business Bureau also offer business insurance discounts. Your local home-based business association may offer lower prices on home-based business insurance.

## **3. Choose a higher deductible.**

Deductibles represent the amount of money you pay before your insurance policy kicks in. The higher the deductible, the less you will pay in premiums for the policy.

## **4. Consider a package policy.**

A Business Owners Policy (BOP) is often significantly less expensive than a self-designed plan. BOPs include: property insurance for buildings and company owned contents; business interruption insurance, which covers the loss of income resulting from an insured event (such as a fire) that disrupts the operations of the business; and liability protection, which covers a company's legal responsibility for the harm it may cause to others. To determine whether a package policy suits your needs, inventory all of your business property to determine its value and whether it needs to be insured, then compare the property and values to what is available in a particular package.

## **5. Set up a risk management/loss reduction program.**

Insurers will often lower your rates if you put a program into place that will minimize losses from fire, theft, and employee and customer injuries. These can include workplace safety training programs, disaster preparation and human resource intervention. Consider installing a security or fire system. If your line of business uses vehicles, install anti-theft devices and hire drivers with good driving records. If possible reassign drivers with bad driving records to non-driving tasks. Ask what you can do to reduce risks such as fire or work-related accidents and review the procedures that should be in place in the event your business suffers a major catastrophe.

## **6. Consider relocating your business.**

Deciding whether to relocate depends, to a large extent, on what kind of business you operate and where you move to. Moving from a downtown area to a suburb, for example, may reduce premiums on your property and vehicle insurance, and even your workers compensation insurance.

## **7. Work closely with your agent or broker.**

An insurance professional can provide invaluable advice to help protect your business. It is important to keep your insurer informed about any changes in your business operations. This includes major purchases, expansions or changes in hiring or in the nature of your operations.

## **8. Have the right amount and type of coverage.**

Part of the decision about what insurance to buy depends on the nature of the business. For

example, if your business has a lot of assets, you might consider theft and property damage insurance. You may want life insurance on you and critical personnel in your organization. You also may want to consider various other forms of insurance, for example, Directors and Officers (if you have a Board of Directors) or business interruption. Having the right amount and type of coverage along with a carefully developed business plan that includes disaster preparedness can save you money in the long run. Be sure to keep your agent fully apprised of any changes within your business that might necessitate changes to your insurance coverage. Such changes may include: adding employees, expanding your business, increasing your inventory or materials, purchasing major equipment such as tools or vehicles and adding suppliers.

For more information on how to properly insure your business, go to the [I.I.I. Web site](#). The I.I.I. also has a publication, [Insuring Your Business: A Small Business Owners' Guide to Insurance](#), available [online](#) or in a print edition from the [I.I.I. store](#) (\$28; quantity discounts available).

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