

Afraid to report a claim?

August 2008

Many clients ask me if and when to report a claim -- and the un-spoken question is, "will my rates go up?"

Lots of people have heard the horror stories surrounding homeowners and personal auto. For lots of reasons, commercial insurance is different.

Insurers are paranoid about a series of similar claims -- that's why they get nervous over the two fender benders from your teenage son. Their motto is "frequency leads to severity," and statistically they're often right.

Commercial insurance usually has higher deductibles, and the pain of a loss to a business owner can add up to much more than the hard dollars out the window. Clients try *hard* not to have it happen again.

My advice is ~

- First, carefully choose your property insurance deductibles based on your business operations and your ability to pay. You won't want to make claims for "cost of doing business" losses like inventory shortages, and you'll want to be able to afford the deductible outlay without hardship.
- Then, if you have a significant loss, discuss with your broker and make the claim. Make it quickly to get the help you need with things like clean-up, protecting other assets and re-starting your operations with claim advances and Extra Expense payments. Take pictures, collect and conserve important documents, and keep your broker in the loop if they aren't handling the file for you.
- Of course, in a liability situation (injuries -- even potential -- or a lawsuit), you'll need to act.
 - Report immediately to your broker and/or insurance company -- in writing; keep copies of all correspondence.
 - Don't admit liability or you could void your coverage.
 - Jot down pertinent facts about what happened, get witnesses' contact information, and take pictures of the scene.
 - Get expert help (legal, accident investigation, or other) if injuries are serious.

Finally, make sure to conduct a post-mortem with staff and any outside experts about how to prevent a similar occurrence in the future. A pro-active best practice is to do the same for any "near-miss." Write up your loss prevention plan, and make sure your broker and insurer get copies.

Insurers expect losses and really appreciate pro-active customers. They are not out to penalize you for a one-off claim.