A BUSINESS OWNERS GUIDE TO

COMMERCIAL INSURANCE

Maryland

INSURANCE ADMINISTRATION

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WHO WE ARE

The Maryland Insurance Administration (MIA), founded as the Maryland Insurance Division in 1872, is an independent state agency located in downtown Baltimore. This agency regulates Maryland's $26 billion insurance industry and makes certain that insurance companies, health plans and producers (agents and brokers) comply with Maryland's insurance laws. The MIA also licenses more than 110,000 producers and approximately 1,500 insurance companies, regulates insurance rates and forms, monitors insurer solvency, investigates consumer complaints and travels across the state to provide consumers with educational materials on insurance.

HOW WE HELP CONSUMERS

The MIA can educate you about your rights and investigate written allegations that your insurance carrier, insurance producer (agent or broker), or another entity engaged in the business of insurance has violated state law. Violations may include:

- denying authorization for medically necessary services;
- improperly denying or delaying payment of all or portions of a claim;
- improperly terminating your insurance policy;
- raising your insurance premiums without the proper notice or in excess of what the law allows;
- making false statements to you in connection with the sale of insurance or the processing of insurance claims; or
- overcharging you for services, including premium finance charges.

We provide assistance to consumers, businesses, health care providers (including doctors and hospitals) and producers (agents and brokers) in all areas of insurance. This includes life, health, disability, workers' compensation, automobile, homeowners, and property insurance. The MIA does not have jurisdiction over workers' compensation claims. Those complaints should be directed to the Workers' Compensation Commission at *www.wcc.state.md.us.*

The MIA provides assistance by:

- answering general insurance questions and providing educational information about different types of insurance coverages. We offer guides to help you compare rates among insurance companies writing automobile and homeowners insurance, medical professional liability insurance, health coverage for small employers, as well as Medicare supplement insurance policies. Some include questions you may wish to ask when shopping for insurance.
- suggesting actions or processes you may take to help resolve your insurance problem;
- forwarding a copy of your complaint to the insurance company, if appropriate;
- obtaining written and verbal information or explanations from the insurance company or its representatives on your behalf.
- investigating a company's action(s) to determine compliance with state law, regulations and policy contracts;
- taking corrective action against a company if it violated a state law, regulation or policy that the MIA enforces.

RESOURCES FOR CONSUMERS

The MIA produces consumer guides, rate comparisons and frequently asked questions (FAQs) related to various types of insurance. Here are some of the publications we offer to consumers:

- *A Consumer Guide to Homeowners Insurance;*
- *A Consumer Guide to Auto Insurance;*
- *A Consumer Guide to Life Insurance; and*
- *An Insurance Preparedness Guide for Natural Disasters.*

You may access this information in several ways:

- Download from the MIA's website, *www.insurance.maryland.gov*, then under "Consumers," click on "Publications" and scroll down the page to locate the brochure you want.
- Call 800-492-6116 or write to us, and we will mail copies to you.
- Visit our booth at community events throughout the state.
- Find these printed materials at various state and local agencies.

INTRODUCTION TO COMMERCIAL INSURANCE

Operating a business is challenging enough without having to worry about suffering a significant financial loss due to unforeseen and unplanned circumstances. Commercial insurance can protect your business from some of the more common losses experienced by business owners, such as property damage, business interruption, theft, liability, and employee injury. Purchasing the appropriate commercial insurance coverage can make the difference between going out of business after a loss or recovering with minimal business interruption and financial impairment to your company's operations.

HOW DO I PURCHASE COMMERCIAL INSURANCE?

When looking to purchase commercial insurance, the best place to start is to identify a licensed producer (agent or broker). A producer can help you decide what types of coverages you need, which policy you should purchase, how to shop for the best policy and coverage, and when your coverages could be more cost-effective.

A trusted agent or broker can be a valuable asset to your business—someone who understands your business, not just the coverage being sold. Producers should understand the insurance policies, the companies they represent, how the company handles and pays claims, and the rating and audit provisions applicable to commercial policies. Friends, associates, attorneys, and financial consultants may be able to refer you to a producer. The MIA can tell you whether the producer is licensed and in good standing.

WHAT KIND OF INSURANCE DO I NEED TO PURCHASE FOR MY BUSINESS?

Many kinds of insurance are available to businesses. Which one you should purchase depends upon the individual risk characteristics of your business, and the type(s) of loss you want to insure against. A licensed producer will be able to present you with different policy and coverage options.

It is important to understand that a producer's proposal is just that—a proposal. When all is said and done, it is your choice. Make an informed decision about which insurance best fits your business and offers you the desired level of protection. The relationship you build with your producer is extremely valuable in this critical decision-making process. Experienced, licensed producers deal with lots of businesses similar to yours and can offer you the benefit of their knowledge to ensure that you

do not have gaps in coverage. Commercial insurance can be complicated, so be sure to discuss any terms, conditions, or concepts you are not familiar with or do not fully understand with your producer. One of the services producers provide is their ability to answer your questions and help you understand the insurance you are considering.

While your business may not need all types of commercial coverages, it is a good idea to have basic knowledge of the types of insurance coverages available. As your business changes and expands, you should reassess your coverages and determine what additional coverages you may wish to purchase. This is particularly true if your business grows and new risk exposures arise.

INSURANCE FOR YOUR BUSINESS

COMMERCIAL AUTO INSURANCE

All motorized vehicles registered in Maryland, whether used for personal or business purposes, are required to carry automobile liability insurance. When a policy is canceled or nonrenewed, an insurer is legally required to notify the Maryland Vehicle Administration (MVA) of the policy's termination.

Automobile liability insurance coverage includes payment for medical expenses and damages sustained by other injured people (i.e. bodily injury) and damages to the property of other individuals as a result of a motor vehicle accident caused by the insured's negligence. The minimum amount of liability coverage required by Maryland law is:

- $30,000 for bodily injury per person;
- $60,000 bodily injury per accident; and
- $15,000 property damage.

Maryland has two other statutorily required automobile coverages: Uninsured/Underinsured Motorist and Personal Injury Protection (PIP). The minimum amount of Uninsured Motorist Coverage required by Maryland law is:

- $30,000 for bodily injury per person;
- $60,000 bodily injury per accident; and
- $15,000 property damage.

The limits for bodily injury per person and per accident also provide underinsured motorist coverage. However, as a business, you may wish to purchase automobile insurance above the minimum limits. You should discuss this in greater detail with your agent or broker.

Maryland law requires insurers to offer their policyholders at least $2,500 in Personal Injury Protection (PIP) coverage. However, you may be able to waive PIP coverage in certain instances. This is known as "Limited PIP." Also, if you meet some conditions, MAIF and some other insurance companies will permit you to fully waive PIP. Waiving PIP in part or in full may reduce your premium. You should consult your producer for a thorough explanation of PIP and the options available.

The MVA conducts a random sample of registered vehicles to ensure that vehicle owners have purchased the minimum required insurance coverage and that the insurance on the vehicle is maintained. If the MVA cannot verify insurance coverage, it will request the vehicle owner to provide a Financial Responsibility Filing (FR-19) to verify that adequate liability insurance has been in place since the vehicle was purchased. The policyholder is entitled to obtain an FR-19 from their insurer at no charge. If liability insurance cannot be verified, the MVA will fine the vehicle owner for each day the vehicle was uninsured. A fine of $150 is levied if the vehicle is uninsured for 1 day to 30 days; there is an additional charge of $7 per day for each day after the 30th day that the vehicle is uninsured (up to a maximum of $2,500 per year).

If it is established that your vehicle was uninsured for a period of time, this lapse in coverage may result in an increase in your insurance premium. In addition, you may find that some insurers will not insure you or your vehicle if there was a lapse in coverage while you owned the vehicle. Statistics show those who drive without insurance present a greater risk for future losses than those drivers who maintain continuous insurance coverage.

DO YOU NEED A COMMERCIAL OR PERSONAL POLICY?

While personal and commercial auto insurance policies provide similar types of coverage, there are important distinctions. Commercial auto insurance policies typically have higher liability limits than a personal automobile liability insurance policy. For example, a typical commercial auto policy may have a liability limit of $1 million. A commercial auto liability insurance policy also may have provisions that cover rented and other non-owned vehicles, such as employee-owned vehicles that are driven for company business.

Several factors should be considered when determining whether a personal or commercial policy is appropriate. These include:

- Who owns or leases the vehicle? You or the business as an entity? Who drives the vehicle? You or your employees?
- How is the vehicle principally used? For transporting people, delivering packages or carrying hazardous materials?
- Do you allow your employees to take the vehicle home, or is its use restricted to work hours? Discuss these issues with a licensed insurance producer who is knowledgeable about commercial and personal auto insurance. Also, consider purchasing collision and comprehensive (coverage for losses other than collision) coverage to protect your business from losses and damage to your vehicle. Banks and other financial institutions with a security interest in your vehicle will require both comprehensive and collision coverage to protect their interest in the vehicle.

WHAT FACTORS AFFECT THE COST OF YOUR INSURANCE PREMIUMS?

- **Type of vehicle.** Premiums are linked to the type of vehicle you drive. So if you're buying or leasing a new car or truck, check the insurance rates before you make your final choice.
- **Safety devices.** If you're buying or leasing a new vehicle, consider getting one with anti-lock brakes, front and side airbags, automatic seat belts and daytime running lights; these safety devices may result in a lower premium.
- **Anti-theft devices.** Alarm systems or tracking systems that locate your vehicle if stolen may reduce your premium.
- **Garage location.** Where you garage your vehicle may impact premiums. If you have access to an indoor garage or locked parking lot—places that decrease the likelihood of theft—you may qualify for a lower premium.
- **Geographic location.** The geographic region in which your business operates may affect your premium. For example, areas prone to extreme weather—hail, wind storms, hurricanes, etc.—higher traffic patterns or higher risk of theft may have higher insurance rates.
- **Driving and claims history.** Your personal driving record and the number of claims you have previously filed may affect your ability to obtain insurance in the private market and may impact the amount of your premium.
- **Amount of coverage.** The coverage limits you choose may affect the premium; the higher the coverage amount, the higher your premium. If you're using your vehicle to conduct business, you may want to consider a higher liability limit so that the coverage will be sufficient to protect both your business and personal assets if you are sued due to an accident.

- **Amount of deductible.** The cost of your insurance is directly linked to the amount of your deductible. The deductible is the amount of money that you agree to pay for a loss or claim before your insurer pays any monies for the remaining amount due to cover the cost of the claim. For example, if your vehicle incurred $1,000 of damage in an accident and your deductible is $250, you would pay the first $250 and your insurer would pay the remaining $750. The higher your deductible, the lower your premium.
- **Insurance history.** As discussed above, failing to maintain continuous automobile liability insurance coverage as required by law can result in a higher premium when new coverage is sought. An insurer may also refuse to provide coverage if you have had a lapse in coverage.

TIPS AND CONSIDERATIONS CONCERNING COMMERCIAL AUTO INSURANCE

- If your business owns or leases a vehicle, make sure the name of the business is listed on the policy declaration page as the insured.
- If you are relying on either a personal auto or personal umbrella liability insurance policy to provide you with protection for your company's use of vehicles, closely review the policy language. Many personal insurance policies exclude business-related liability claims.
- If your employees operate a company car, make sure they have good driving records and are trained properly before you entrust your company vehicle to them. Failure to do so may expose your company to additional liability. The risk presented by your employees may exceed the company's underwriting guidelines and prevent you from getting insurance with the company you desire.
- Consider increasing insurance on your business vehicle(s) to cover permanently attached items, such as a generator or a storage unit.

If you cannot obtain commercial auto insurance in the private market, Maryland business owners may obtain auto liability coverage from the Maryland Automobile Insurance Fund (MAIF). For more information, call 800-492-7120 or visit *www.mymarylandauto.com.*

PROPERTY AND LIABILITY INSURANCE

Property and liability insurance provides businesses with important protection against loss or damage to property and equipment, including computers. In addition, it protects the business from claims made by others for damages or injuries to customers, clients or the property of others.

PROPERTY INSURANCE

Property insurance protects small business owners from losses due to damage to their business property, including the business' physical space or equipment. For insurance purposes, business property includes the physical building in which the business resides, assuming the business owns the building, as well as the property owned by the business that is located within the building and other assets of the business. While the terms of coverage, and the specific property covered, depends upon the specific language of the policy you obtain, the following types of property may be considered business property:

- the building or physical plant where the business is located;
- inventory;
- furniture, equipment and supplies;
- machinery;
- computers and other data processing equipment;
- valuable papers, books and documents;
- antiques and artwork;
- televisions, VCRs, DVD players, and satellite dishes;
- signs, fences and outdoor property not attached to a building; or
- intangible items such as trademarks, copyrights and other intellectual property.

There are three types of property insurance plans:

- **Basic form**, which provides coverage for losses resulting from a fire, lightning, windstorm, hail and explosion, plus the cost of removing property to protect it from further damage.
- **Broad form**, which includes the coverages described above, plus extended coverage for other types of perils, such as a roof collapse due to snow or ice, or broken windows caused by a riot and civil commotion.

- **Special form**, which includes the basic and broad coverages, as well as all direct physical losses except those conditions specifically excluded in the policy.

With property insurance, you can purchase either actual cash value (ACV) or replacement cost (RC) coverage. ACV insurance reimburses you for the value of lost, damaged or stolen goods after depreciation is taken into consideration. RC insurance reimburses you the amount it would take to replace, rebuild or repair damages with materials of similar kind and quality, without any deduction for depreciation.

BUSINESS INTERRUPTION/ CONTINUATION INSURANCE

Business interruption insurance, also known as business continuation insurance, provides coverage for expenses associated with running a business, such as payroll and utility bills, when the business is unable to operate for an extended period of time because of a fire, or other type of loss as specified in the policy. While the policy will specify how such expenses are to be determined and how many days coverage will be provided, the amount of coverage is typically based on the company's financial records. Business interruption/continuation coverage can be added to a property insurance policy or purchased as part of a package insurance product. Even if you purchase business interruption coverage, you should be aware that this type of coverage typically is not triggered until a specified period of time has passed following a covered loss that results in the interruption of the business. That time period will be set forth in your policy.

TIPS AND CONSIDERATIONS CONCERNING PROPERTY INSURANCE

- Know the current value of your property. For any type of property insurance, it is important to have your property values assessed both before you buy the policy and periodically thereafter to ensure that your coverage amounts are sufficient to protect your business. Keep copies of receipts for equipment, furniture and other valuable items in case your business sustains a loss or damage, or the business premises are destroyed. Store hard copies of these receipts and/or digital photos of the property in another location, such as in a bank safe deposit box or on a website hosted by a photo service, so you can access them following a loss.
- Get a professional appraisal for high-value and specialty items. Before you purchase property insurance, hire a reputable appraiser to determine the value of high-value and specialty items, such as antiques and artwork. These items should be insured separately. It is important that you specifically tell your producer about these specialty items so that the correct coverage will be provided. These types of items usually are covered for an agreed-upon amount (value of item is pre-determined) before a policy is written and a loss has occurred.

- Keep your insurance policy at an offsite location so that, in the event of a loss, you will be able to retrieve it and review your coverages.
- Obtain coverage even if you lease your business facility or property, or business equipment. Do not rely on the owner to provide insurance for you. If you lease your building or offices, or lease business equipment, you should carefully read those contracts to determine whether you need to obtain separate coverage and the minimum amount of coverage required.
- When you purchase property insurance, read your policy to see what is and is not covered. You may need to obtain additional coverage to cover property or equipment not otherwise covered, so you will be protected fully if something happens to your property/equipment or if someone sues you for damages caused by you or your employee. Contact your insurance producer if you are unsure whether something is covered or not, and to arrange for coverage of property not otherwise insured. For example, since flood and sewer backup are not typically part of a commercial property policy, you may want to obtain a separate policy or endorsement to cover this type of damage.
- A property insurance policy generally includes a statement specifying the "limit of liability." The limit of liability is the maximum amount an insurer will pay for a covered loss. The policyholder is usually liable for any amount above that limit. Be sure your limit of liability is sufficient to protect you and your business in the event of a loss or claim.
- If you have difficulty insuring your building because of its location, the Joint Insurance Association (JIA) may be able to assist you. The JIA is a private organization comprised of private insurance carriers that operate in Maryland and is funded by premiums from property and casualty policies sold in the state. The JIA offers insurance for property located in Maryland to businesses that are unable to secure coverage in the private marketplace. Premiums may be higher than insurance obtained through a private insurer, so applicants are encouraged to seek coverage from regular insurance companies first. If you are interested in obtaining insurance through JIA, contact a licensed property/casualty insurance producer, or contact JIA at 410-539-6808, 800-492-5670, or *www.mdjia.org*.

- The level of coverage required for business interruption coverage is directly related to the type and size of business you operate. To determine the necessary amount of coverage, you should consider the size of the business, whether it would be possible to continue operations offsite if necessary, and monthly business expenses, including payroll and benefit expenses, as well as overhead, supplies and other regular business expenses.

WHAT TO DO AFTER A PROPERTY LOSS

- Immediately contact your insurance company or producer after sustaining property or automobile damage.
- Carefully read your policy, so you understand what coverage is available to you.
- If you have to relocate temporarily, make sure the insurance company or producer knows your temporary address and telephone number.
- Take photographs and/or video of the damaged areas. This will help you with your claim and will assist the insurance company in its investigation of your claim.
- Before you remove any damaged property from the premises, be sure an insurance adjuster or your producer has seen the damage so a damage-and-loss assessment can be prepared.
- Make only those repairs necessary to prevent any further damage to your business property. This includes covering roofs, walls or windows with plywood, canvas or other waterproof material. Do not make permanent repairs without consulting your producer or company since unauthorized repairs may not be reimbursed.
- Keep all receipts for emergency repairs and for temporary business expenses.
- As soon as you are able, prepare a detailed inventory of all damaged or destroyed property. Give one copy to the insurance adjuster and keep one copy for your files. Your list should include a description of the item and quantity (if more than one), date of purchase or approximate age, cost at the time of purchase, and estimated replacement cost today. Include as much information as possible.
- If you hire a public adjuster, you should understand that your insurance company may or may not agree with that person's estimate of your damage. Your insurance company is not obligated to accept the damages that are claimed by a public adjuster.
- Be present when your insurance adjuster inspects your property. This will enable you to point out all areas you believe have been damaged.
- Do not accept an unfair settlement offer. If you cannot reach an agreement, call the insurance company and be prepared to explain why you believe the offer is insufficient or unfair. If you are still not satisfied, contact the Maryland Insurance Administration's Property and Casualty Complaints section at 410-468-2340 or toll free at 800-492-6116, extension 2340.
- If you think the insurance company's estimate is too low, you may wish to obtain an estimate from your own contractor. A contractor may charge a fee for an estimate; but, if that contractor does the repair work, the fee usually will be credited toward the cost of the repairs.
- If your insurance company denies any part of your claim, be sure to get the denial in writing and keep all the paperwork they send you.

- Avoid shoddy repairs and workmanship by using licensed, reputable contractors. Be sure they secure the appropriate building permits. Beware of contractors requiring a large payment up front or whose bids are amazingly low. Check with the appropriate licensing agency to make certain the contractor you are planning to use for the repairs has a valid license.
- You should contact your insurance company and claims adjuster any time you find additional damage not previously reported and inspected, or if you have more information concerning the claim.

LIABILITY INSURANCE

Liability Insurance, also called Commercial General Liability (CGL) insurance, protects your business against the economic loss and expense associated with claims filed against your business for bodily injury, property damage, injury to reputation caused by slander and libel, and also the harm caused by false or misleading advertising. Bodily injury claims include claims for damage that results when someone falls while visiting your business or one of your products falls on the person. It can, depending on the language of the policy, also include coverage for claims of damage that occurs as a result of your business operations. For example, if your business serves food, this may include the cost of medical tests to detect hepatitis because of contamination due to food-handling. Property damage includes property belonging to someone else that is physically damaged or lost by your business. Whether a particular loss or expense is covered, will depend on the source of damage and the language of your policy. For example, damage to business inventory belonging to another person or business while in your possession, may be a covered loss if it is damaged from an accidental fire, but the same damage might not be covered if the inventory is damaged by flood waters and the policy does not provide coverage for flood-related damage. The scope of coverage available under your policy will depend upon the policy and endorsements you select, so be sure to discuss all of your concerns with your insurance producer and to learn about all of the different types of coverages available for purchase.

A CGL policy is advantageous for two reasons. First, the insurer will defend you against any covered claim at no out-of-pocket cost to you. Second, if your business is found responsible, the insurer will pay at least part of, and maybe even all of, the damages owed. The amount the insurer will pay depends upon (1) the amount of damages, and (2) the type of damages sought. When a valid claim is made, the insurer will pay up to the stated maximum. If the claim for damages is greater than the policy maximum, you as the policyholder are liable for the balance. Also, while most CGL insurance policies provide coverage for compensatory and non-compensatory damages, punitive damages are typically not covered. Compensatory damages include expenses incurred by the claimant as a result of the injury, such as the cost of medical services and lost wages from missing work, as well as projected future losses and expenses. Non-compensatory or general damages include non-monetary losses suffered by the injured party, such as “pain and suffering” or “mental anguish.” Punitive damages are additional monies awarded as a penalty and sanction against the defendant as a form of punishment for its actions.

OTHER TYPES OF LIABILITY INSURANCE

While a CGL policy provides important coverages, it does not cover all types of risks associated with operating a business. For example, it does not cover injuries to workers that occur in the workplace. Nor does it cover losses incurred as a result of errors by professional advisors, such as a lawyer or an accountant, or a board member. It also does not cover property damage or bodily injury caused by an automobile, even if it was being operated for business purposes. Such losses would be covered by the automobile policy discussed previously. Other types of liability policies are available for purchase to cover these other types of risks. These are listed below:

- **Umbrella Policy.** An umbrella liability policy provides extra protection over and above a standard CGL policy. While the terms of coverage are similar to the underlying liability policy, an umbrella policy provides additional coverage on top of the underlying liability policy and will pay, up to its stated limit, when the amount of the claim exceeds the underlying policy limit. Umbrella policy coverage limits typically are within the range of $1 million to $5 million and are appropriate for businesses and business owners who have large assets or may be vulnerable to claims and lawsuits.
- **Employment Practices Liability (EPL) Coverage.** This type of policy covers claims related to sexual harassment, race- or gender-based discrimination, wrongful termination, failure to employ or promote, or other employee-related claims. The cost of EPL coverage depends upon the number of employees, the company's history as the subject of such claims in the past, and other risk factors related to the business. A policy with EPL coverage would provide and pay for the legal costs associated with a company's defense of a lawsuit related to employment practices, as well as any damages that may be awarded up to the policy limits. Punitive damages generally are not covered by an EPL policy. However, some companies may allow a business to purchase additional coverage for punitive damage protection, although the cost of the policy will reflect this additional coverage. You should talk to your producer about whether you wish to purchase this coverage for your business and what types of protection you wish to have, coverage for compensatory damages or compensatory and punitive damages.
- **Professional Liability Insurance.** Professional liability insurance, or an errors and omissions (E&O) policy or a directors and officers (D&O) policy, provides coverage for damages caused by a professional advisor or a board member that arises out of the negligence, mistake or failure to take appropriate action in performing his or her professional duties or operating the business. The E&O policy would cover damages if, for example, an accountant failed to file a tax return on time and the business was assessed a penalty as a result. The D&O policy would cover damages if, for example, a board member failed to perform his legal duties and was sued

by a shareholder. While professional liability insurance is available to any type of professional who offers services, including a health care provider, lawyer, or accountant, only the named insured is eligible for such coverage. It is important to update policies when, for example, there is a change in the accountant, in-house counsel, or membership of the board of directors.

"Malpractice insurance" is a specific type of professional liability insurance that protects physicians and other licensed health-care professionals against liability claims associated with bodily injury, medical expenses and property damage, as well as the cost of defending lawsuits related to such claims. As with other liability insurance policies, premiums for professional liability insurance coverage depend upon the type of professional service provided and its level of risk.

- **Workers' Compensation Insurance.** This type of insurance protects a business and its owner(s) from claims by employees who suffer a work-related injury, illness or disease. Maryland, like all states, requires businesses to carry workers' compensation insurance for their employees. Workers' compensation insurance typically provides the injured employee with benefits to cover medical expenses, a portion of his/her lost wages, rehabilitation costs if applicable, and permanent partial or permanent total disability. This coverage is not part of your commercial general-liability insurance policy; you will need to purchase a separate policy to obtain this type of coverage. Check with the Maryland Workers' Compensation Commission (WCC) 410-864-5100 or 800-492-0479 or your producer about the needs of your business. (For more information, see the Workers' Compensation section of this brochure.)
- **Crime Insurance.** This type of policy protects businesses from theft and malicious damage.
- **Fidelity Bonds.** Fidelity bonds protect businesses from monetary and property losses caused by the fraudulent acts of specified individuals, usually its employees.
- **"E–insurance" or Internet Business Insurance.** This type of insurance covers web-based businesses for damages caused by computer hackers and viruses.
- **Cyber Liability Insurance.** This type of insurance is customized to fit the particular needs of your business. The policy may cover security breaches where sensitive information is either hacked or inadvertently disclosed. For example, the policy may pay for the increased expenses to: 1) provide credit monitoring for consumers in the event of a security breach; 2) repair or replace business assets damaged as a result of a security breach; or 3) operate the business if the security breach causes an interruption.

TIPS AND CONSIDERATIONS CONCERNING LIABILITY INSURANCE

- Liability insurance premiums typically are based on a business' sales and payroll estimates provided prior to policy inception. At the end of the policy term, your business may be audited to ensure that the proper premium was charged. If the actual amounts turn out to be higher after the policy has been issued, you may be required to pay an additional premium. Also, if the amounts are less than estimated, you may be eligible for a refund.
- Other factors that influence the amount of your liability insurance premium include the type of business you have and the types of risk generally associated with such a business. For example, a toy manufacturer may pay $3 per $1,000 of sales. Thus, on $10 million of sales, the premium would be $30,000. A company that manufactures a less risky product or engages in a less risky business, such as a florist, may pay $1.50 per $1,000 of sales, or $15,000.
- Insurance companies evaluate a business' liability risk based on several factors, including:
- the number of claims filed within an industry or probability of a claim for a similar type of company;
- the financial stability and longevity of a business;
- state laws;
- business products and/or operation; and
- the business' approach to handling and preventing potential risks.

If you have solid, documented safety practices and procedures in place, it could result in a lower premium and policy discounts, because such practices lower the risk of claims. Let your insurance producer and insurance company know of any such practices and procedures.

BUSINESS OWNERS POLICY: A PACKAGE SOLUTION

Many small business owners purchase a business package policy (BOP). A BOP typically includes liability insurance, property insurance, business interruption/continuation insurance and crime coverage. A BOP packages various types of coverages into one policy, so, for small businesses, it is often a less costly option than purchasing several separate policies. Many insurers customize BOPs for specific types of businesses.

You should be aware that a BOP does not cover claims of professional liability (claims arising from allegedly wrongful practice by professionals), auto insurance, workers' compensation, health or disability insurance—all of which require separate policies to be purchased.

HOME-BASED BUSINESS INSURANCE

Home-based businesses—like all businesses—should be properly insured to protect the business' assets and its owners against certain risks. Often, home-based businesses are underinsured—a fact the business owner usually discovers after an incident or loss occurs. Then the business owner learns that the insurance he/she has is inadequate or insufficient to address the type or amount of loss the business is facing. Talk to an insurance producer to be sure that you have the necessary coverages in place to protect yourself and your business against a loss or claim.

TYPES OF INSURANCE TO CONSIDER

Property and liability insurance is important to home-based businesses, because it protects against loss or damage to business property and equipment, such as computers. It also provides protection against claims due to accidents or injuries to customers, clients or others who may visit your home to conduct business.

Many home-based business owners believe their homeowners or renters insurance policy is adequate to cover their home-based business. However, that coverage may not exist or may not be sufficient. For example, most homeowners' insurance policies specifically exclude coverage for claims arising out of the business activities or limit the amount of coverage for damage or loss of business property to $2,500 in the home and $250 away from their home. These limits may be insufficient if a fire were to destroy your home office and all of its contents, including the business' inventory. Thus, it

is important to purchase the proper type of policy, as well as sufficient amounts of coverage under the policy to protect yourself and your business. Meet with a producer to discuss your business and obtain advice as to the types of insurance policies you may want to consider purchasing.

TIPS AND CONSIDERATIONS FOR REDUCING BUSINESS RISK

As a small business owner, you can take steps to minimize risk in the workplace, thereby helping to lower your insurance premiums. Here are some tips that could benefit your business, employees, customers and clients:

- Install fire and security alarms.
- Plan and train employees for an emergency on the premises, such as fires and evacuations.
- Have employees keep wallets and other personal items in a secure place. Keep the business' cash and other valuables in a safe.
- If employees work with machinery, provide goggles, gloves and other recommended safety gear to help prevent injuries.
- Keep office space in good physical condition. Maintain carpeting and railing on stairs. Make sure telephone and computer wiring is in good working condition and does not create any hazards.
- If your employees operate company cars, ensure they have clean driving records and proper training.

TIPS AND CONSIDERATIONS FOR LOWERING PROPERTY AND LIABILITY INSURANCE COSTS

- Review all insurance policies each year, and note any changes that may affect your coverage costs. For example, your premiums could be impacted by the addition or reduction of employees, client product offerings or inventory; alterations to your building or equipment; or changed state regulations.
- Find out how plans differ to ensure you are purchasing the best policy for your particular business at a competitive price.
- Claim a tax deduction for your premiums on fire, casualty and burglary insurance.
- Avoid purchasing overlapping policies. Carefully read the terms to make sure you are not covered for the same item in two separate policies. This type of policy examination also helps you ensure that you are not missing crucial coverage in other areas.

WORKERS' COMPENSATION INSURANCE

All Maryland employers are required to maintain workers' compensation insurance policy for their employees. Failure to obtain or maintain a workers' compensation insurance policy will expose your business to both civil and criminal liability.

A workers' compensation insurance policy protects a business and its owner(s) from claims by employees who experience a work-related injury, illness, or disease—either sustained on business premises or due to business operations. This type of coverage is "no-fault," meaning that if the injured employee's injury, illness or disease arose out of his or her employment, and it was accidental, then the injured employee will receive benefits regardless of fault. If however, an employee purposely injures himself (for example, by deliberately jumping off a roof), then the injury would not be covered even if the incident occurred during working hours and at the jobsite.

Workers' compensation insurance policies typically provide benefits to an injured employee for medical expenses, a portion of lost wages, rehabilitation costs and any permanent partial or permanent total disability the injured worker may sustain. In exchange for such compensation, the employee forfeits the right to sue the employer in court for any damages related to this injury.

You will need to purchase a separate workers' compensation policy to obtain this type of coverage. Check with the Workers' Compensation Commission at *www.wcc.state.md.us,* 410-864-5100 or 800-492-0479, or your producer to see what is required for your small business. If this is the first time you are purchasing workers' compensation insurance, your premium will depend on your payroll, the types of jobs employees perform (classification) and the type of business or industry you are operating. After a few years, your premiums may be based on the actual experience of your company.

Employers should be honest and exercise diligence in classifying individuals who perform work for their companies as employees. Under the Insurance Article, it is a fraudulent insurance act to knowingly or willfully make a false or fraudulent statement or representation in, or with reference to, an insurance application. An employer who misclassifies individuals who perform work for their companies may also be in violation of other state laws, including the Insurance Article, and may be subject to additional civil penalties and/or criminal prosecution under those laws. If you encounter any difficulty purchasing workers' compensation insurance in the private market, Chesapeake Employers Insurance Company may be able to underwrite coverage for your business. Chesapeake Employers Insurance Company can be contacted at 410-494-2000, 800-264-4943 or at *www.ceiwc.com*.

TIPS AND CONSIDERATIONS RELATED TO WORKERS' COMPENSATION INSURANCE

Take steps to minimize risk in the workplace, thereby lowering the chances of a worker getting injured. For example:

- If employees operate machinery, provide goggles, gloves and other recommended safety gear to help prevent accidents.
- Keep office space in good physical condition by maintaining carpeting and stair railings, and ensuring that telephone and computer wiring is in good working condition.

The U.S. Department of Labor's Occupational Safety & Health Administration (OSHA) offers specific information by industry type and provides other helpful resources to small businesses on how to comply with safety requirements that can limit work injuries. To learn more about OSHA's guidance to small businesses, visit the OSHA website at *www.osha.gov/dcsp/smallbusiness/index.html.*

OTHER TYPES OF COVERAGE TO CONSIDER FOR YOUR BUSINESS

FLOOD INSURANCE

If your business could be damaged by rising water, you should consider buying flood insurance, because property insurance policies generally do not cover damage caused by rising waters. Even if your building/business is not in a flood zone, it may be at risk for flooding. Flood insurance is an optional coverage offered through the federal government and some private companies. It may be purchased by contacting your insurance producer.

When deciding whether to purchase federal flood insurance, you should be aware of these important facts:

- There are two types of coverage available under the National Flood Insurance Program: (1) structural coverage for walls, floors, insulation, furnace and items that are attached permanently to the insured structure, and (2) contents coverage for the business' personal property. These coverages do not come together automatically, but must be purchased separately.
- There is a 30-day waiting period for a new or modified flood insurance policy to become effective, unless the lender requires that flood insurance be purchased in connection with a mortgage loan.
  If the lender requires this coverage, then there is no waiting period.
- The standard flood insurance policy covers direct losses caused by a flood, less an insurance deductible (usually $1,000). You may buy a policy that covers flood damage to both the structure and contents, or a policy that covers damage to only one. A business may need only one type of coverage if, for example, it does not own the building in which it is located, and the lease agreement does not require it to insure the premises. By law, the maximum allowable commercial property limit for a small business is $500,000.

To learn more about flood insurance for your business, talk with your insurance advisor.

EARTHQUAKE INSURANCE

While most people associate earthquakes with California, Maryland has recorded 68 earthquakes since 1758. Since 1986, 45 have occurred, most of which have been in the Columbia area of Howard County. Others have struck areas of Baltimore City, Baltimore County, Cecil County, Harford County and Montgomery County.

Business insurance policies do not cover damage from earthquakes. Instead, a business would need an earthquake insurance policy. Coverage is available either in the form of an endorsement or as a separate policy for small business owners. Deductibles for earthquake coverage are usually a percentage of the limit of liability, rather than a dollar amount. Unlike flood insurance, earthquake coverage is available from private insurance companies.

SURETY BONDS

A surety bond protects the party contracting for a particular service (the obligee) from a default on the contract by the service provider (the principal). For example, if the principal defaults by failing to fund a mortgage loan, the company issuing the surety bond will pay the obligee the amount owed under the contract. Then, the surety company can seek recourse against the principal for reimbursement of expenses incurred in performing the obligation; this is known as "surety's right of exoneration." Depending upon the type of business, Maryland law may require your business, or one with which you contract, to obtain a surety bond. Often, various types of construction and home improvement or repair contractors are required to have surety bonds as a condition of holding a license. Mortgage lenders and insurance companies also are required by law to maintain surety bonds.

INSURANCE FOR YOUR EMPLOYEES

HEALTH INSURANCE FOR SMALL BUSINESSES

Providing health insurance for employees—by far the single most expensive benefit offered by employers—is one of the greatest challenges many small businesses face today. As business owners know, health insurance is extremely important to most employees and is, therefore, a very powerful benefit in recruiting and retaining the best workers. Cost and availability of health insurance are the key issues.

Employers have a number of options if they decide to offer employer-based health care coverage. One of the best ways to fully understand all of these options can be to meet with a trusted insurance advisor/broker. Insurance brokers authorized by the Maryland Health Benefit Exchange (MHBE) can assist small businesses with direct enrollment in qualified health plans certified by MHBE's Small Business Health Options Program (SHOP). These authorized brokers can also assist you in determining whether you are eligible for a tax credit, which is only available if you select a plan certified by SHOP. For more information on SHOP, go to the SHOP Direct Enrollment page at *www.marylandhbe.com/carriers-and-shop-administration/shop-administrators/*.

TIPS AND CONSIDERATIONS CONCERNING GROUP HEALTH INSURANCE

The following are common terms used in describing health insurance, and the requirements that follow (i.e. Guaranteed Issue through Adjusted Community Rating) apply only to insurers and HMOs with respect to their participation in the small employer market:

Guaranteed Issue – This means all eligible employer groups who apply for health care coverage and that meet certain conditions are automatically accepted by the insurance carrier. No one can be excluded from or denied coverage due to a medical condition.

Guaranteed Renewal – This requires insurance carriers to renew all groups that continue to pay premiums. A group's coverage cannot be canceled because an employee or an employee's family member is sick. No medical underwriting is permitted.

No Pre-Existing Condition Limitations – This means that your insurance carrier cannot deny you coverage for a particular medical condition that existed prior to the effective date of coverage under that health plan.

Adjusted Community Rating – Premiums can only be modified based on age, tobacco usage, family size, and geographic location of the business. Insurance carriers cannot vary their rates based on health status.

To help you choose which health insurance policy best fits the needs of your employees and your business's financial resources, consider these important factors.

- **Before purchasing any insurance, interview several licensed producers who specialize in serving the health insurance needs of small businesses. Insurance brokers who are authorized by the MHBE can assist small businesses with direct enrollment in qualified health plans certified by SHOP and can also help determine eligibility for tax credits.**
  - When reviewing health insurance options, compare the costs of equivalent coverage from several insurers to be sure you're getting the best deal.
  - Check the IRS website to see if you are eligible for the Small Business Health Care Tax credit. You can learn more on the IRS website, *www.irs.gov/affordable-care-act/employers/small-business-health-care-tax-credit-and-the-shop-marketplace*.
  - Ask about premium increases over the past five years.
  - Talk to other small business owners to find out about their experiences with different kinds of health plans and insurers.
  - Health insurance is complex; don't hesitate to ask questions before you decide on a health plan. If you fail to get the answers you need from one insurer, contact others.
  - If you shop for insurance online, make sure your online source has approved Internet privacy protection from an organization like TRUSTe.

- **Understand the factors that may affect the cost of your small group health premiums.**

  Carriers may not determine your premium based on the claims experience or health status of your employees. The claims experience of all of the carrier's small businesses will be "pooled." The carrier will determine the "community rate" based on this pool.

Some health insurance cost factors are clearly outside of your control; other cost factors can be managed. For example:

- **The type of health product you select.** For example, HMOs tend to have higher premium rates than PPOs.
- **The specific benefits design you select.** For example, you can choose the following:
  - **The level of the deductible** –Generally speaking, the higher the deductible, the lower the premiums.
  - **The level of co-payments** – Selecting a PPO or POS health product with higher co-payments (i.e., the out-of-pocket amount the employee must pay toward a doctor visit or medical services) can reduce premiums.
- **The amount of health insurance costs you transfer to your employees.**
  - Many businesses ask their employees to bear a portion of the cost of their health insurance premiums for themselves and their dependents.
- **Educate your employees about your health plan coverage and health care.** The more they understand exactly what is and is not covered and follow the right procedures, the better you'll be able to manage your premiums.
  - Be sure your employees understand provisions in your plan that pertain to the need for pre-admission certification before entering a hospital or using an emergency room.
  - Encourage employees to ask their doctors about fees and the cost of procedures and to check their doctor and hospital bills to be sure there are no errors.
  - When appropriate, they should seek second opinions before complicated or expensive procedures or surgery.
  - Encourage employees to engage in healthy habits. Provide information about exercise, weight loss, smoking cessation, etc.
- **Do some other research on the insurer offering the health plan you're considering. Cost is not the only factor you should consider.**
  - Ask about the insurance company's customer service policies, whether there's a tollfree number and what its grievance procedures are.
  - Find out how many small businesses they insure in your state, and ask for references for small firms in a similar line of business.
  - Look into the complaint history of the insurer you're considering. You can find that out by accessing the National Association of Insurance Commissioner's Consumer Information Source (CIS) complaint database at *www.insureuonline.org.*

- **Take advantage of the tax benefits available to your company and your employees.**
  - Businesses can generally deduct 100 percent of the premiums they pay to qualifying health plans for their employees. Be sure to discuss this matter with your accountant or tax advisor.
  - Consider establishing flexible spending accounts (FSAs) for employees. These special savings accounts allow employees to make pre-tax contributions to a flexible spending account. When they incur qualified, out-of-pocket health care expenses, such as overthe-counter medication or co-pays, they can seek reimbursement. A certified public accountant or tax lawyer can advise you of the tax benefits and legal requirements for establishing such an account.
- **Always take the time to protect your business against scams by fake health insurance companies.**
  - Before you purchase any group health plan, make sure the insurer offering the plan is a legitimate company licensed to sell health insurance in your state. It's very easy to protect yourself and your employees – just call the MIA to make certain that the insurer is licensed to sell the product you are interested in purchasing.
  - Be cautious particularly if one insurer offers you a health plan that's significantly less expensive than other plans with comparable benefits.

GROUP DISABILITY INSURANCE

As a business owner, you may want to consider offering disability insurance to your employees. This type of coverage protects employees if they become disabled and unable to work. There are two types of disability insurance. Short-term disability insurance covers a portion of the policyholder's salary when faced with a disability that prevents the employee from being able to work for a short period. These periods typically cover disabilities lasting three to six months, and may require that the employee be unable to work for a specified time period before qualifying for coverage. Short-term disability coverage may, for example, be available to an employee who has undergone an operation and is restricted medically from working for 12 weeks following the surgery. Long-term disability coverage typically begins after the policyholder is disabled and unable to work for at least six months. It can extend for a specified number of years or until the insured retires or reaches the age of 65, depending on the policy selected. Whether it is a short-term or long-term policy, the amount of the benefit, the eligibility requirements and the maximum period of eligibility for benefits depends upon the language of the policy.

TIPS AND CONSIDERATIONS CONCERNING GROUP DISABILITY INSURANCE

- Some business owners purchase a group disability plan that may include short-term and longterm disability insurance coverage, or packages whereby the employer pays the premiums and the employees share costs. Rates for group plans generally are less expensive than individually purchased policies. The benefits payout from such policies can be taxable to the employee if the employer pays the premiums. Benefits from policies paid by the employee are tax-free.
- If group disability coverage is not an option, a business owner may choose to purchase individual long-term disability coverage for key employees, or provide voluntary employeepaid coverage that can be deducted from the participating employee's paycheck.
- Business owners may want to consider purchasing a disability policy for the owner that covers business overhead. This type of coverage ensures that a business can continue to function while the owner is recovering from a disability and that standard business expenses, such as payroll, utilities, rent, etc., continue to be paid. However, the business owner's salary is not covered.
- Some businesses choose to purchase long-term disability insurance for key employees and name the business as the beneficiary. By doing this, if a key person is disabled and unable to perform the usual duties of the job, the company can use the disability payouts to cover costs until the key person is able to return to work or a replacement can be hired.
- In some cases, a business may choose to provide disability insurance as a benefit or perquisite to its key employees, and in those cases, the employee would be named as the beneficiary.

GROUP LIFE INSURANCE

Most group life insurance is sold on a term basis. Term life insurance pays a death benefit if the policyholder passes away within a specified time period (the term of the policy). Group life insurance policies generally are "guaranteed issue," meaning that employees don't need to undergo a medical examination to be eligible. An employee who has a serious medical condition may still be a part of the group, as long as he or she is still an active worker. However, employees out on disability leave are not eligible for group life insurance until they return to work, unless they went on leave after the policy was issued.

Premiums for term life insurance policies have decreased markedly during the past decade due to the fact that Americans are living longer on average. Group life insurance can be part of an employee-benefit plan that is paid for by the employer, or a voluntary offering whereby the employee pays for the coverage.

Group life insurance policies tend to be less expensive than those purchased individually. This is because many group policies are only effective while the employee remains employed at the company through which the policy is offered. However, this may not always be the case.

To figure out a group rate, the insurance company usually will consider the following factors about a business:

- number of employees within the group;
- average age of employees;
- ratio of female to male (based on the statistic that women tend to live longer than men);
- number of smokers; and
- risk factors associated with the business.

Based on the business risk, for example, a marketing firm would probably have a lower group rate than a roofing company for equivalent coverage.

For more information about life insurance, refer to the MIA's guide entitled A Consumer Guide to Life Insurance at *www.insurance.maryland.gov* or call the MIA at 800-492-6116.

TIPS AND CONSIDERATIONS CONCERNING GROUP LIFE INSURANCE

- If you decide to offer group life insurance to employees, shop around for the best rates and packages. Different companies offer products at different rates, and depending upon your company's needs, one company's prices may be better than another.
- Purchasing all of your group packages (health, disability, etc.) from one company/producer will make it easier to track policies and make payments.
- Regularly review your group plans as your business grows. Examine how your group life insurance needs and premiums may change as a result of added employees or new capabilities your company offers, and make changes to your policies and/or benefit packages as necessary.
- If you're going to provide workers with voluntary group life insurance, check whether the policy you're offering allows them to continue coverage should they decide to change jobs. Also, see if there are additional stipulations in the policy that can make it more flexible for the employee, such as a waiver of premiums when a worker is on disability leave and may not have the funds to pay for the policy during that time.
- For policies paid by a business owner, the benefit often can be equivalent to a full year's salary, an amount that may not be sufficient for most people. Ask your producer whether it is possible for an employee to directly purchase additional coverage or purchase it through an employer-based contribution plan. These types of policies are viewed as an added benefit or "supplemental" to other life coverage an employee may already have independently or through your company. Purchasing additional coverage outside of what is offered through the group policy likely will require that the employee undergo a medical exam to determine the level of insurability based on his or her health. However, a voluntary life insurance policy can provide significantly more coverage, depending on the amount of money an employee wants to spend individually for that type of policy.

KEY PERSON LIFE INSURANCE

Within a small company, typically there are some key people who are critical to the success of the business. These individuals may be limited to the business' founders or partners, or defined more broadly to include other employees responsible for running a critical aspect of the business, such as the senior marketing or sales manager, chief engineer or software developer in the case of a technology company. The death of any of these key people would likely have a serious impact on the business' bottom line. Therefore, many small firms choose to purchase Key Person Life Insurance policies to protect the company. As the policy owner, the company is the beneficiary and receives the proceeds when the insured key employee dies. It is important to remember that the company must

have an insurable interest in the person it wishes to insure. As a general rule, as long as the person is responsible for a critical aspect of the business, the requirement will be met. The payout can help the company by providing cash to weather the loss and continue operations until a new employee can be hired and trained to carry out the functions of the deceased. If the deceased employee had an ownership interest in the company, the death benefit also provides the company with the funding to buy out the deceased employee's heirs so that control of the company is not lost.

In some cases, a small business seeking a loan from a bank or trying to raise capital from outside investors may be required by the lender or investor to carry life insurance for its partners. The bank even may require that the small business provide a collateral assignment agreement that gives the bank first rights to the policy proceeds to cover outstanding loans due in the event of one of the owners' death.

TYPES OF KEY PERSON POLICIES

Like individual life insurance policies, Key Person Life Insurance policies may be purchased as term life or permanent life policies.

- Term Life Insurance covers the insured for a term of one or more years. It pays a death benefit only if the insured dies within that term. Term insurance generally offers the most coverage for your premium dollar. However, it does not build up cash value. It may not be renewable at the end of the term or may cost considerably more to continue.
- Permanent Life Insurance, also known as Whole Life, Universal Life and Variable Life, typically includes both a death benefit and cash value. It is not limited to a term. Premiums tend to be higher than for term life insurance because of the cash value element.

TIPS AND CONSIDERATIONS CONCERNING KEY PERSON LIFE INSURANCE

A number of factors can affect life insurance premiums. These include:

- the age of the insured and his/her overall health. Life insurance companies typically ask about the insured's medical history, request access to medical records and even obtain blood and urine samples for testing.
- pre-existing and/or chronic health problems, such as diabetes, heart disease or cancer. These conditions may prevent a person from obtaining life insurance or can place him/her in a high-risk classification, subject to higher premiums.

- poor health habits, such as smoking and excessive drinking. Insurance companies may consider these behaviors and look back to see if the individual engaged in such behavior over the past five years or even longer.
- engagement in dangerous hobbies, such as skydiving, skiing or rock climbing.
- the insured's driving record, in terms of accidents, DWI/DUI citations, claims and tickets. The better his/her driving record, the better rates he/she may receive for life insurance.
- the insured's geographic area. Life insurance companies have access to regional data that documents mortality rates and life expectancy, and they use that data to calculate the rates they offer.

Key Person Life Insurance may be purchased when the company is formed. Going without this insurance leaves the company at risk, and opens the possibility that the key people could later develop health problems that would make insuring them more expensive. Sometimes it is necessary to purchase Key Person Life Insurance later, or add employees to the policy. In either case, in purchasing Key Person Life Insurance, consider which individuals in your company are critical to its financial success and what monetary contribution each key person makes to the company each year. This will help you decide for which employees policies are needed and what size policy to purchase. A company is not permitted to purchase key person life insurance on all of its employees. Instead, since the company is the beneficiary under a key person life insurance policy, Maryland law requires that this type of coverage be purchased only if the company has lawful and substantial economic interest in the life of the key employee.

Several factors should be considered when determining the amount of a key person's life insurance coverage. One is to utilize a multiple of that individual's annual salary; for example, two to five times his or her current salary. However, the actual amount of coverage some companies need may be significantly higher. For example, if funds will be used to buy out the deceased's share of the business, you may want to ask your accountant to provide a projected value of each owner's share and factor that information into determining the amount of the policy. Other considerations in determining the amount of coverage include:

- How much would it cost to replace the key person, both in terms of salary and training costs?
- How much does the key person contribute to the company's bottom line on an annual basis?
- How many years would it take to get a replacement performing at the same level as the key person?
- What level of premiums can the company afford?

As with all insurance, shop around and compare rates for comparable coverage from a variety of insurers.

CONTACT INFORMATION FOR MARYLAND BUSINESSES

STATE AGENCIES

CHESAPEAKE EMPLOYERS INSURANCE COMPANY

Chesapeake Employers Insurance Company, formerly IWIF, has specialized in providing workers' compensation insurance to Maryland businesses since 1914.

8722 Loch Raven Boulevard, Towson, Maryland 21286
410-494-2000
800-264-4943
www.ceiwc.com

JOINT INSURANCE ASSOCIATION (JIA)

The Maryland Joint Insurance Association (JIA) was originally founded in response to the requirements of the federal legislation called Fair Access to Insurance Requirements. For those individuals and businesses unable to obtain essential property insurance on dwellings, business property or homeowners through the competitive property/casualty insurance marketplace, the JIA can provide insurance coverage on properties located only within Maryland.

3290 N. Ridge Road, Suite 210, Ellicott City, Maryland 21043
410-539-6808
800-492-5670
www.mdjia.org

MARYLAND AUTOMOBILE INSURANCE FUND (MAIF)

The Maryland Automobile Insurance Fund (MAIF) was created by the Maryland State Legislature in 1972 for the purpose of providing automobile liability insurance for those residents of Maryland who are unable to obtain it elsewhere in the private insurance market.

1215 East Fort Avenue, Suite 300, Baltimore, MD 21230
410-269-1680
800-492-7120
www.mymarylandauto.com

MARYLAND DEPARTMENT OF COMMERCE

The Maryland Department of Commerce's mission is to attract new businesses, stimulate private investment and create jobs, encourage the expansion and retention of existing companies, and provide businesses in Maryland with workforce training and financial assistance. The Maryland Department of Commerce promotes the state's many economic advantages and markets local products and services at home and abroad to spur development, international trade and tourism. They are a major economic generator for the state. They also support the arts, film production, sports and other special events.

World Trade Center
401 E. Pratt Street, Baltimore, MD 21202
410-767-6300
888-ChooseMD (888-246-6736)
www.commerce.maryland.gov

MARYLAND DEPARTMENT OF DISABILITIES

The Department of Disabilities evaluates programs and services for Maryland residents with disabilities. The department also helps Marylanders find public and private agencies that provide particular services. You can contact the department at:

217 E. Redwood Street, Suite 1300, Baltimore, MD 21202
410-767-3660 (Voice)
800-637-4113 (Voice/TTY)
www.mdod.maryland.gov

MARYLAND INSURANCE ADMINISTRATION (MIA)

The Maryland Insurance Administration (MIA) is the state agency that regulates the business of insurance in the Maryland. If you are having a problem related to insurance, the MIA will try to help you solve that problem.

200 St. Paul Place, Suite 2700, Baltimore, MD 21202
410-468-2000
800-492-6116
www.insurance.maryland.gov

MARYLAND LIFE & HEALTH INSURANCE GUARANTY CORPORATION

The Life & Health Guaranty Corporation (LHGC) provides limited protection, as set forth in the Maryland Guaranty Corporation Act, to consumers who have policies or contracts with companies that are members of the LHGC. Contact them at:

6210 Guardian Gateway, Suite 195 APG, Aberdeen, MD 21005
410-248-0407
www.mdlifega.org

SMALL BUSINESS HEALTH OPTIONS PROGRAM (SHOP)

The Small Business Health Options Program (SHOP) helps Maryland small businesses and nonprofit organizations provide health insurance coverage to their employees. You can sign up through the SHOP any time of year. The SHOP is the only place where small businesses may enroll to qualify for a health care tax credit from the IRS to help lower the cost of coverage for their employees.

BenefitMall, Maryland Health Connection's SHOP Administrator
800-452-4559
www.benefitmall.com/Our-Products/Insurance
www.marylandhealthconnection.gov

WORKERS' COMPENSATION COMMISSION (WCC)

The Maryland Workers' Compensation Commission seeks to secure the equitable and timely administration of the provisions of the Maryland Workers' Compensation Law on behalf of its customers, the injured workers and their employers, by providing an efficient and effective forum for the resolution of individual claims.

10 E. Baltimore Street, Baltimore, MD 21202
410-864-5100
800-492-0479
www.wcc.state.md.us

MARYLAND DEPARTMENT OF HEALTH (MDH)

The Department of Health (MDH) oversees numerous boards, commissions and advisory groups relating to both private and public health issues. This includes Maryland Medicaid and the Maryland Children's Health Insurance Program, as well as the professional licensing boards for physicians, nurses and other medical personnel. A full listing of the boards and commissions that MDH oversees is available by contacting MDH at:

201 W. Preston Street, Baltimore, MD 21201
410-767-6500
877-463-3464
www.health.maryland.gov

The following is a limited listing of the offices within MDH:

Behavorial Health Administration – This agency is responsible for assisting people on Medicaid and people with limited incomes that are not on Medicaid to obtain quality mental health care. Contact them at:

Spring Grove Hospital Center, Dix Building
55 Wade Avenue, Catonsville, MD 21228
410-402-8300
410-402-8600
http://bha.health.maryland.gov

Health Care Financing (HCF) – HCF administers Maryland's medical assistance programs, including Maryland Medicaid and Maryland Children's Health Program. You can contact HCF at:

201 W. Preston Street, Baltimore, MD 21201
410-767-5343

Health Professional Boards and Commissions – MDH encompasses various boards that oversee the licensing of health care providers, including dentists and physicians. For a list of specific boards and contact information, visit MDH's website. Consumers also may file complaints about providers, and obtain information about the licensing status of a particular provider by contacting the appropriate licensing board. Contact them at:

201 W. Pratt Street, Baltimore, MD 21201
410-764-4700
http://health.maryland.gov/pages/boards.aspx

Health Services Cost Review Commission (HSCRC) – The HSCRC is responsible for setting the rates that Maryland hospitals may charge. They also publish the Consumer's Guide to Maryland Hospitals. Contact them at:

4160 Patterson Avenue, Baltimore MD 21215
410-764-2605
888-287–3229
www.hscrc.maryland.gov

Maryland Commission on Kidney Disease (MDCKD) – Provides reimbursement for approved services required as a direct result of end-stage renal disease (ESRD). Applications may be obtained from the affiliated dialysis or transplant facility, or by calling the MDCKD. Completed applications and all required documentation should be submitted to the following address:

4201 Patterson Avenue, Baltimore, MD 21215
410-764-4799
866-253-8461
http://health.maryland.gov/mdckd

Maryland Health Care Commission (MHCC) – Responsible for establishing quality and performance standards for HMOs, nursing homes, ambulatory surgery centers and hospitals. You can contact MHCC at:

4160 Patterson Avenue, Baltimore, Maryland 21215
410-764-3460
877-245-1762
www.mhcc.maryland.gov

Maryland Medicaid – This program is responsible for providing access to health care services to low-income residents of Maryland. Services are provided through three programs—Maryland Medicaid Program, Maryland Children's Health Insurance Program and Maryland Medicaid Pharmacy Program. For more information, contact your local Department of Social Services or your local health department. Or call the MDH Recipient Relations Hotline at:

410-767-5800
800-492-5231
http://mmcp.health.maryland.gov

Maryland Medicaid Pharmacy Program (MPP) – Maryland residents have several programs available to assist them to obtain prescription medication and supplies. To learn more, contact the Maryland Medicaid Pharmacy Plan at:

201 W. Preston Street, Room 408/409, Baltimore, MD 21201
800-492-5231, Option 3
http://mmcp.health.maryland.gov

Maryland Prevention and Health Promotion Administration – Dedicated to improving the health of Marylanders by preventing the transmission of infectious diseases, helping impacted people live longer, healthier lives, ensuring food safety, and protecting individuals and communities from environmental health hazards. This is accomplished by working in partnership with local health departments, providers, community-based organizations, and public and private sector agencies to provide public health leadership in the prevention, control, monitoring, and treatment of infectious diseases and environmental health hazards, and regulating food manufacturing facilities to ensure food safety.

201 W. Preston Street, Baltimore, MD 21201
410-767-5300
877-463-3464
http://phpa.health.maryland.gov

Office of Health Care Quality – This office is responsible for licensing and regulating hospitals and health-related institutions in Maryland. It also investigates quality of care complaints filed against health maintenance organizations. Contact them at:

7120 Samuel Morse Drive, Second Floor, Columbia, MD 21046
410-402-8015 or 877-402-8218
http://health.maryland.gov/ohcq/Pages/Home.aspx

FEDERAL AGENCIES

CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS)

The Centers for Medicare & Medicaid Services (CMS) is responsible for administering the Medicare program and working with the state to administer Medicaid, the State Children's Health Insurance Program, and the health insurance portability standards. Contact them at:

7500 Security Boulevard, Baltimore, MD 21244-1850
410-786-3000
877-267-2323
www.cms.gov
Medicare hotline – 800-MEDICARE

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Federal employees who have completed their plan's appeal process and would like the decision reviewed, may contact the Office of Personnel Management at:

1900 E Street, NW, Washington, DC 20415-1000
202-606-1800
800-877-8339 (TTY)
www.opm.gov

UNITED STATES DEPARTMENT OF LABOR

If your employer provides health coverage through a self-insured plan, you should contact your employer to learn how to appeal any decision with which you disagree. If you still are not satisfied with the decision, you may contact the U.S. Department of Labor at:

200 Constitution Avenue, NW, Washington, DC 20210
866-444-3272
202-693-8700 (Maryland District Office)
www.dol.gov/ebsa

U.S. SMALL BUSINESS ADMINISTRATION (SBA)

The U.S. Small Business Administration (SBA) was created in 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation. The SBA helps Americans start, build and grow businesses. Through an extensive network of field offices and partnerships with public and private organizations, SBA delivers its services to people throughout the United States, Puerto Rico, the U.S. Virgin Islands and Guam.

409 3rd Street, SW, Washington, DC 20416
800-827-5722
410-962-6195 (Baltimore District Office)
www.sba.gov
send e-mails to: answerdesk@sba.gov

NOTES:

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Maryland
INSURANCE ADMINISTRATION

200 St. Paul Place, Suite 2700
Baltimore, MD 21202
410-468-2000
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800-735-2258 TTY
www.insurance.maryland.gov

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