

KEEPING YOUR BUSINESS AFLOAT

BY GRAEME ORCHARD

When it comes to insurance premiums no-one likes to have to pay and it's even harder when, year after year, you've never needed to make a claim. Harder still when, in recessionary times, the pressure comes on expenses and one of the first inclinations is to cut back on the insurance premiums by reducing the amount of insurance cover purchased.

But there is an old underwriters adage that goes "if you can't afford to lose it, you can't afford not to insure it". With everything looking gloomy and the predictions that it won't get better any time soon, the down side of cutting back on insurance cover is that this is exactly the time you can least afford to have a loss. At the moment, an uninsured loss in a critical part of your business, is far more likely to have catastrophic consequences than when you are making big profits in the good times. Having insufficient cover is also extremely risky. If you reduce your cover not only may the real cost of replacement and recovery not be covered, but your business may also struggle to raise finance to replace goods after an uninsured loss.

You can always scour the insurance market for cheaper insurance premiums on the same basis as your current insurance program and there may be a cheaper option available. However, if you change insurers every time you want to save a penny or two, you lose the history and relationship you have already built up over a long time with your current insurer and when all is said and done, all insurers aren't created equal. If you need to make a claim you want the comfort of knowing your insurer is able to pay. The cheapest premium option frequently will not give you that comfort.

With world markets in turmoil, and share prices and investment returns under considerable pressure, many insurance companies are posting huge losses. Now, more than ever, it's time to make certain the company you choose to insure your business with is stable. Choose an insurer that you can be confident will be there when you need it.

If you are looking to reduce your insurance premiums but not the cover, the smart move is to undertake a complete risk assessment review of your business. After assessing and implementing practical risk management strategies to minimise current exposures, you


can determine those critical elements of your business that are best protected by insurance. With this knowledge you will be able to refine your current insurance program for maximum benefit and minimum cost. Most importantly, you will be getting the best protection for critical area of your business and the best value from the premiums you pay.

QBE Insurance have a Marine Risk Guide which can assist with understanding the process of risk assessment and management, and how your marine operations can benefit from this process. If you would like a copy of this guide please send your request to marketingnz@qbe.co.nz While this guide focuses on passenger vessel operations the principles are common for any marine activity.

A more immediate place to start is to realistically review the value of the assets you insure. To insure the vessel you bought five years ago at its original purchase price means, if you were unlucky and lose it, you would maybe get a bright shiny new one but it's doubtful you will have any better revenue than before. However, you would have paid higher premiums over that time and have seen no benefit on your bottom line. Pay a premium on the real value of the asset to your business not on the arbitrary value on your books.

Also, look at the deductibles or excess that you have agreed to absorb in the event of a claim. Could you perhaps absorb more and pay a lower premium? Most deductibles are set by insurers to reduce the cost to an insurer of small claims and make no difference on the premium you pay to cover a large loss. If you are unlikely to make a claim for a small loss, why pay the higher premium for a low deductible?

Talk to your insurance broker and ask them to assess your businesses levels of exposure. Show your contracts to your insurance broker and your insurer and ask them to assist you with assessing the type and amount of cover that you require. Limit your insurance to only what you need.

If you value your business, and your own financial security, you need to be certain that you are not under-insured and that your insurer has the ability to pay your claims. Talk to your insurance broker about your insurance needs and examine your insurer's financial strength and its ability to pay claims. Then if you need to make a claim, your business can still stay afloat. 



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