

What Small Business Owners Need to Know about Insurance



Agenda

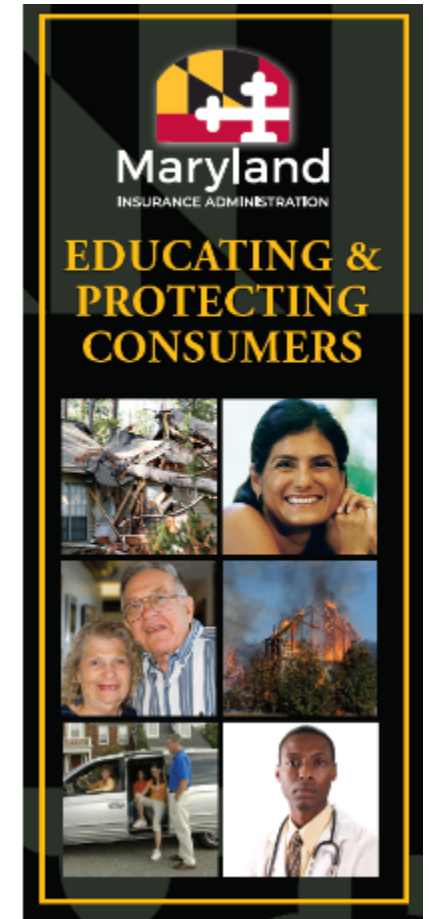
- Maryland Insurance Administration
- Introduction to Commercial Insurance
- What Type Automobile Policy Do You Need for Vehicles for Your Business
- What Type of Insurance Do You Need for Your Physical Space and Equipment
- What Type of Insurance Do You Need If You Can't Operate Your Business
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What is the Maryland Insurance Administration

The Maryland Insurance Administration (MIA) is the state agency that regulates insurance in Maryland. The MIA:

- Licenses insurers and insurance producers (agents or brokers).
- Examines the business practices of licensees to ensure compliance.
- Monitors solvency of insurers.
- Reviews/approves insurance policy forms.
- Reviews insurance rates to ensure rates are not inadequate, excessive or unfairly discriminatory.
- Investigates consumer and provider complaints and allegations of fraud.



What is the Maryland Insurance Administration

If you feel that your insurer or insurance producer acted improperly, you have the right to file a complaint. Examples of improper actions include:

- Improperly denying or delaying payment of all or portions of a claim;
- Improperly terminating your insurance policy;
- Raising your insurance premiums without proper notice;
- Making false statements to you in connection with the sale of insurance or processing of insurance claims; and
- Overcharging you for services, including premium finance charges.

Introduction to Commercial Insurance

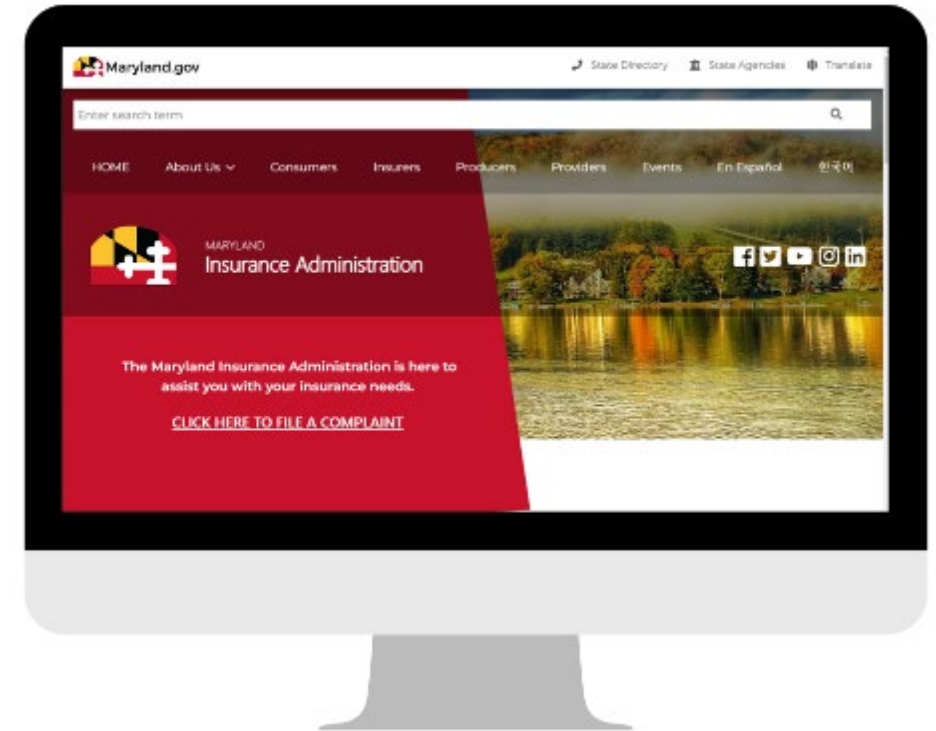
Many kinds of insurance are available to businesses. Which one you should purchase depends upon the individual risk characteristics of your business and the type(s) of loss you want to insure against.

A licensed insurance producer will be able to present you with different policy and coverage options. It is very important that the insurance producer understands the nature of your business so that they are able to evaluate the risk and provide you with the appropriate options.



Introduction to Commercial Insurance

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.



What Type Automobile Policy Do You Need for Vehicles for Your Business

Do you Need a Commercial or Personal Auto 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.



What Type Automobile Policy Do You Need for Vehicles for Your 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?



What Type Automobile Policy Do You Need for Vehicles for Your Business

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 Type Automobile Policy Do You Need for Vehicles for Your Business

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 declarations 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.



What Type Automobile Policy Do You Need for Vehicles for Your Business

More Tips and Considerations Concerning Commercial Auto Insurance:

- 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.



What Type of Insurance Do You Need for Your Physical Space and Equipment

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.



What Type of Insurance Do You Need for Your Physical Space and Equipment

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.

What Type of Insurance Do You Need for Your Physical Space and Equipment

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.

What Type of Insurance Do You Need for Your Physical Space and Equipment

With property insurance, you can purchase either actual cash value (ACV) or replacement cost value (RCV) coverage. ACV insurance reimburses you for the value of lost, damaged or stolen goods after depreciation is taken into consideration. RCV 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.



What Type of Insurance Do You Need If You Can't Operate Your Business

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 Insurance

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.



What Type of Insurance Do you Need If Someone Is Injured Related to the Operation of Your Business

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.



What Type of Insurance Do you Need If Someone Is Injured Related to the Operation of Your Business

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.



What Type of Insurance Do you Need If Someone Is Injured Related to the Operation of Your Business

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.

What Type of Insurance Do you Need If Someone Is Injured Related to the Operation of Your Business

The amount the insurer will pay depends upon:

- the amount of damages; and
- 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.

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:

- provide credit monitoring for consumers in the event of a security breach;
- repair or replace business assets damaged as a result of a security breach; or
- operate the business if the security breach causes an interruption.



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 insurers. It may be purchased by contacting your insurance producer.



Flood Insurance

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**:
 - Structural coverage for walls, floors, insulation, furnace and items that are attached permanently to the insured structure, and
 - 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.



Flood Insurance

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.



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.

**BUSINESS
OWNERS
POLICY
(BOP)**

Business Owners Policy: A Package Solution

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.



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.



Tips and Considerations for Reducing Business Risk

- 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.




Tips and Considerations for Lowering Property and Liability Insurance Costs

- 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.



Contact Information

Maryland Insurance Administration

 800-492-6116 or 410-468-2000

 insurance.maryland.gov



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U.S. Small Business
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March 8, 2023

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*According to the Institute for Business and Home Safety (IBHS).



U.S. Small Business
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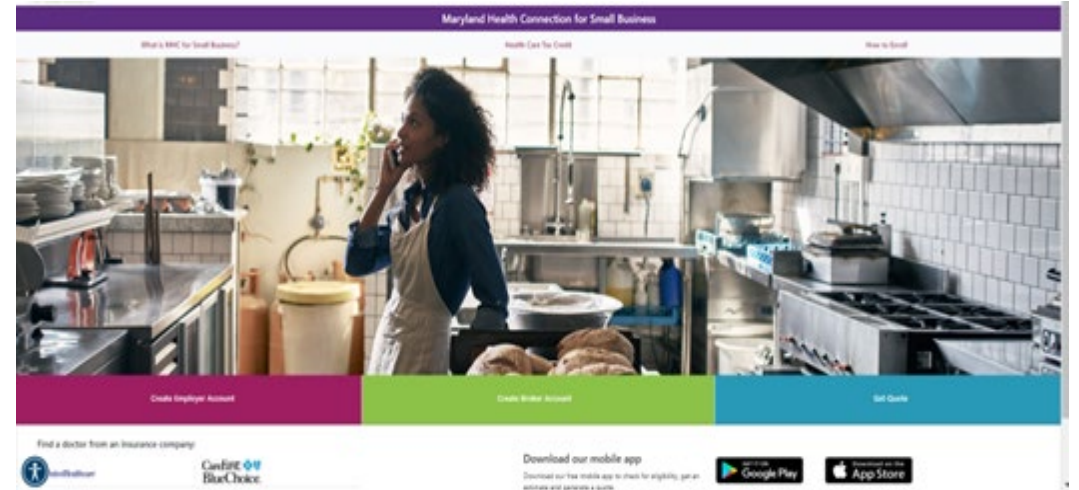
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For more information about Maryland Health Connection for Small Business, call our program manager, Mimi Hailegeberel at 410-299-9166.

Questions?

