

Home Gamers Insurance:

Why Do-It Yourself Insurance Buying Can Be Dangerous to Your Business Survival

By Dan Weedin, CIC

Insurance involves three parties to make it work. The first party is the insurance company. The second party is the insurance agent or broker. The third party is you. Who has the advantage in any negotiation where two of the three parties are experts?

And you want to buy insurance yourself?

That's who I call the "home gamers." The business insurance buyers who do it (buy their insurance) themselves.

I understand that the majority of business owners buy insurance without help. For many small business owners, this may be the only practical way. Unfortunately, I also believe most insurance owners either:

1. Pay too much premium
2. Are underinsured
3. Make buying decisions strictly on premium
4. Have at least one significant gap in their coverage
5. All of the above

If you still feel like you can manage the insurance buying process (and that includes renewals), allow me to give you seven strategies that will help you compete on a more level playing field.

Strategy 1 – Educate yourself

Ever go to a foreign country where you couldn't speak the language and no one else could speak yours? How'd that work for you?

Insurance has it's own language and if you don't know what you are looking for, you're bound to end up with something else. Sounds like it's straight out of the Yogi Berra "School of Quote Making," but it's true. Think of your own business and how your expertise might translate over to your customers, clients, and prospects.

How do you educate yourself? Here are several ways:

- ✓ Read articles, op-ed pieces, and columns on insurance in newspapers, blogs, and periodicals. It costs relatively nothing but a little of your time to stay current on insurance issues. At the time of this writing, health insurance is a

daily topic in every major national publication. Recently, AIG has been in the news. The more you understand, even at a cursory level, some of the issues surrounding this industry, the more you will be able to ask good questions.

Strategy 2 – Start early

Start your renewal process at least 90 days in advance. Business owners I've spoken to HATE getting their renewal one day before it expires. You can control the process! Start early and give a deadline. That's what I do for my clients when I negotiate their insurance renewal. If agents can, they will milk it until the end as a competitive advantage. Tell them when you want a final proposal. Make sure you give them adequate time. Ninety days is usually more than enough time.

Strategy 3 – Give 'em Ammo

Give your agent ammunition to make you desirable to insurers. Insurance companies give better rates to those who they believe are better risks. They are in this to make a profit, too. Tell competing agents about your safety meetings, risk management procedures, claims history, and success in business. Take them for the "nickel tour" and encourage them to view your web site for information on your operations. Businesses with nothing to hide and excellent practices get better rates in any market.

Strategy 4 – Get Options

Ask for more than one insurer to bid on your business. You have two options:

1. Go outside your incumbent agent and take bids from competitors. It usually brings out the best in everyone. Your agent doesn't represent every market.
2. If you love your agent and won't move, then require them to offer a variety of markets from those that they do represent. Ask them to provide a comparison of each one and ask them why they recommend the insurer they did.

The more options you have, the better a decision you will make.

Strategy 5 – Ask Questions

Don't be afraid to ask questions. There are definitely no dumb questions when it comes to insurance. The key is you need to know what to ask. That's why Strategy #1 is so important. Ask if there are any ways they can reduce the premium without sacrificing coverage (i.e. higher deductibles). Ask if there is anything inherent with your operations that should be addressed. Ask about key exclusions.

The difference between surviving or going out of business after a claim may hinge on how good your questions were!

Strategy 6 – Ask for References

Really. You ask for reference when you hire an employee. Why not when you hire an insurance agent? As a consultant, I have a list of references handy at all times to give to my prospective clients. You need to know if others have been happy with this agent's service. If they have, the agent should be thrilled to provide it. Ask for references and then follow up with at least a few.

Strategy 7 – Never buy on price alone

Too many small business owners view insurance as a commodity. If you are one of them...STOP! Sure, price is a key factor in any decision-making process, but it shouldn't be the only one or even the biggest. It's always more costly to have an uncovered or underinsured claim. It's always more costly to get nailed with a penalty for underinsurance (see your coinsurance clause). It's always more costly when you have to devote your valuable time to deal with improperly programmed insurance. Make sure you are getting the right coverage for your business at a competitive price. Those are the least expensive policies around.

Bottom line – If you choose to be a home-gamer when it comes to buying your own insurance, make sure you are doing it right. Cutting corners, taking things at face value, and buying the cheapest will often get you in trouble. The process may seem simple, but as that old saying goes, “You don't know what you don't know.” Committing to the seven strategies I outlined will take you a long way to becoming a better home gamer in the insurance buying game.

Dan Weedin, CIC is President and Founder of Toro Consulting, Inc. He has been in the insurance industry since 1987 in various capacities including company underwriting, sales, risk management, and consulting. His company is committed to helping business owners reduce their total cost of insurance through a strategized risk management process.