

# Reducing insurance costs

How to get the best insurance coverage at the best possible price **Interviewed by Kristen Hampshire**

**A**re you paying too much for insurance? If you're like most companies, the answer is yes, and you are looking for ways to cut those costs.

"You don't want to trade dollars with the insurance company because the insurance company usually wins that game," says Bill Goddard, director of insurance consulting at Brown Smith Wallace LLC. He serves as an independent insurance consultant, advising companies on where they can cut insurance costs while best protecting their businesses.

As a CEO, you probably don't have time to burrow through the paperwork and translate the small print to determine whether you're getting the best deal and buying enough protection for your business. Business owners without an in-house risk manager don't have the time or expertise to gather and analyze bids, and that's where an independent insurance consultant can help. Businesses can engage this type of expertise and essentially have an on-call risk manager to help them identify insurance savings and ensure they are protected.

*Smart Business* spoke with Goddard about how to identify the most cost-effective way to buy insurance and protect your company, and how an independent consultant can help you do both.

## What factors do business owners overlook when purchasing insurance?

Most companies go through the process of bidding their insurance. However, just bidding your insurance doesn't guarantee you end up with the most cost-effective program. There are hidden costs that business owners might not recognize.

Also, business owners often do not take deductibles that are right for their business. Each business has its own risks, some unique, and an analysis by an independent adviser (someone not selling insurance) can help you identify the correct coverage and cost for your business.

## What questions should a business owner ask when evaluating insurance options?

To make sure you buy enough protection in the right areas for your business, consider these questions: Do you have



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business interruption coverage that will protect your income? What if your business burns down? What if one of your suppliers' buildings burns down and prevents you from doing business?

Do you have safety programs in place that can reduce the cost of workers' compensation coverage? Are there people enrolled in your health insurance plan who are not eligible? Do you have the right health insurance plan design? Does your health insurance plan design encourage employees to be smart consumers?

Does your company provide wellness programs that can reduce the cost of medical premiums? Is your third-party claims administrator paying claims properly? Can this person be more efficient? Getting insightful answers to these questions can lower costs and ensure that you have proper protection for your business.

## Can establishing a captive insurance company save you money?

Captive insurance companies work for small and medium-sized businesses as well as *Fortune* 500 companies. There are both insurance and tax benefits to forming a captive insurance company.

Essentially, you can finance your insurance costs more efficiently by using your captive to insure your business — the profits stay in your insurance company.

You can finance traditional insurance, like workers' compensation deductibles or insurance risks that are more complicated and hard (expensive) to purchase, such as pollution liability. An independent consultant can determine whether a captive insurance company will work for you and help you take advantage of this lower cost method of buying insurance.

## How can a company assess whether its insurance provides enough protection at the best price?

All companies can benefit from the services of a risk manager to help figure out how to best purchase insurance. You may want to consider outsourcing to an independent risk manager who can evaluate your current policy and bid on competing policies. To be cost effective or to acquire higher-level expertise, you could bring in an independent consultant once each quarter or as needed to review your insurance plan.

Most companies don't review their policies often enough. Even if you think you have a great insurance program and you trust your broker or provider, you don't know what you don't know.

I've never walked into a company and not found money lying on the table in this arena.

## How can an independent risk manager work with a company's CPA or accounting department during this process?

An independent risk manager can help your accounting department or CPA identify potential areas for insurance savings. The review will identify the low-hanging fruit that can reap immediate savings.

Engaging a risk manager will save your team time since he or she will know exactly where to look for unnecessary costs and how to execute a savings plan. With creative insurance structures, such as captive insurance companies, a business can realize significant savings. <<

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