

At a recent meeting of the NC Restaurant Owners Association I asked a number of restaurant owner what was the most important factor when it came to choosing their restaurant insurance. Every single one of them said just one thing matters and that is price. This is a common approach to buying restaurant insurance but in truth, when you look at it rationally it doesn't make any sense at all. I have to assume that trying to boil different insurance proposals down to price is really just a shortcut to save time and effort. But this kind of decision making shortcut could be doing you and your restaurant a great disservice.

The main reason that restaurant owners will buy restaurant insurance policies based on price alone is that they mistakenly believe that all restaurant insurance policies are the same. Nothing could be further from the truth. Even if you ignore the plain truth that most restaurant policies can be tailored in so many ways that no two are exactly alike, you also have the complicating fact that no two restaurants themselves are exactly alike. What this means for you is that you need the help of a professional to construct the coverage that you need to tailor your policy to fit your restaurant. You wouldn't simply go to a shoe store and say that you need a pair of shoes and you want the least expensive one regardless of style, color or size. The same should be true of restaurant insurance.

Restaurant owners also make the mistake of assuming that since insurance expense is usually such a small item on their expense sheet that it doesn't merit a lot of time and effort. This too leads to commoditization of the insurance policy in the owner's mind, leaving only price as a variable. But this approach is really more lazy than reliable. If your restaurant insurance is a very small item on your expense sheet, then saving 10% there will not generate nearly as much profit as cutting your food cost by 10%. So now we are talking about an expense item where price sensitivity is actually not very critical to your bottom line. And given that poor insurance choices could cost you a huge amount of time and money if you are facing an uninsured claim, then worrying about price over protection here really feels like a case of the tail wagging the dog.

Beyond just the coverage and the price of your restaurant insurance, are the issues of the agent and the company that purchase from. Of course you need to trust your agent's judgment and be able rely on his or her advice and help to get your coverage written correctly in the first place. But there are a few other issues that are more subtle but in the event of a claim could make a huge difference in the time and money you spend after a loss occurs. You should ask about the insurance company's ability to pay claims and remain solvent both now and in the future. What is the insurance company's willingness to pay claims promptly and without litigation? And what role will your agent play in the process? Will he or she be an order taker or more of an ongoing advisor to you and your restaurant?

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