

Striking a balance

How to weigh insurance costs versus coverage **Interviewed by Lisa Murton Beets**

When buying or renewing any type of insurance for your business, you have to strike a balance between price and coverage.

“Since the recession, so many buyers are making decisions about insurance based on price alone. They know they need insurance, so they take the lowest-price option, many times sacrificing coverage or service or both,” says Steve Grane, partner, Millennium Corporate Solutions. “The problem comes in, however, if something happens and they’re not covered. Then there can be all kinds of negative consequences to deal with.”

Grane says that the goal of a good broker or agent should always be to get his or her client the best coverage at the best price.

“If the broker or agent doesn’t have your best interests at heart, you could really get burned,” he says.

Smart Business asked Grane for tips on how buyers can get the most bang for their buck when making insurance purchasing decisions.

What should a buyer do if his or her rates have increased to a price that is higher than expected?

The first instinct may be to go price shopping. But you have to think about your risk at the present time. Is it different than it was a year ago? Is it going to become greater over the coming year? Each situation is different.

You then have to weigh the premium increase and total cost against how much it will cost if you have a claim that’s not covered. Talk with your broker or agent. There might be places where you can raise your deductible.

You should also see what other options are available in the market. Get three bids. Make sure the bids are for the same coverage you already have. Request a face-to-face meeting. You can usually determine rather quickly if the person is legitimate. If the person is ethical, he or she will lay out the premium costs and all the coverages in a way that you can easily understand. Ask for the names of people you can call to assess how responsive this person is. You want someone who is accessible — someone who will return your call within a few hours, not a few days.



Steve Grane
Partner
Millennium Corporate Solutions

What else should the buyer look for when comparing bids?

You have to compare apples to apples. Ask your current broker or agent to give you a comparison sheet on the main coverages. Ask him or her to write out what is covered and what the limits are. Then ask others who are bidding to do the same. For example, say you are responsible for homeowner association (HOA) insurance. The total insured value on the declarations page is \$10 million. The agents or brokers who are submitting bids should come in and take a square foot inventory and then provide you with a cost analysis of what it would cost to reconstruct the property per square foot. They would use this as a guideline to come up with total insured value. In some cases, it may be determined that you are underinsured.

How can being underinsured cost more in the long run?

Let’s look at the liability that comes from being on the HOA board. There are many different directors’ and officers’ liability policies out there. You can get a very inexpensive policy as part of the

main policy, but it’s not going to cover much. For about 10 percent more, say around \$1,000, you can get 60-70 percent more coverage to protect board members against things such as wrongful acts, sexual harassment, nonmonetary claims and spousal liability. Board members are volunteers, and if a homeowner decides to sue, even for nonmonetary claims, it can end up costing the volunteers a great deal of money out of their own pockets if they are not adequately insured.

If coverage levels are comparable and it comes down to price, what next?

Service is just as important as price. What would happen if you actually had to file a claim? How professionally will the claim be processed, and how swiftly? Is the insurance company A-rated on AM Best? Is the adjuster easy to reach?

How can the buyer be sure that the claims will be processed quickly?

You can’t know for sure until you have a claim. That is where the importance of the relationship with the broker or agent comes into play. If you find out the hard way that the company with the lowest price is not responsive, it can cost you thousands of dollars of your own money trying to fix problems while you are waiting for a claim to be settled.

How often should insurance needs be reassessed?

Talk with your broker or agent at least four or five times throughout the year, and always at renewal. This way, if there are any changes, or anticipated changes, the broker or agent can ensure that your insurance coverage reflects the changes. You should view your broker or agent as a partner. They are like football officials. At the worst games, there are all kinds of complaints about the calls; at the best games, you don’t even realize they are there. <<

STEVE GRANE is a partner with Millennium Corporate Solutions. Reach him at (949) 679-7131 or SGrane@mcsins.com.

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