

THE BUSINESS GUIDE
TO
INSURANCE



Ralph T. Hudgens
Insurance and Safety Fire Commissioner

A MESSAGE FROM THE COMMISSIONER

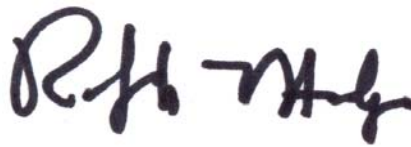
A fire, a windstorm, a lawsuit --- all traumatic experiences for individuals and the businesses they own or operate.

But how much more traumatic and harmful if insurance against these events are non-existent or inadequate.

This guide has been developed to give you a better general understanding of insurance and some potential insurance needs of your business. If you feel this guide is valuable, tell your business associates they can get one simply by writing to me or by visiting this website at www.gainsurance.org. Also, let me know if any changes or additions would improve the guide.

Check the back pages of this guide for the various telephone numbers to call when you need to contact my office.

Sincerely,

A handwritten signature in black ink, appearing to read "R. T. Hudgens". The signature is stylized and cursive.

Ralph T. Hudgens
Insurance and Safety Fire Commissioner

BUSINESS GUIDE TO INSURANCE

TABLE OF CONTENTS

INSURANCE.....	1
TABLE OF CONTENTS.....	3
TOPICS.....	5
INTRODUCTION	7
THE BUSINESS GUIDE TO INSURANCE	8
I. PROPERTY AND LIABILITY INSURANCE	9
A. PROPERTY INSURANCE	9
- GEORGIA UNDERWRITING ASSOCIATION.....	16
B. LIABILITY INSURANCE	18
- BASIS FOR LIABILITY CLAIMS PAYMENT	21
- COMBINATION POLICIES	21
C. BONDS	22
D. WORKERS’ COMPENSATION INSURANCE.....	22
E. MOTOR VEHICLE or “AUTOMOBILE” INSURANCE.....	24
- DETERMINING YOUR PROPERTY AND LIABILITY INSURANCE RATES.....	26
II. LIFE AND HEALTH INSURANCE.....	30
A. GROUP INSURANCE	30
B. SPECIALIZED PROGRAMS.....	35
III. ALTERNATIVE INSURANCE MARKETS.....	37
A. SELF-FUNDING	37
B. WORKERS’ COMPENSATION GROUP SELF-INSURANCE FUNDS.....	38
C. MULTIPLE EMPLOYER WELFARE ARRANGEMENT OR MULTIPLE EMPLOYER TRUSTS	39
D. RISK RETENTION AND RISK PURCHASING GROUPS	39
E. SURPLUS LINES INSURERS	40
IV. SHOPPING TIPS	41

V. WHAT INSURANCE IS REQUIRED?..... 44
LAW REQUIREMENTS:..... 44
OTHER REQUIREMENTS: 44

VI. PROTECTIONS UNDER GEORGIA LAW..... 45
INSURER GUARANTY FUNDS..... 45
CANCELLATION BY THE INSURER 48

VII. INSURANCE COMPLAINTS..... 51

LOSS EXPOSURE CHECKLIST..... 54

GLOSSARY 58

TELEPHONE NUMBERS FOR COMMISSIONER’S OFFICE 65
TO REPORT A SUSPICIOUS FIRE 66
THE NUMBERS FOR THE WORKERS’ COMPENSATION BOARD 67

TOPICS

Accidental Death and Dismemberment	34
Arson	51
Availability of insurance	50
Bodily Injury	24
Boiler and Machinery insurance	15
Builders' Risk coverage	12
Building Ordinance coverage	16
Business Interruption insurance	13
Business Overhead Expense Insurance	36
Buy-Sell Agreements Coverage	37
Care, Custody, or Control	20
Coinsurance	11
Commercial Crime coverages	14
Dental Insurance	34
Directors and Officers Liability insurance	19
Disability Insurance	33
Earthquake insurance	15
Errors and Omissions insurance	20
Estimated premium	29
Extra Expense insurance	13
Fair claims settlement	50
Fidelity Bonds	22
Flood insurance	15
Fraud	50
general liability	27
General Liability	18
Glass coverage	14
Group Health Insurance	30
Group Life Insurance	30
Health insurance conversion rights	50
Health Maintenance Organization (HMO)	31
Inland Marine insurance	14
Key Employee Life Insurance	37
Long Term Care Insurance	34
Ocean Marine insurance	14
Outdoor Signs coverage	13
Owners' and Contractors' Protective Liability	18
Point of Service Plans	31
Pollution	20
Preferred Provider Organization PPO	31
Premises and Operations coverage	18
Products and Completed Operations	18

Professional Liability insurance 19
Purchasing group 38
Radio and TV Towers/Antennas coverage 14
Rents or Rental Value coverage 13
Replacement cost..... 9
Risk purchasing groups..... 40
Seasonal endorsement..... 10
Self-funded Plans 32
Small group health insurance rates..... 50
Specified Disease Policies 34
Sprinkler Leakage coverage 16
Surety Bonds..... 22
Traditional Health Insurance 30
Travel Accident Insurance 34
Umbrella Liability insurance..... 19
Vision Care Plans..... 34

INTRODUCTION

This Business Guide to Insurance is available to you for educational purposes. It is not intended to be an endorsement by Insurance Commissioner Ralph Hudgens or by the Georgia Insurance Department of any product, service, person or organization.

The guide has been written using common language where possible. An attempt has been made to simplify traditional insurance policy language when discussing coverage, policy provisions, or exclusions. For these reasons, we urge you to read your policy or contract of insurance. If you are unsure of the meaning of any part, ask your agent or insurer (or contact us).

And keep asking until you do understand! In no other part of your business can what you do not know hurt you more than in insurance.



NOTE: If you are an individual with a disability and wish to acquire this document in an alternative format, please contact the ADA coordinator, Office of Commissioner of Insurance, 2 Martin Luther King, Jr. Drive, Atlanta, GA, 30334. Telephone number: (404) 656-2056, 1-800-656-2298 outside Metro-Atlanta. For the hearing or speech impaired TDD: (404) 656-4031, 1-800-656-4031 outside Metro Atlanta. Or, send e-mail to: personnel@mail.oci.state.ga.us.

THE BUSINESS GUIDE TO INSURANCE

There are many things to think about when doing business today, and among the most important are the amounts and types of insurance to carry in order to adequately protect your financial investment. Without proper protection, your business could be subject to financial ruin because of a property loss or a lawsuit resulting from your business activities. This guide has been developed by Insurance Commissioner Ralph Hudgens to help you understand how to find the right insurance coverage for your business.



NOTE: Words and phrases in **bold** are defined in the glossary.

I. PROPERTY AND LIABILITY INSURANCE

Property and liability insurance (also known as property and casualty insurance) are two types of insurance which provide protection for losses resulting from your business activities. Each of these types of insurance consists of several different coverages. Coverages are included in a variety of policies and “packages.”

A. PROPERTY INSURANCE

One of the largest components of your financial investment is the building in which your business is housed and its contents. A general property insurance policy will provide coverage for buildings, contents, equipment, and other real and personal property owned by your business.

Two types of property insurance policies are “**named peril**” and “**all risk**.” A **named peril** policy provides protection for specific events such as fire, windstorm, hail, vandalism, or sprinkler leakage. The policy only covers those events named in the policy and is usually less expensive because it provides less coverage than an **all risk** policy.

An **all risk** policy provides protection for any loss by perils not specifically excluded in the policy. The term **all risk** does not mean that all losses will be covered. It only means that the losses that will not be covered are those that are specifically listed as exclusions in the policy.

Property insurance can either be purchased on a “**replacement cost**” basis or an “**actual cash value**” basis.

Whether your business is insured for **replacement cost** or **actual cash value**, it is important to keep track of the value of your

property. For your buildings, inflation tends to increase the **replacement cost** of your property, while the **actual cash value** may change over time, decreasing as the building depreciates, or increasing if the cost to rebuild increases faster than the depreciation.

The value of your property can be determined by using the original construction costs or regional construction costs guidelines using guides available from insurers, builders or consultants. For the most accurate estimates or for unusual buildings or construction methods you may want to hire a professional appraiser. (See the discussion on selecting the amount of coverage that follows.)

The value of personal property owned by the business can also vary over time not only from the same causes as the building, but from changes in the amount and nature of the property as well. If the value of your personal property varies greatly from time to time, or is shifted between two or more locations, consider a **reporting form** policy or a **seasonal endorsement**.

If your business property includes valuable items such as fine art, antiques, accounts receivable, jewelry, **valuable papers and records**, or other kinds of property excluded or limited by your general property policy, you may need to buy an **endorsement** or a separate policy to increase your protection by specifically covering those items.

You want to check with your agent or insurer for the extent of coverage on your computer system. Most basic policies cover only the value of the computer and the cost of blank discs, drives, or tapes.

They do not cover the cost of reproducing the lost information. A special policy or **endorsement** may provide coverage.

- SELECTING THE AMOUNT OF COVERAGE FOR BUILDINGS AND BUSINESS PERSONAL PROPERTY:

Although individual situations vary, most business policies require that property be insured for at least 80 percent of its value. This percentage, called “**coinsurance**,” reflects the minimum amount of insurance you must have before most property insurance policies will fully reimburse you for partial losses. Remember, most losses are partial losses. The following example shows how a “**coinsurance penalty**” would work if you fail to insure your property for the amount required by your policy.

As an example of what not to do: Let’s say you buy replacement cost insurance for a building you think will cost \$100,000 to replace. You insure the building for \$80,000 thinking you have satisfied an 80 percent coinsurance requirement. A fire loss causes damage to your building that will cost \$40,000 to repair. Your building is subsequently determined to have a replacement cost of \$120,000. Since the policy contained an 80 percent coinsurance clause, the building should have been insured for \$96,000 (80 percent of \$120,000).

To determine how much the insurance company will pay, divide the amount of insurance you purchased (\$80,000) by the amount of insurance you should have purchased (\$96,000). This equals 83.33 percent. Multiplying this percentage times the amount of the loss determines the amount of payment (minus any deductible) $.8333 \times \$40,000 = \$33,332$.

Even though the total amount of the loss was \$40,000, the insurer will only pay \$33,332 less the deductible, if any. The insurer would have paid the full \$40,000 (less deductible) if the building had been insured for 80 percent of its actual **replacement cost**.

Coinsurance usually applies to business personal property also, and may apply to **builders' risk** insurance, **business interruption** insurance and crime insurance. It will affect the amount paid in the event of a loss in the same way as the illustration of the building loss.

Check with your agent periodically to make sure your policy provides adequate coverage. You may be able to add an **endorsement** to the policy that automatically increases policy limits at pre-selected times. Even with this **endorsement**, check on the values and coverage frequently since inflation can take some odd turns and leave you under or over insured. Of course, you need to notify your agent whenever new property or operations are added.

- OTHER PROPERTY COVERAGE:

Depending on the size of your business and the nature of your business operations, there are many related coverages which you may wish to incorporate into your total insurance package. Following are brief descriptions of some of these coverages.

- **Builders' Risk coverage.** This insurance covers buildings in the course of construction. It can be written on a "completed value" form, which provides coverage for the full value of the finished building, or

on a “reporting” form, which requires the insured to report the value of the building on a monthly basis. Other forms are also available such as “contractor’s automatic builders’ risk” form which provides automatic protection for thirty days on new construction projects. Most builders’ risk policies do not cover tools or building materials before the materials become a permanent part of the building. You may be able to purchase coverage separately or as an endorsement to the policy.

- **Business Interruption insurance.** Coverage is provided for loss of earnings of the business as a result of damage to or destruction of property. This coverage generally provides reimbursement for necessary salaries, taxes, rents, and other expenses that continue while the business is partly or totally inactive, plus net profits which would have been earned during the period of interruption, up to the limits of the policy.
- **Extra Expense insurance.** This coverage is similar to business interruption, but covers the additional expense of keeping the business going on as nearly the same basis as possible after a covered loss to buildings or business personal property. The additional expenses must be actually incurred to be covered.
- **Rents or Rental Value coverage.** Usually an endorsement to the building or personal property policy, it covers the lost rent or rental value while the building cannot be occupied due to a covered loss.
- **Outdoor Signs coverage.** These signs are not usually covered under a basic policy, but may be added by endorsement or by purchasing a separate policy.
- **Radio and TV Towers/Antennas coverage.**

Commercially used towers and antennas, such as those used to keep in contact with outside employees or to receive commercial transmissions, are usually not covered by the basic property policy. A separate policy is often needed to provide coverage.

- **Inland Marine insurance.** This insurance is written primarily to cover property in transit, as well as property in the custody of bailees, such as dry cleaners, processors, laundries, etc. This type of insurance may also be used to cover such things as sales samples, contractors' equipment, patterns, exhibitions, boats designed for inland waters, and live animals.
- **Ocean Marine insurance.** Special policies cover ocean-going vessels, their cargo, and liability for operation of the vessel.
- **Glass coverage.** This insurance may be purchased to provide all risk coverage for breakage of glass that is a part of buildings and display cases. Insureds with large amounts of plate glass may want to buy this coverage to provide protection for damage otherwise excluded under most commercial property policies.
- **Commercial Crime coverage.** Insurance may be purchased to cover your business personal property in the event of burglary or robbery, or to protect against accepting counterfeit currency. Most crime policies do not cover money and securities unless the policy is specifically designed for that purpose, such as a money and securities policy, or the policy has an endorsement extending the coverage.
- **Boiler and Machinery insurance.** This coverage provides protection for damages caused by, and to, certain pressure, mechanical, and electrical equipment

which keeps the business in operation, and basically insures against the three major exclusions found in most property insurance policies: (1) boiler explosion; (2) mechanical breakdown; and (3) electrical arcing. Almost any type of equipment that controls, transmits, or uses high-pressure steam, mechanical, or electrical power can be insured under a boiler and machinery policy.

- **Flood insurance.** This insurance covers losses to buildings and their contents due to flooding caused by rising water. Generally, flood insurance is not sold by private insurance companies, and coverage for this peril is not covered under most property insurance policies. The federal government sells insurance for direct flood and flood-related damage including mudslide and erosion under the National Flood Insurance Program (NFIP). Some insurance companies also offer policies through the NFIP in their own names. For more information, contact your agent or call the National Flood Insurance Program at 1-800-427-4661. This coverage may also be available under motor truck cargo insurance policies, all risk transportation endorsements, and bailees' customers' policies.
- **Earthquake insurance.** Coverage for earthquakes is usually available through an earthquake extension endorsement that, for an additional premium, extends coverage to earthquakes and volcanic eruption. This is generally written with a deductible that is a percentage of the value of the property that is damaged. It is important to discuss this coverage with your agent.
- **Building Ordinance coverage.** This is coverage against additional cost of repairs to the damaged

property because of building codes or ordinances. The cost of bringing damaged buildings up to current building code standards is not covered in most basic policies, since even replacement cost policies only cover replacement or repairs with “like kind and quality.” Further, some building codes may require that a partially damaged building be torn down rather than repaired. Without special coverage, this additional cost would be excluded from the policies.

- **Sprinkler Leakage coverage.** This coverage protects against loss from the accidental leakage of a building sprinkler (fire suppression) system.

- GEORGIA UNDERWRITING ASSOCIATION

If you cannot find an insurance company willing to insure your property, you can apply for coverage through the Georgia Underwriting Association (GUA), also referred to as the FAIR Plan. This association provides building and personal property insurance coverage against losses caused by fire, lightning, removal, windstorms, hail, explosion, riots, smoke, aircraft, and vehicles. Vandalism and malicious mischief coverage and, in some cases, **burglary** coverage can be included. In the coastal areas of Georgia, a policy covering only windstorm can be written to supplement coverage written through other insurers that have excluded wind coverage.

This program should be a last resort because the premium is generally higher and the coverage is frequently more limited than in policies sold by private insurers. For further information contact your insurance agent or the GUA at the following address:

Georgia Underwriting Association
3355 Annandale Lane, Suite 3
Suwanee GA 30024-2100

B. LIABILITY INSURANCE

A lawsuit could mean a catastrophic loss to your business. Therefore, it is important that you carry enough liability insurance to protect your business from financial loss because of injuries, deaths, or damage to property of others caused by your products, business operations, or employees. A liability policy generally will provide for your legal defense and will pay on your behalf if you are liable, up to the limits of your policy.

Many different types of liability policies are available. Some of the major categories are explained below.

A Commercial **General Liability** (CGL) policy provides many liability coverages under one contract. Two common types of liability coverage almost always written on this form are:

- **Premises and Operations coverage.** This insurance provides **bodily injury** and **property damage** liability coverage for accidents on your premises or arising out of your business operations.
- **Products and Completed Operations.** This coverage provides protection for liability arising from goods or products manufactured, sold, handled or distributed by your business after the product is given to others and is away from the business premises. It also provides coverage for claims occurring away from your premises that arise out of operations that have been completed or abandoned. Other liability coverages are available as an **endorsement** to the CGL policy or as separate policies. Some of these are:
 - **Owners' and Contractors' Protective Liability.** This coverage will provide liability

protection if you are sued because of the negligent acts or omissions of an independent contractor or subcontractor hired by you who could cause **bodily injury** or **property damage** to others.

- **Directors and Officers Liability insurance.** This coverage protects corporate officers and directors against claims brought by shareholders, employees, consumers, clients, or other businesses because of wrongful acts committed in the course of their duties as officers or directors. The coverage may be needed by directors and officers of both for-profit and not-for-profit organizations.



IMPORTANT: If you are a director of a corporation, whether or not you have any ownership interest, make sure you know what protections are in place for this exposure.

- **Umbrella Liability insurance.** This type of policy provides protection over and above the limits of basic liability policies such as commercial **general liability** policies and commercial automobile policies. It is sometimes available as an **endorsement** to other liability policies. To decide whether you need an umbrella policy, think of the most extreme situation that could happen in your business that would cause **bodily injury** or **property damage** and determine whether your current liability policies would cover this risk. In some cases, umbrella policies provide broader coverage (cover more kinds of accidents) as well as higher limits.
- **Professional Liability insurance.** These policies cover liability claims arising from wrongful acts, errors and

omissions, or malpractice by medical practitioners, attorneys, accountants, engineers, or other professionals.

- **Errors and Omissions insurance.** Like Professional Liability except this coverage is available for non-professionals who may be held liable for losses caused by their errors or oversights.
- **Care, Custody, or Control.** Most basic liability policies exclude property in the care, custody, or control of the insured. This is important if you have property of others that you work on, or store, or if you do work on the premises of others. For example, if you are painting an interior wall in a building, the windows, doors, and trim on that wall (not to mention that expensive artwork), and probably the floor, ceiling, and other walls adjacent to the wall you are painting are in your care, custody, or control. Damage to these items would not be covered under your liability policy. If your business may be exposed to such losses, ask your agent about coverage under your policy, and the cost to purchase coverage if it is excluded.
- **Pollution.** Basic business liability policies usually exclude damage caused by polluting the air, water or soil. Coverage can be added by **endorsement** for many businesses. However, businesses that have a particular exposure to pollution (such as a business using or handling chemicals) may need a separate pollution policy.

- BASIS FOR LIABILITY CLAIMS PAYMENT

Be sure to ask your agent or insurer how your professional liability policy or your **general liability** policy pays claims. These policies may be written on either an “occurrence basis” or on a “claims-made basis.”

A policy written on an occurrence basis covers incidents that occur during the policy period, regardless of when the claim is first made (even if it is made after the policy expires).

A policy written on a claims-made basis covers only those claims which occurred after a date specified in the policy (usually called a “retro date”) and which are made during the policy period. Make sure you understand which claims (as well as what kind of claims) are covered.

When a claims-made policy expires or is cancelled, it may be necessary to purchase “tail coverage.” Tail coverage covers claims resulting from incidents which occurred after the retro date but which are reported after the policy has terminated. According to Insurance Commissioner Ralph Hudgens, you should ask your agent about any other changes or conditions in a claims-made policy which may necessitate the purchase of tail coverage and how long after the expiration, cancellation, or other change you have to exercise the option to purchase the tail coverage.

- COMBINATION POLICIES

As you can see, it would be possible to purchase many separate insurance policies to cover a single business operation. Rather than shopping for each type of insurance you need individually, you may want to buy a combination

policy, often called a “multi-peril” or “package” policy. This is a policy which can be tailored to suit your business needs and will provide both property and liability protection. For many businesses, it is the most efficient and economical way to buy insurance. One package policy frequently purchased by small to mid-size businesses is the Business Owners Policy (BOP). Another well-known commercial combination policy is the Commercial Package Policy (CPP).

C. BONDS

Surety Bonds. These bonds are a financial guarantee of your performance of a specific action. For example, a builder may be required by the client to buy a bond under the terms of a construction contract. If the builder fails to perform as agreed, the client can get a settlement. The bonding company will then seek reimbursement from the builder who is the principal under the surety bond. License and permit bonds are types of surety bonds that government agencies may require from businesses to guarantee their compliance with laws and ordinances and to guarantee that they will perform in good faith.

Fidelity Bonds. This coverage provides protection against losses due to dishonest acts by employees. Bonds can be purchased to cover specific individuals or specific positions, or blanket bonds can be written to cover all employees of the organization.

D. WORKERS’ COMPENSATION INSURANCE

Georgia law requires that employers with three or more full or part time employees carry workers’ compensation

coverage. You may obtain this coverage through a company licensed to sell workers' compensation insurance in Georgia, through membership in a group self-insurance fund licensed in Georgia, or through programs offered by licensed Life and Health insurers offering workers' compensation alternative programs. You may also be eligible to be certified as an individual self-insurer. (See the discussion on self-funding on page 32.)

To find out if an insurer or group workers' compensation fund is licensed in Georgia, contact:

**Insurance and Safety Fire Commissioner
Ralph Hudgens: (404) 656-2074**

For further information on the laws relating to workers' compensation insurance and qualifications for individual self-insurance, contact:

Georgia Workers' Compensation Board: (404) 656-4893
270 Peachtree Street NW
Atlanta, GA 30303-1299

If you or your agent cannot find an insurer for your workers' compensation coverage, you can apply through your agent for insurance under the Georgia Workers' Compensation Assigned Risk Plan. The Plan should be used as a last resort since rates will be higher than other sources. Your insurance agent can provide you with further information.



CAUTION: If you use subcontractors in your business, make sure you discuss this with your agent or insurer. The Workers' Compensation Board has strict rules on who can be classified

as a subcontractor. Further the workers' compensation law makes primary contractors responsible for insurance on the "subs" if the subs do not carry insurance.

E. MOTOR VEHICLE or "AUTOMOBILE" INSURANCE

Georgia has a financial responsibility law which requires you to have insurance, or be a qualified self insurer for liability claims resulting from motor vehicles you own or operate in connection with your business.

One way of satisfying Georgia's financial responsibility law is through insurance. If you buy insurance, your policy must contain:

Bodily Injury and Property Damage Liability. This coverage provides protection in case you or drivers of your vehicle are responsible for causing injury or death to other people or damage to property of others.

Also, the insurer must offer you:

Uninsured Motorist coverage. This provides **bodily injury** and **property damage** protection to you if your vehicle is in an accident caused by an uninsured motorist or a "hit-and-run" driver.

Georgia law requires you to carry the following minimum amounts of liability coverage, referred to as "limits." These limits are subject to change by the General Assembly.

Bodily Injury Liability. \$25,000 limit for injury or death of one person, or \$50,000 limit for injury or death of two or

more people, as a result of any one occurrence.

Property Damage Liability. \$25,000 limit for damage to property of others in any one occurrence.

Most insurance companies sell an auto policy that contains a single limit for **bodily injury** and **property damage** liability instead of separate limits. This means that the maximum an insurer will pay for claims for any one occurrence is contained in a single limit. This single limit must be at least \$75,000 to satisfy Georgia's financial responsibility law.

Another way to satisfy Georgia's mandatory auto liability law is to self-insure. To do this you must register with the Office of Commissioner of Insurance and post securities for payment of claims.

As a business owner, you should consider purchasing limits higher than the minimum limits required by law. Also, if you carry passengers or property for a charge (or even in some cases transport your own property), you may be subject to Georgia or U.S. motor carrier laws. If so, you will be required to carry more than these minimum limits of liability. You should check with your insurance agent to determine what types of coverage you need to operate commercial vehicles. You should also contact your city, county, and other state government agencies as well as the U.S. Department of Transportation and the Interstate Commerce Commission to check for any other insurance requirements.

Many businesses have a liability risk due to non-owned automobiles, and not just businesses where employees regularly use their own vehicles for business purposes (such as pizza delivery). If your employee stops at the post office to drop off some business mail, or stops on the way to work

to pick up donuts for the office, you could be held responsible in the event of an accident. Coverage is available as an addition to automobile policies and to some business package policies.

Most businesses are eligible for the Business Auto Policy. However, certain auto-related businesses such as auto dealers, service stations, and trucking firms are not eligible for this policy. Garage policies and truckers policies are available to meet the insurance needs of these types of businesses. Ask your insurance agent which policy is best suited to your business.

If you cannot obtain motor vehicle insurance from any insurer, you can apply through your agent for coverage from the Georgia Automobile Insurance Plan which is Georgia's assigned risk plan for motor vehicle insurance. Like the Workers' Compensation Assigned Risk Plan, the Automobile Plan should be used only as a last resort since rates will be higher than other markets. Your insurance agent can give you more information on this plan.

- DETERMINING YOUR PROPERTY AND LIABILITY INSURANCE RATES

Insurance companies use their own underwriting standards to determine if your business is eligible for property and casualty insurance in that company and, if so, what price you should pay for the coverage. Depending on the type of business you own or operate, you may be placed in a classification with other similar businesses. You are then charged a premium based on the rate prevailing for the classification in which you are placed. If your business operation is very unique or specialized, the insurance

company may have to develop an individual rate specifically for your business.

Many factors go into developing rates. In auto insurance, for example, rates are based on factors such as the type of vehicles driven, driving records of the operators of the vehicles, **territory**, expected mileage, usage, size and value of the vehicles, and loss history.

In property insurance, rates are based on such things as **territory**, construction and occupancy of the building(s), loss prevention efforts, and fire protection.

In **general liability** insurance, rates are based on a number of factors including **territory**, type of products sold or manufactured or operations performed, loss history, business experience, and size of the operation.

Loss prevention and loss history have a great impact on what you pay for insurance. Safety programs that reduce the number and severity of losses, and loss control programs that help to control the costs of the losses that do occur are vital parts of an insurance or **risk management** program.

We advise you to ask your agent and insurer what they can do to help you control your losses and the circumstance that create losses.



COMMISSIONER’S HELPFUL HINT: Rates and coverage availability vary from insurer to insurer. Therefore, you should comparison shop for insurance just as you do for other goods and services. Remember, like other goods and services, price is not the only factor. The assistance and expertise an agent or insurer can offer in loss prevention and loss control, and their response when a loss does occur, can be very valuable.

In some types of insurance (most typically workers’ compensation insurance, **general liability** insurance, and insurance covering commercial vehicles) insurers will determine whether you are paying the proper amount of premium by conducting an audit. Company auditors may ask to examine your records in order to verify your company’s payroll, sales, gross receipts, or other facts. Your operations may also be reviewed to determine the proper classification for your business or employees. If you have a business auto policy or a trucker’s policy, an audit may be conducted to verify which vehicles you own or operate and how your vehicles are used.

Your policy’s original **estimated premium** may then be adjusted and, depending on the amount of the **estimated premium** deposited, the company will either collect an additional premium or make an appropriate refund.

If one or more of your policies are subject to audit, make sure you understand just what records the insurer will want to see.

Missing or incomplete records could cost you additional premium.



CAUTION: If you use subcontractors, make sure you keep copies of evidence of the “subs” Workers’ Compensation, General Liability, and Auto insurance if your policies are subject to audit. Otherwise you could wind up with the subs insurance exposure included in your insurance costs.

II. LIFE AND HEALTH INSURANCE

The options available to the business owner in these insurance areas can be divided into group insurance plans and specialized programs.

A. GROUP INSURANCE

Many businesses offer life and health insurance on an employer/employee group basis to their employees as part of the employee benefits package to attract and retain qualified employees. In Georgia, group life and health insurance can be written on groups as small as two (2) persons.

- **Group Life Insurance.** This coverage is most often offered as **term insurance** covering employees during the period of employment. It is commonly available as either a flat amount on each employee (such as \$10,000 or \$25,000), or as multiple of each employee's salary (often offered as a choice of one, two, or three times earnings). Coverage for the employee's spouse and dependent children is often offered as an option, but usually at much lower amounts.
- **Group Health Insurance.** This protection is available in many different forms and offers a wide variety of choices of health care providers. Some of the more common forms of this coverage are:
- **Traditional Health Insurance.** These plans pay the **usual, customary, and reasonable** charges for health care covered by the policy. The insured employee has the choice of health care providers, subject to the policy's limitations, conditions, and special pre-approval

requirements.

- **Health Maintenance Organization (HMO).** An HMO is an alternative to traditional health insurance. As a member of an HMO your employees must use the HMO's health services providers and its facilities except for emergency care. A primary care physician will be chosen from the providers available and this physician will provide basic health care services and coordinate treatment by other health care specialists including hospitals. This physician is sometimes referred to as the **gatekeeper**.

HMOs are licensed to serve certain geographic areas. To determine if an HMO is licensed to serve your area, call:

Insurance and Safety Fire Commissioner
Ralph Hudgens: (404) 656-2074



NOTE: After determining the HMO is licensed to service your area, you will need to contact them to see if they are operating there. Sometimes an HMO will be licensed for a certain territory, but not have active operations in the entire **territory**.

- **Point of Service Plans.** These plans utilize the covered employee's own family physician as a **gatekeeper**, subject to limitations set forth in the policy. Claims are usually paid on the same basis as the traditional health contract.
- **Preferred Provider Organization (PPO).** A PPO is an arrangement whereby the insurer or qualified self-insurer contracts with a Network of preferred health care providers to serve the health needs of the group members. Using a provider not on the preferred provider list will

result in the employee paying additional amounts out of his or her pocket for the services.

- **Consumer Choice Option**

A consumer choice option is the ability for a Consumer to nominate a Georgia doctor or hospital of his or her choice who is not a participating provider under certain forms of managed care plans. A nominated provider who agrees to this plan will be treated as if he or she is a participating provider. The affected plans are HMO, PPO, Provider Sponsored Health Care Corporation Plans and other group or individual managed health care plans that cover comprehensive benefits.



NOTE: As new combinations of health care delivery are tried the definitions become less stable. For instance, some traditional plans use **gatekeepers** similar to the description under Health Maintenance Organizations. Other plans combine various features of the different plans described here.

- **Self-funded Plans.** It is possible to self-insure your employees' health insurance coverage. To do so, you must file with the United States Department of Labor and follow their rules.

Self-funding under “Multiple Employer Self-Insured Health Plans” is another option. These plans, sometimes known as “Multiple Employer Welfare Arrangements” or “Multiple Employer Trusts” (MEWAs or METs) must be licensed by the Insurance Commissioner. To determine if a plan is licensed, call:

Insurance and Safety Fire Commissioner

Ralph Hudgens: (404) 656-2074

- **Other Group Coverage.** Other insurance protections may be offered on a group basis. Some may be provided by a **rider** to a group life or health policy or offered as a separate group policy. A discussion of some of these options follows:
- **Disability Insurance.** This coverage replaces a portion of an employee's salary when the employee is unable to work due to injury or illness. The amount of coverage is generally specified as a percentage of the covered person's salary subject to a weekly or monthly maximum. Losses covered under the workers' compensation law are usually not covered under these policies. Two types of coverage are commonly offered: short-term and long-term disability.

Short-term disability has a brief **elimination period** (usually 30 to 60 days) before benefits begin, and then pays the stipulated benefit for a relatively short time, commonly 6 to 12 months.

Long-term disability has a longer elimination period (usually 6 to 12 months) and a longer benefit period, often two (2) years or more.



CAUTION: The definition of “disability” varies from policy to policy. Make sure you understand exactly under what circumstances coverage will apply.

- **Dental Insurance.** Many of the same forms of coverage are available as under health insurance, including traditional, HMOs and PPOs.
- **Vision Care Plans.** These plans are also offered in a variety of forms.
- **Specified Disease Policies.** These plans usually pay in addition to other group medical coverage and provide additional insurance for the most expensive medical conditions, such as cancer or heart disease.
- **Accidental Death and Dismemberment.** Often referred to as “AD&D”, this coverage provides lump sum payments in the event of death or loss of specific body parts or their functions due to accident.
- **Travel Accident Insurance.** This protection provides specific benefits for death occurring while a passenger is on public (or sometimes private) transportation. Additional benefits, similar to AD&D, can be added.
- **Long Term Care Insurance.** This coverage provides for nursing home or other care usually associated with aging. Various amounts, time limits, and types of care are covered.



CAUTION: Long-term care coverage varies widely. It is very important to understand what type of care is covered, under what circumstances, and for how long.



COMMISSIONER’S HELPFUL HINT: Group policies vary greatly. Be sure you are comparing the same coverage when comparing prices.



COMMISSIONER’S HELPFUL HINT: Requirements for participation by employees vary with the type of coverage and the percentage of cost paid by the employer. It also varies between insurers, so be sure you understand and compare participation levels.

B. SPECIALIZED PROGRAMS

These insurance products differ from group life or health insurance coverage in that they are designed to protect the business against loss when owner(s) or key employees die or are unable to work due to accident or illness. Some of the more common special business insurance coverages are described below.

- **Business Overhead Expense Insurance.** Coverage protects the smaller business in the event the owner/operator becomes disabled. The policy is usually written for a monthly benefit equal to the fixed expenses

of the business. Thus the rent or mortgage payment, utilities, taxes, insurance and other fixed expenses can be paid while the owner recovers from the injury or illness.

- **Key Employee Life Insurance.** The death of a key person can mean the death of a business. To provide funds to search for or train a replacement and to make up for lost revenues during this period, key employee coverage can be purchased.

- **Buy-Sell Agreements Coverage.** These agreements are necessary to a smooth transition in the event of the death or disability of one of the owners of a business. After the agreement is drafted by your attorney, life and disability insurance may be purchased on each owner in amounts necessary to fund the buy-out of that owner's share.

III. ALTERNATIVE INSURANCE MARKETS

Several alternatives exist if you choose not to buy insurance from an insurance company licensed in Georgia. You can self-fund, become a member of a group self-insurance fund or Multiple Employer Welfare Arrangement, join a **risk retention** or **purchasing group**, or purchase coverage through a surplus lines insurer. These alternatives are explained below. Insurance Commissioner Ralph Hudgens reminds you that if you do not buy from an insurance company licensed in Georgia, you will not be afforded protection under the Georgia Insurers Insolvency Pool or the Georgia Life and Health Guaranty Association.

The insolvency pool and Guaranty association are mechanisms licensed insurers must participate in to help offset claims of insurers who become financially impaired or insolvent.

A. SELF-FUNDING

Instead of paying an insurance company to assume your risk, you may retain the risk by setting aside money to pay damages or by paying damages with current operating revenues. This is called self-funding or self-insurance.



CAUTION: Automobile liability and workers' compensation coverage can be self-funded only with approval of the State. Self-funding of employee health benefits must have the approval of the U.S. Department of Labor. (See the discussions under these specific coverages.)

The decision to self-fund should be made carefully. Most small businesses will not have the needed resources to properly finance and manage a self-funded program. Moreover, you will probably have to hire an administrator to manage your self-funded program properly. Other persons or businesses that require you to provide evidence of insurance may not readily accept a self-funded plan.

B. WORKERS' COMPENSATION GROUP SELF-INSURANCE FUNDS

Georgia law allows group self-insurance funds to be established for businesses that want to pool their liabilities to cover their workers' compensation risks. In these group funds, the members are jointly and severally liable for the claims of the fund.

The Insurance Commissioner's office regulates these funds and can tell you if a particular group self-insurance fund is licensed to do business in Georgia. To check on whether a fund is licensed, call:

Insurance and Safety Fire Commissioner
Ralph Hudgens: (404) 656-2074

C. MULTIPLE EMPLOYER WELFARE ARRANGEMENT OR MULTIPLE EMPLOYER TRUSTS

Known as MEWAs and METs, these group self-funded plans are licensed in Georgia as “Multiple Employer Self-Insured Health Plans.” To find out if a particular plan is licensed, call:

Insurance and Safety Fire Commissioner
Ralph Hudgens: (404) 656-2074

D. RISK RETENTION AND RISK PURCHASING GROUPS

Federal law allows for the formation of **Risk Retention Groups** and **Risk Purchasing Groups** for the purpose of increasing the availability of commercial liability insurance.

A **Risk Retention Group** must be chartered and licensed as an insurance company in one state and its members must engage in similar or common businesses or activities. A **Risk Purchasing Group** is composed of members which engage in similar or common businesses or activities and which buy insurance as a group rather than as individuals.

Risk Retention and **Risk Purchasing Groups** may provide liability insurance at lower prices than you could find elsewhere. However, depending on where these groups are located or chartered, they may be exempt from many state insurance laws, and you may not receive all of the protection afforded by Georgia insurance laws, including the protection of the insurers insolvency pool.

These groups must register with the Insurance Commissioner's Office. To find out if a particular group is registered to do business in Georgia, call:

Insurance and Safety Fire Commissioner
Ralph Hudgens: (404) 656-2074

or visit our website at : **www.oci.ga.gov**

E. SURPLUS LINES INSURERS

Surplus lines insurers, also called non-admitted insurers or excess and surplus insurers, are insurance companies not licensed in Georgia that provide coverage for hard-to-place risks. Surplus lines carriers must meet certain minimum capital and surplus requirements and minimum length of time in business. However, these insurers do not have to adhere to the rate and policy form requirements stipulated in Georgia insurance law so previous discussions of coverage, exclusions, or policy provisions may not apply. Also, insurance purchased through these insurers does not have the protection of the Georgia Insurers Insolvency Pool or the Georgia Life and Health Guaranty Association. Surplus lines coverage must be placed through a licensed Georgia surplus lines broker. Ask your agent for the **financial rating** of the surplus lines insurer.

IV. SHOPPING TIPS

Shop Around. Ask several agents or insurers for information on coverage and premiums. If you're comparing premiums, be sure to ask for the same limits and coverage in order to make a proper comparison between costs. Then select the policy that best meets your over-all needs. If you decide to change insurers, make sure the new company accepts your application before you cancel your current policy.

Check on Agents and Companies. Make sure both the agent and the insurance company (unless it is a surplus lines insurer) that you are dealing with are licensed in Georgia to sell the types of insurance you are purchasing. If you want to know whether an insurance company or agent is licensed, call:

**Insurance and Safety Fire Commissioner
Ralph Hudgens**

For Insurance companies	(404) 656-2074
For Insurance agents	(404) 656-2100

or visit our website at : www.oci.ga.gov

Ask Your Friends, Neighbors, and Competitors. The best recommendation an agent or insurer can get is the satisfaction of someone whose judgement you trust.

Keep Good Records. An inventory of your contents (business personal property), including original costs, is the best way to ensure your ability to make an accurate claim on business personal property to your insurance company. Copies of contracts, subcontractors proof of insurance, tax records, payroll records, and other business records may be invaluable in proving a loss as well

as reducing the time your business is “down.” Give duplicates to your attorney or accountant, or keep them in a safe deposit box.

Exclusions and limitations. Make sure you know what properties, events, or perils are not covered by the policy you are considering. Then you can decide whether to buy additional coverage in the form of an **endorsement** or a separate policy for the excluded events that are more likely to occur in your type of business.

Loss Prevention. Many companies offer discounts if you practice good **risk management** or install protective devices such as a security system, smoke detectors, fire alarms, and sprinkler systems. Safety programs for your employees are also very important in reducing losses. Ask your agent if the company writing your insurance offers help for policyholders who want to identify ways to minimize insurance claims.



COMMISSIONER’S HELPFUL HINT: One of the things to look for in selecting an agent or insurer is how much help they offer with safety and loss prevention programs.

Even if no rate discount is offered, these practices make good business sense. No insurance program, no matter how good, can totally compensate your business for all losses. If your most productive employee is out because of an injury, your business is going to suffer. The best “insurance” in this case is to prevent the injury in the first place.



COMMISSIONER'S HELPFUL HINT: Talk to the Georgia Chamber of Commerce or your agent about the Drug Free Workplace Program.

Consider a Higher Deductible. You can reduce your premium by raising the deductible on your policy. How high your deductible should be depends on what you can afford to pay out of your own pocket if you have a loss. Make sure your deductible is high enough to reduce premiums, but not so high that a loss (or series of losses) will put a strain on your business.

Don't Under-insure. An inexpensive policy may not provide enough protection. It's important that you determine how much protection you need and insure your property, income and liabilities for adequate amounts. Remember, some types of insurance coverage (building or business personal property, **business interruption**, certain **crime** coverage) may reduce the amount paid on claims if you do not purchase insurance that is at least as much as the **coinsurance** percentage or amount require.

V. WHAT INSURANCE IS REQUIRED?

LAW REQUIREMENTS:

Automobile Insurance: Owners of automobiles are required to have liability insurance or to be a qualified self-insured under Georgia Law.

Workers' Compensation insurance: Georgia law requires all employers of three (3) or more full or part time employees to carry workers' compensation coverage or to be a qualified self-insured.

Other insurance: Many licenses, registrations, and permits required by federal, state, and local governments have an insurance requirement as part of the license, registration, or permit process.

OTHER REQUIREMENTS:

Many other parties may require evidence of insurance from a business. For example, suppliers of products and customers are often interested in the liability protection a business has. Mortgagees and lienholders usually require evidence of property insurance. Investors would want the business to have insurance sufficient to protect their interests.

VI. PROTECTIONS UNDER GEORGIA LAW

INSURER GUARANTY FUNDS.

For property and casualty insurance, including workers' compensation: The Georgia Insurers Insolvency Pool acts as a “safety net” if an insurer is declared insolvent and is unable to pay claims. Only insurance companies licensed in Georgia participate in the insolvency pool. The insolvency pool does not cover all claims or all situations.

Coverage is not available under the Georgia Insurers Insolvency Pool if:

- you have self-insured your risks;
- you have insured your risks through a group self-insurance fund;
- you have insured your risks through a risk retention group;
- you have purchased insurance from a surplus lines carrier;
- you have purchased insurance from any other type of company not licensed in Georgia; or,
- if the insured has a net worth of more than \$3,000,000.

Also, coverage is not available under the Georgia Insurers Insolvency Pool for certain types of property and casualty insurance. This includes title insurance, fidelity and surety bonds, credit insurance, warranties or service contracts, mortgage guaranty insurance and other forms of insurance

offering protection against investment risks, as well as insurance of vessels or craft used primarily in a trade or business, their cargo's, and marine builders' risk and marine protection and indemnity (liability).

The insolvency pool covers claims, including claims for refund of premium, from \$25 to \$100,000. Workers' Compensation injury claims are not subject to the \$100,000 maximum.

For life and health insurance: The Georgia Life and Health Guaranty Association provides for the payment of claims if an insurer is declared insolvent and is unable to pay. Only insurance companies licensed in Georgia participate in the insolvency pool. The insolvency pool does not cover all claims or all situations.

Coverage is not available under the Georgia Life and Health Guaranty Association if:

- you have self-funded your employee health plan either individually or through a multiple employer self-insured health plan;
- you have your health plan with a Health Maintenance Organization;
- you have purchased insurance from a health care corporation;
- you have purchased insurance from a surplus lines carrier; or,
- you have purchased insurance from any other type of company not licensed in Georgia.

Also, coverage is not available under the Georgia Life and Health Guaranty Association for:

- that portion or part of a variable life insurance or variable annuity contract not guaranteed by an insurer;
- that portion or part of any policy or contract under which the risk is borne by the policyholder;
- any unallocated annuity contract issued to an employee benefit plan protected under the federal Pension Benefit Guaranty Corporation; or,
- any portion of any unallocated annuity contract which is not issued to or in connection with a specific employee, union, or association of natural persons benefit plan.

The Guaranty Association covers contractual obligations of the insolvent insurer subject to the following maximums:

Cash value, any one life:	\$100,000
All benefits, any one life:	\$300,000
Unallocated annuity, any one-contract holder:	\$5,000,000



NOTE: The Guaranty Association, subject to court approval, may impose moratoriums or liens on cash values or policy loans. Also certain policies may be restructured as to settlement options or interest guarantees.



CAUTION: Limits on the maximum amounts payable under the Guaranty Association and the Insolvency Pool may leave you with uninsured losses in the event of insurer insolvency. It

is important that you are satisfied with the financial rating of your insurer.

CANCELLATION BY THE INSURER

Workers' Compensation Insurance: Insurance companies must give businesses 75 days advance notice of cancellations or non-renewals. A 45-day notice is required for a rate increase greater than 15%.

Other Business Property and Liability Insurance: A 45-day advance notice must be given of cancellations, non-renewals, and rate increases greater than 15%.

Accident and Sickness Insurance: Group health insurance is generally renewable at the option of the group policyholder. 90 days notice is required if the insurer withdraws a group health product from sale to all its Georgia customers. Your insurer must offer you at least one other product. If your group health insurer is withdrawing all its group health products in the State, it must give 180 days advance notice. In these cases you or your employees and dependent may be eligible for continuation and/or conversion from group to individual insurance.



EXCEPTION: Only a ten (10) day notice must be given for any cancellation during the first 60 days of the policy, or at any time during the policy if the reason for the cancellation is non-payment of premium. 31 days is the grace period under group accident and sickness.



NOTE: A notice is not required for a rate increase that results from a change in your operations, a change in classification of your business, a change in your **experience modification**, or an audit or examination of your business.

- **Fair claims settlement.** Insurers must investigate and settle claims in a prompt, fair, and equitable manner. They must respond to communications on claims in a timely fashion.
- **Health insurance conversion rights.** A group health insurance policy must include, for individuals covered continuously for 6 months or more, the right to convert to an individual policy on termination of the group coverage.
- **Small group health insurance rates.** The law places limitations on the way insurers calculate rates for groups of 50 or fewer. Georgia Law places limitations on certain forms of claims experience rating on small employer groups and requires “pooling” of claims experience of all small employers by an insurer.
- **Availability of insurance.** Last resort plans make workers’ compensation insurance, automobile insurance, and some forms of property insurance available when it cannot be purchased through the normal markets. See the Table of Contents for discussions of the Workers’ Compensation Assigned Risk Plan, the Georgia Automobile Insurance Plan, and the Georgia Underwriting Association.
- **Fraud.** Insurance fraud countrywide is estimated to cost hundreds of millions of dollars each year. This is an

expense all policyholders must ultimately bear in increased insurance costs. To combat this, Georgia has some of the toughest anti-fraud laws in the nation, and Insurance Commissioner Ralph Hudgens office is very aggressive in pursuing insurance fraud. If you have information about suspected insurance fraud call:

Insurance and Safety Fire Commissioner

Ralph Hudgens: (404) 656-2070

TOLL FREE (800) 726-6070

- **Arson.** Each year in Georgia many lives are lost and millions of dollars worth of property is damaged or destroyed in fires. Some of these fires are started intentionally. The Commissioner has established the arson information reward program to provide incentives for the reporting of information leading to the arrest and conviction of arsonists. Calls to the arson hotline are confidential.

To report suspected arson call:

Arson Hotline:

TOLL FREE (800) 282-5804

VII. INSURANCE COMPLAINTS

If you have a problem:

Contact your agent or insurer. If you believe your insurer has not provided the coverage you agreed to, has improperly cancelled or non-renewed your policy, has not charged the proper premium, or has refused to pay all or part of a valid claim, you have a right to question and object. Sometimes a mistake has been made and it will be corrected if an inquiry is made. A complaint by letter is best. Keep a copy of your letter. If you decide to make a complaint by telephone, keep a written record of:

- The date and time of your call;
- The name of the person you talked to; and,
- What was said during the call.

Seek help from Commissioner Hudgens' Office. If you do not receive a prompt, courteous and satisfactory response from the insurer or agent, you may need to get help to resolve your problem. The Department of Insurance provides free professional information and complaint services to all Georgia residents.

Call or write:

Ralph T. Hudgens
Insurance and Safety Fire Commissioner
716 West Tower
2 Martin Luther King, Jr. Drive
Atlanta, Georgia 30334
(404) 656-2070
TOLL FREE (800) 656-2298

Or, enter a complaint on our web complaint form:

www.oci.ga.gov

Or, you can visit the Department in the Floyd Building across Martin Luther King, Jr. Drive from the Capitol,

Or, you can visit with a Department representative when they come to a city near you. Call (404) 656-2070 to find out when and where they will be, or visit our web site at:

<http://www.oci.ga.gov/ConsumerService/NewRegionalAssistance.aspx>

Or, fax your letter to us at (404) 657-8542.

If you have a hearing or speech impairment, Insurance Commissioner Ralph Hudgens' office is readily available to you. Just call our TDD number.

Atlanta toll free area	(404) 656-4031
Remainder of Georgia	(800) 656-4031

The Department of Insurance will:

- Thoroughly investigate your complaint;
- See that you get a clear response to your questions;
- Cut through red tape; and,
- Correct misunderstandings.

But the Department cannot:

- Force a favorable action on your complaint if it is not supported by facts and law; or,
- Provide legal services that are sometimes required to settle complicated problems.

If the Department is unable to resolve your problem, we will tell

you why. If the law and facts are on your side, we will try to see that your rights are protected and that your complaints are resolved in a satisfactory manner.

Loss Exposure Checklist

The exposure check list on the following pages is intended to help you to determine your insurance needs and to create a record you can use in talking with your agent or insurer about your insurance.

Not every business will have entries in every category, and some businesses will have special insurance needs that will require additional information.

Since every business is unique, it is important that your agent and insurer know exactly what your business does and how it does it.

You also may want to consider having an insurance counselor review your insurance coverage. A counselor charges for his or her services, but cannot receive a commission on the same insurance subject on which they charge a counselor's fee. Thus they are working for you and have no incentive to recommend more or less insurance than is needed.

The Insurance Commissioner licenses counselors. To determine if an individual is licensed, call:

Insurance and Safety Fire Commissioner
Ralph Hudgens: (404) 656-2100

INSURANCE AND SAFETY FIRE COMMISSIONER RALPH HUDGENS' LOSS EXPOSURE CHECKLIST

NOTE: Words and phrases in **bold** are defined in the glossary.

I. DIRECT DAMAGE TO PHYSICAL ASSETS

Location # _____

Street Address: _____

Complete this page for each location.

Building:

Replacement Cost: \$ _____

Actual Cash Value: \$ _____

Glass: \$ _____

Outdoor Signs: \$ _____

Contents (business personal property):

Replacement Cost: \$ _____

Actual Cash Value: \$ _____

Boiler and Machinery: \$ _____

Data Processing Values:

Hardware: \$ _____

Cost to Reproduce Data: \$ _____

Valuable Papers: \$ _____

Customers Property: \$ _____

Radio and TV Towers/Antennas: \$ _____

Location # _____

Street Address: _____

Complete this page for each location.

Jewelry:	\$ _____
Antiques:	\$ _____
Fine Art:	\$ _____
Other Valuable Items:	\$ _____

Rent Income or Rental Value: \$ _____

Does the building have ...

Alarm System:	
Burglar:	Yes/No
Fire/Smoke:	Yes/No
Sprinkler System:	Yes/No
Watchman Service:	Yes/No
Other Security System:	Yes/No
Elevators or escalators:	Yes/No

Is the building subject to building codes or ordinances that would increase the cost of repairs? Yes/No

Values for all locations combined \$ _____

Contractors Equipment, total value: \$ _____

Accounts Receivable, maximum value: \$ _____

Motor Truck Cargo:

 Maximum any one vehicle: \$ _____

 Maximum all vehicles: \$ _____

 Maximum any one incidental Storage location: \$ _____

Total Business Annual Income: \$ _____

Advertising Income: \$ _____

Payroll, total annual: \$ _____

Monthly extra expense necessary to keep your business operating if your building (s) could not be occupied \$ _____

due to a loss;

Maximum amount of your business' money or securities handled by:

Any one employee:

\$

All employees:

\$

Maximum amount of money or securities belong to others handled by:

Any one employee:

\$

All employees:

\$

Values for all locations combined

Automobile Physical Damage:

Attach list of vehicles	# of vehicles	deductible
Collision:		\$ _____
Comprehensive:		\$ _____
Named Perils:		

Liability Limits needed:	limit
Automobile:	\$ _____
General Liability (non-auto):	\$ _____
Umbrella:	\$ _____
Other _____ :	\$ _____
Other _____ :	\$ _____

Crime Coverage:	coverage
Burglary:	
Robbery:	
Theft:	
Safe Burglary:	
Other _____ :	\$ _____
Other _____ :	\$ _____
Other _____ :	\$ _____
Other _____ :	\$ _____
Other _____ :	\$ _____
Other _____ :	\$ _____
Other _____ :	\$ _____
Other _____ :	\$ _____

GLOSSARY

Actual Cash Value:

Buildings – replacement cost less depreciation

Personal Property – the lesser of the sale price as between a willing buyer and seller or the cost to replace. (Your potential profit is not included.)

All risk: A type of property policy covering all hazards of loss or damage that are not excluded. (See named perils.)

Bailee: Entity that holds goods belonging to others in the normal course of business. (A public storage warehouse or a dry cleaner are examples.)

Bodily Injury: Injury including death of a person. For insurance coverage to be available under a liability policy, the injury must arise out of a covered circumstance or activity, and be accidental.

Boiler and Machinery: Equipment that controls, transmits, or uses mechanical or electrical power. Losses caused by electrical arcing, explosion, or breakup by centrifugal force can be insured under a boiler and machinery policy, but are usually excluded under basic property policies.

Builders Risk: The term applied to the property risk and the special policy designed to cover the risk of a building under construction.

Burglary: See Crime.

Business Interruption: Loss of business income because of loss or damage to the building(s) or personal property of the business

(insured under a business interruption policy or endorsement).

Coinsurance:

Property Insurance – a policy condition where, in return for a reduced premium, the insured agrees to maintain insurance on the property equal to or exceeding a specified percentage (the coinsurance percentage) of the value of the property.

Health Insurance – the percentage “split” of covered medical expense between the insurer (or benefit plan) and the covered person, usually after a deductible is satisfied. (See Copayment.)

Collision: One of the coverages under an automobile policy (covers the vehicle for loss or damage from collision with an object).

Comprehensive: Under a motor vehicle policy, covers the auto for physical damage other than that covered by collision coverage (such as theft, fire, flood, or glass breakage).

Contractors Equipment: Certain equipment (usually mechanical) used on job sites (insured under an inland marine policy called a contractors equipment floater).

Copayment: The dollar amount the covered person pays under a health insurance policy, or health benefit plan, for each treatment (or for each doctor or hospital visit, or for each prescription drug treatment, or other basis as specified in the policy or plan).

Crime: There are several specific coverages that are included in this term. They can be purchased separately, or sometimes “packaged” in various combinations. Some of these individual coverages are:

Burglary: The taking of property from locked or enclosed premises (requires evidence of forced entry).

Robbery: The taking of property by violence or threat of violence (such as hold-up).

Safe burglary: A special form of burglary coverage applying only to property taken from a safe or vault (requires forcible entry into the safe or vault).

Theft: The broadest of the crime terms, meaning any act of stealing.

Elimination period: In health insurance, the time between the occurrence of a claim and the beginning of benefits.

Endorsement: A “rider” or “policy form” attached to a policy at its inception or at a later date that adds provisions, coverage, exclusions, or makes other changes to the policy.

Estimated Premium: The premium charged at the beginning of a policy where the final premium will be determined after an audit (also used to designate the initial premium on a policy written subject to determination of correct classifications or rating).

Experience Modification: A factor applied to the policy premium that reflects the past claims experience of a business as compared to other businesses of the same type. This modification is most frequently used in Workers’ Compensation insurance.

Extra Expense: The additional expenses necessary to keep a business functioning after a covered loss has occurred to the business property. This potential loss can be insured under a type of business interruption policy.

Financial Rating: Several Services rate the financial strength of insurance companies. Among these are A. M. Best, Standard and Poor's, Weiss Research, and Moody's Investors Services. Many of these publications can be found in local libraries. Not all insurers are rated by all services. Some insurers, most notably alien insurers (those not headquartered in the U.S.) are not rated by any service. If this is the case, make sure the agent or surplus lines broker has reviewed the financial statements of the insurer.

Gatekeeper: A healthcare professional the health insurer or health plan administrator designates to control and direct the management of health care services.

General Liability: Liability for business operations (does not include liability for vehicles).

Glass: Breakage coverage for building glass (windows and doors) and glass display cases can be obtained under a special policy or endorsement.

Motor Truck Cargo: A form of inland marine insurance that covers shipments by motor vehicle. (Usually the policy covers a specific territory or radius from a certain point and may cover risks incidental to the transportation, such as warehousing along the route or ferrying or "piggy-backing.")

Named Peril: Specific causes of loss named in an insurance policy. Causes not named are not covered. (See all risk.)

Outdoor Signs: Signs on the exterior of buildings, or free standing. (They are usually excluded under basic property policies, but may be insured through special policies or endorsements.)

Property Damage: Damage, including loss of use, to property of others. (For insurance coverage to be available under a liability policy, the damage must arise out of a covered circumstance or activity, and be accidental.)

Purchasing Group: A group formed under federal risk retention act to purchase insurance for its members. (The group must register with the Insurance Commissioner.)

Rental Value: The rents an owner-occupied building would command if it were rented. (This determines the coverage needed if the building cannot be occupied for a period of time because of a covered loss.)

Replacement Cost: What it would cost to replace the property with new property of like kind and quality.

Reporting Form: A method of determining the coverage and premium for certain property and casualty insurance policies, where the insured reports property values, payrolls, sales, or some other business figures on a periodic basis (usually monthly or quarterly).

Rider: See endorsement.

Risk Management: The control of hazards or risk associated with business operations, and the management of claims; also, the process of funding claims or losses, including the decision of whether to insure, self-insure, or to use some other funding mechanism. (For example, one way to fund insurance on your building would be to sell the building to another party, then lease it back under a long-term lease with the stipulation that the owner maintains insurance.)

Risk Retention Group: A business chartered and licensed as an

insurance company in one state and, under federal law, allowed to insure its members in other states without being licensed in those other states or complying with most of those other states insurance laws.

Robbery: See Crime.

Safe Burglary: See Crime.

Seasonal Endorsement: Provisions added to a policy covering personal property of the business that increases and decreases the coverage at predetermined times of the year. (Used to cover businesses with predictable seasonal variations in personal property values.)

Term Insurance: In life insurance, policies that exist for a predetermined time, such as the period of employment or until a certain age.

Territory: As the context dictates, this term can refer to an area in which coverage applies, or the place where property is located (in the case of a motor vehicle, the place where the vehicle is principally garaged).

Theft: See Crime.

Usual, Customary, and Reasonable: Standards a health insurer uses to determine the amount it will pay on a covered claim. The standards refer to the amounts generally charged for the same healthcare service in the general area where the service was performed, or the reasonable charges for that service in the absence of comparable charges.

Valuable Papers and Records: A type of policy or endorsement that covers documents valuable to the business, including the cost

of reproducing the documents.

TELEPHONE NUMBERS FOR THE WORKERS' COMPENSATION BOARD

To inquire about a Workers' Compensation claim:

(404) 656-3818

**To request information on becoming self-insured for
Workers' Compensation:**

(404) 656-4893

TELEPHONE NUMBERS FOR COMMISSIONER'S OFFICE

IMPORTANT: When calling to check on a license or registration, or to register a complaint, it is vital that you have the full correct name of the individual or business. Many individual's names and business' names are similar, so extra care in getting the name correct can help prevent errors. The following is a department directory for commonly asked questions.

If you are calling:

Dial this number

To see if an insurer is licensed:

(404) 656-2074

To see if an agent, counselor, or surplus
lines broker is licensed:

(404) 656-2100

To see if a risk retention group or
purchasing group is registered:

(404) 656-2074

To see if an HMO is licensed:

(404) 656-2074

To see a workers' compensation group
self-insurance fund is licensed:

(404) 656-2074

To see if a multiple employer welfare

arrangement (trust) is licensed: (404) 656-2074

To arrange for a speaker for your group: (404) 651-7902

To make a complaint or inquire as to the correctness of the Actions
of an agent, counselor, surplus lines broker, or insurer:
(404) 656-2070

To request information on becoming self-insured for
Automobile liability: (404) 656-2074

TO REPORT A SUSPICIOUS FIRE

Arson hot line TOLL FREE (800) 282-5804

TO REPORTED SUSPECTED INSURANCE FRAUD

(800) 726-6070

ALL CALLS REMAIN ANONYMOUS

FOR HELP WITH YOUR INSURANCE QUESTIONS OR PROBLEMS

(800) 656-2298

If you have a speech or hearing impediment call:

Metro-Atlanta (404) 656-4031

Remainder of Georgia (800) 656-4031

THE NUMBERS FOR THE WORKERS' COMPENSATION BOARD

To inquire on a Workers' Compensation Claim (404) 656-3818

To request information on becoming
Self-insured for Workers' Compensation (404) 656-4893

NOTE: If you are an individual with a disability and wish to acquire this document in an alternative format, please contact the ADA Coordinator, Office of Commissioner of Insurance, 2 Martin Luther King, Jr. Drive, Atlanta, Georgia 30334. Telephone number (404) 656-2056, for the hearing or speech impaired TDD, Atlanta Toll free area (404) 656-4031, Remainder of Georgia (800) 656-4031.