



Insurance spending on the rise for many Americans: Here's how to rein in your overall insurance costs

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More than a third of U.S. consumers say they saw their overall insurance spending increase in 2012, mostly due to rising premiums. Relatively few spent less on insurance last year, suggesting consumers may be missing out on insurance savings by not shopping their rate or having a broker that can do it for them.

Surveys show that 37% spent more money overall for all kinds of insurance, including homeowners, renters, auto, life and health coverage, while 52% spent about the same, and only 7% saw their insurance bill decrease.

Of those whose overall insurance cost rose, 62% attributed the increase to a rise in premium costs. Other reasons included: the addition of coverages for a new home, vehicle, boat or RV (12%); changes in coverage due to family circumstances, such as marriage or addition to the family (9%); and a decision by the consumer to boost coverage on an existing policy (4%)

Why your insurer may be charging more

Due to an unusual streak of natural disasters in 2011 and 2012 almost certainly contributed to a rise in homeowners insurance rates and business insurance for many during 2013.

We had Hurricane Irene, Hurricane Sandy, the Joplin tornado that was the single biggest insurance event in Missouri history, and widespread winter storms, tornadoes and flooding in interior states like Minnesota. While homeowners rates don't move significantly in just one year, when you look at how some of the costliest natural disasters in U.S. history have all occurred in the last decade, this is not a surprise.

The percentage of survey respondents who actually faced higher insurance bills last year was probably higher than the survey shows.

In my opinion I would guess more than half probably had premium increases and just don't realize it. Consumers are buying insurance in six-month pieces instead of annually, and insurance companies have taken advantage of that. Instead of raising rates 10% every two years, they raise them 2.5% every six months, and people don't notice that.

Insurance companies know we dislike shopping for insurance and most clients don't understand their policies relating to coverage, resulting in the majority staying with one carrier.

There is a huge inertia in insurance. People are afraid if they move from a company after 20 years and then have an accident, the company might cancel them, so they pay the occasional \$50 (increase) and stay put.

Now that insurers have the technology to identify those inert clients through online buying and other behaviors, chances are if you appear willing to spend a little more, you probably will.

How can you rein in your overall insurance costs? Here's How:

1. Make sure you have copies of all policies and update your insurance file. Start your review by

looking at your insurance file. If you don't have a file, now, is a good time to start one. Make sure that you have copies of all policies in your file and readily accessible when needed. Make sure there are copies of claims forms for each policy in the file. You will want to create a separate off-site location for a copy of your policies and forms in case this file is destroyed. Organization is the first step in reducing insurance premiums.

2. Compare your schedules to autos and equipment actually owned. A good place to start with your premium review is an analysis of your equipment and auto schedules. Does your business still own the vehicles listed? I know of a business that insured a crane for ten years after it was sold. Maybe your line retooled and key equipment was changed and this can result in premium savings.

3. Compare your named insured and key employees to the employees that work for you. Much like step #2, this step involves reviewing named drivers and/or key employees identified on policies to make sure these people are still with your company. Many employers simply fail to adjust their named insured endorsements when employees leave. But, this can result in significant savings if the loss of the employee results in lower risk.

4. Look for irrelevant or repetitive coverage. Business changes and it may change dramatically. Some coverage may no longer be necessary. For example, if a portion of your business closes, operations change, or you choose to out source, then it may be that your business carries coverage that can be eliminated.

5. Adopt and Maintain a Consistent Safety Plan. A consistent safety plan will include the elimination of hazards that can become claims. Make it a goal of your business to enforce a safety plan and follow through. I suggest developing a tracking mechanism for the safety plan because otherwise it is impossible to gauge the effect of safety on insurance premiums. A simple method is the "safe day" method. Every shift marks a calendar tracking "safe days," that is, days without injury to a worker or patron.

6. Classify Your Workforce Correctly. Significant savings can be achieved by making sure your workforce is correctly classified by your workers' compensation insurer and liability insurer. Your premiums are based on the type of workers used. If you are a painting company that incidentally uses ladders, then you could be incorrectly classified as a construction business and your premiums will be greatly inflated. If you have a large sales force and those sales people are being classified as line workers, then your premiums will be much higher. Classify each worker and make sure your insurer does so also.

7. Discuss your premiums with your insurer and insurance professional. Too many businesses don't take the step of telling their insurer that they want a better rate. Frequently, insurers will discuss the premium in detail and will suggest ways to have it reduced or the insurer or insurance professional will learn something about the business they did not know that may result in lower premiums. It never hurts to ask.

8. Become active in trade organizations or professional associations. Most trade organizations or associations have affiliate members that are insurance companies. As a benefit of membership, your business may receive substantial insurance discounts. Membership in such organizations is very reasonable and can lead to increased business through networking.

9. Adopt health specific changes to your work place. Health premiums and workers' compensation premiums will be your highest-work to lower the costs through a healthy work force. Commit to setting a good example: quit smoking, become active and see your physician regularly. Adopt a no smoking policy at your company. Allow yoga or weight loss classes to be held at your break room.

Encourage proper lifting techniques. Consider a partial reimbursement of health club membership as a benefit. In other words, taking active steps to create a healthy work place lowers premium dollars.

10. Training, training, and more training. Train your workforce and demand training as part of their employment. Most insurers will offer substantial discounts for a trained workforce. For example, liquor liability premiums can be cut by 15-20% if servers are required to attend alcohol awareness training. Find out what training will reduce rates and get your employees involved.

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