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Insurance cost containment for tough economic times - Part 2

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Consider Alternative

Insuring Arrangements:

Equipment & Machinery

Many types of equipment are more readily available in a soft economy. Rather than insuring to allow the purchase of new equipment, consider insuring equipment for its "actual cash value" that would fund the replacement with used machinery or equipment.

This applies to machinery, equipment, or computers and office equipment such as copiers and fax machines. A changeover to "actual cash value" could result in big short-term premium savings and you can return to replacement value coverage when business results strengthen.

Also be aware that "replacement-cost insurance" is collectible only if the damaged property is actually replaced. Otherwise losses will be settled by the insurer on an "actual cash value" basis.

Would you really replace that building or piece of equipment?

Business Income:

With some evaluation, you may find that insuring against lost income for a full year is no longer necessary. Consider your resources and business resumption plans; are they adequate to allow reducing business income insurance from an amount that covers a full year to a shorter span of time? Cutting down the amount of time that insurance would fund lost income will lower your insurance expense.

Money and Securities:

During a slower economy retailers may have lower receipts, less cash on hand, and fewer armored car pickups. They should re-evaluate money and securities insurance to see whether their limits may be too high.

Recover Money by

Evaluating Sales and

Payroll-Based Premiums

General liability, product liability, and business income insurance premiums are derived in part from projected sales. If your current insurance policies are based upon sales figures from the previous year, those figures and your insurance premiums may be higher than necessary. Requesting a mid-term adjustment to reflect actual sales might recoup insurance premiums right away.

You should also be aware that workers' compensation and in some cases, general liability premiums are payroll-based. If your company has recently reduced its work force, you may be overpaying for insurance and waiting for policies to be audited so that you can receive money back. By giving a reasonable mid-term payroll estimate and asking for premium adjustments, your insurer might amend the premium. As a result, in short order you could receive the return premium credited to your account.

Knowledge is the Key

Any one of the above suggestions requires an informed decision. Some of these techniques may not be appropriate for your company. Each organization's particular circumstances are different. However, being proactive has its rewards. By evaluating viable and financially attractive alternatives, you can be in a better position to make informed decisions that minimize insurance costs and maximize protection. And that's what survival during tough times is all about.

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