



5 Tips for Buying Business Insurance

Use these steps to assess what types of insurance are best for your business, and how to secure coverage to provide adequate protection and minimize risks.

- 1. Assess Your Risks.** Insurance companies determine the level of risk they'll accept when issuing policies. This process is called underwriting. The insurance company reviews your application and determines whether it will provide all or a portion of the coverage being requested. Each underwritten policy carries a premium and a deductible. A premium is the price you pay for insurance. Premiums vary widely among insurance companies, and depend on a number of risk factors, including your business location, building type, local fire protection services, and the amount of insurance you purchase. A deductible is the amount of money you agree to pay when making a claim. Generally, the higher deductible you agree to pay, the lower your premium will be. However, when you agree to take on a high deductible you are taking on some financial risk. So, it's important to assess your own risks before you go shopping.
- 2. Shop Around.** The National Federation of Independent Businesses provides information for choosing insurance to help you assess your risks and to make sure you've insured every aspect of your business. The extent and costs of coverage vary from company to company. Some brokers specialize in insuring specific types of business, while others can connect you with policies specific to your business activities. For example, if you operate a tow truck service, you'll want to find an agent that can help find policies that specifically cover automotive service businesses. Often specialist brokers can get you the best coverage and the best rates.
- 3. Consider a Business Owner's Policy.** Insurance can be purchased separately or in a package called a business owners' policy (BOP). Purchasing separate policies from different insurers can result in higher total premiums. A BOP combines typical coverage options into a standard package, and is offered at a premium that is less than if each type of coverage was purchased separately. Typically, BOPs consist of covering property, general liability, vehicles, business interruption and other types of coverage common to most types of businesses. BOPs simplify the insurance buying process and can save you money. However, make sure you understand the extent of coverage in any BOP you are considering. Not every type of insurance is included in a BOP. If your business has unique risks, you may require additional coverage.
- 4. Find a Reputable, Licensed Agent.** Commercial insurance brokers can help you find policies that match your business needs. Brokers receive commissions from insurance companies when they sell policies, so it's important you find a broker that is reputable and is interested in your needs as much as his own. Make sure your broker understands all the risks associated with your business. Finding a good insurance agent is as important as finding a good lawyer or accountant. You should always look for one that has a license. State governments regulate the insurance industry and license insurance brokers. Many states provide a directory of licensed agents.

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- 5. Assess Your Insurance Coverage on an Annual Basis.** As your business grows, so do your liabilities. You don't want to be caught underinsured should disaster strike. If you have purchased or replaced equipment or expanded operations, you should contact your insurance broker to discuss changes in your business and how they affect your coverage.