

Preparation for Evaluating the Insurance Marketplace

Information is the key to finding the best broker, insurance company and policy for your business and much of that information will come from you.

Before you choose and meet with an independent broker or broker to discuss insurance, compile the following information:

- Current business insurance policies.
- Updated payroll and sales records.
- Current profit and loss statement.
- Loss information from the current and three prior years.
- Your OSHA log, if available.
- Current schedule of vehicles and Motor Vehicle Reports (MVR).
- Safety programs/procedures and safety meeting records.
- Your company's promotional literature
- Your loss history for each policy for the last Five (5) years.

Once your papers are in order, assess how much risk you should retain - the deductible. The risk the insurance company assumes is the limit of liability over and above the deductible. Insurance allows you to transfer the risk of financial uncertainty to an insurance company for a known premium. So, first calculate how much of that financial uncertainty you're willing to take on and how much risk you want the insurance company to assume.

Generally, the premium you pay depends on the deductible, or risk, you're willing to assume if a loss occurs. By choosing a higher deductible, you retain more risk, but pay a lower premium. On the other hand, if you choose a lower deductible, your premium will be higher. When premiums are high or coverage is difficult to obtain, you may want to choose a higher deductible and directly pay for smaller losses. The premium savings you'll realize may allow you to purchase other essential coverage's. This strategy makes the most of your insurance dollar, providing you with the maximum protection against losses that can result in bankruptcy, debt financing or the postponement of future business plans.

If you take this approach, make sure you build the average annual costs of smaller losses into your budget. Once you've determined how much risk you will retain and how much risk you want the insurance company to assume, you're ready to choose an insurance broker.