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Insurance With Assurance

Choices in Paying For Insurance *by Rick Janis*

What choices do I have in the ways I can pay for my insurance and what should I look at when choosing the best deal?

Just as there are many insurance companies to choose from, there are also a number of choices available in paying for your insurance.

First – and it might seem silly to say this – but you must pay for all policies in U.S. dollars. Although, surprisingly, several years ago there was a service that could arrange for customers to barter services and goods for the premium rather than pay cash. Since you probably won't be trading your services or products, you've got to focus on dollar amounts and take a good, long and hard look at the economics of each policy.

Some carriers require the premium to be paid in one payment, usually within the first 30 days of the inception date of the policy. If the premium is in excess of \$1,000, paying the total amount upfront can be difficult for some buyers. That's one reason some insurance agents and companies will offer financing options. Keep in mind however, that the interest rates on these finance plans can run anywhere from 9% to 24% depending on the amount of the premium that is being financed.

Here's where you have to be careful. Let's say that Insurance Company A offers you a premium for \$5,000 but with no finance charges. Insurance Company B proposes a premium of \$4,600. At first it might seem that Company B has the better deal. However, tucked into Company B's Finance Agreement is \$700 in finance charges over a one-year period. In the long run, when you add in those finance charges, it turns out that Company A is less expensive. This is why when you decide on purchasing from an insurance company you should read the Finance Agreement so you'll know the dollar amount you will be paying in interest charges. Then do the math. Most of these plans are usually spelled out in deposit and payment amounts only so that's why it is important to read or ask up front what the interest rate is. So, even though this is an interest charge, you should still view it as the total cost of the insurance policy and use the total figures when comparing prices.

Some companies offer payment plans, instead of finance charges. These payment plans can differ in the number of payments depending on the cost of the premium. For premiums in excess of \$10,000 they are usually 20% down with six to eight equal payments. With premiums in excess of \$25,000, some plans will have eight to eleven equal payments. Some carriers charge a payment fee that ranges from \$4-\$10 per payment. Some carriers do not charge any fee.

Wherever you buy your insurance coverage, make sure you ask for all the details regarding payments. As you can see, there are a number of options available but additional charges can sometimes add almost 25% to the cost depending on your choice of insurance company and payment. Do the math and then decide what works best for you.

Rick Janis is a Certified Insurance Counselor and president of the Alarm Insurance Agency. With over 7 years of experience in the security industry, he has been responsible for developing and managing comprehensive insurance and bonding programs for alarm dealers and monitoring companies. Rick is CEU certified by NBFAA and teaches CEU courses to the alarm industry on General Liability/Errors and Omissions and Worker's Compensation. He can be reached at 800-474-0933 or by fax at 800-240-0631. You may also e-mail him at rjanis@alarmins.com.