

# Small Business Insights

## How Small Businesses Can Reduce Insurance Expenses



Provided by: Camargo Insurance

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Insurance premiums are a significant recurring operational cost, especially for small businesses. Core policies—such as general liability, commercial property and auto insurance—are essential for risk mitigation, yet their cumulative cost can strain smaller companies with limited resources. This challenge is further intensified by shifting market dynamics, including inflationary pressures, labor shortages, and the increasing frequency of natural disasters, all of which can contribute to rising premiums and further stretch operational budgets.

Yet cutting costs by reducing coverage can leave businesses dangerously exposed. A single incident—such as a lawsuit, auto accident or property loss—can result in severe financial consequences or even threaten a small business's viability. On the other hand, acquiring robust coverage at the right price can financially protect small businesses from unexpected events and help them recover more quickly from setbacks.

As such, small businesses should consider ways to reduce their insurance expenses without compromising the coverage they need to survive and thrive.

As risks evolve and market dynamics shift, small businesses should explore ways to reduce insurance expenses—without compromising on coverage—to stay protected, resilient, and financially agile.



## Ways to Reduce Business Insurance Costs

Small businesses should consider the following strategies to manage insurance expenses effectively and reduce financial risk:

- **Bundle policies.** Small businesses can consider the merits of a business owner's policy (BOP), which combines several essential coverages (e.g., property, business interruption and liability insurance) in one tailored package. Bundling policies simplifies insurance management and may qualify businesses for discounted premiums.
- **Increase the deductible.** Raising the deductible—the amount paid out of pocket before insurance coverage begins—can lower premiums, improve cash flow and allow for the redirection of funds to other business priorities. However, small businesses should ensure deductibles remain affordable to avoid financial strain when filing a claim. Paying premiums annually may also reduce costs, as many insurers offer discounts for lump-sum payments.
- **Implement robust safety measures.** Insurers may offer discounts to businesses with strong safety records. Small businesses should develop a comprehensive safety program, including disaster preparedness and risk mitigation protocols. Regular staff training and clearly defined safety procedures can help reduce accidents and claims.
- **Enhance security systems.** Small businesses should review physical security—such as alarms, surveillance cameras, and secure locks—and strengthen cybersecurity through firewalls, antivirus software, and employee training. Strong security measures may qualify companies for lower premiums, especially for property and cyber coverage.
- **Maintain continuous and appropriate coverage.** Small businesses should review their insurance regularly to ensure it aligns with current operations and risk levels. Implementing safer practices, reducing claims, or discontinuing high-risk services can improve a company's risk profile and lower premiums. It's also crucial to avoid coverage gaps, as lapses may increase future costs or limit insurer options.
- **Maintain a good credit history.** Small businesses should take steps to maintain strong credit scores, as this is associated with lower risk and can lead to reduced premiums across key policy types.
- **Review employee classifications.** Small businesses should ensure employees are correctly classified and payroll records are accurate, as errors can lead to inflated workers' compensation premiums and compliance concerns.

## Consult With an Insurance Agent or Broker

Managing insurance costs is a critical component of a sound business strategy. Small businesses can optimize their insurance spend without compromising protection by proactively reviewing coverage, implementing risk-reduction measures, and bundling policies. For ultimate protection, small businesses should work with an agent or broker to navigate policy options and find the best rates and coverage for their unique circumstances. Contact us today to find out more.

