







V. WHAT INSURANCE IS REQUIRED? ..... 44

**LAW REQUIREMENTS** ..... **44**

        Workers’ Compensation insurance ..... 44

        Other insurance ..... 44

**OTHER REQUIREMENTS** ..... **44**

VI. PROTECTIONS UNDER GEORGIA LAW ..... 45

**INSURER GUARANTY FUNDS** ..... **45**

**CANCELLATION BY THE INSURER** ..... **48**

GLOSSARY ..... 59

TELEPHONE NUMBERS FOR THE WORKERS’ COMPENSATION BOARD ..... 66

TELEPHONE NUMBERS FOR COMMISSIONER’S OFFICE ..... 66

TO REPORT A SUSPICIOUS FIRE..... 67

TO REPORTED SUSPECTED INSURANCE FRAUD..... 67

FOR HELP WITH YOUR INSURANCE QUESTIONS OR PROBLEMS ..... 68

THE NUMBERS FOR THE WORKERS’ COMPENSATION BOARD ..... 68





## I. PROPERTY AND LIABILITY INSURANCE

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

### A. PROPERTY INSURANCE

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

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

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

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

Whether your business is insured for **replacement cost** or **actual cash value**, it is important to keep track of the value of your property. For your buildings, inflation tends to increase the **replacement cost** of your property, while the **actual cash value** may change over time, decreasing as the building depreciates, or increasing if the cost to rebuild increases faster than the depreciation.

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

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

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

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

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



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

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

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

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

$$.8333 \times \$40,000 = \$33,332.$$

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

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

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

## **OTHER PROPERTY COVERAGE:**

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

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

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

**Business Interruption insurance.** Coverage is provided for loss of earnings of the business as a result of damage to or destruction of property. This coverage generally provides reimbursement for necessary salaries, taxes, rents, and other expenses that continue while the business is partly or totally inactive, plus net profits which would have been earned during the period of interruption, up to the limits of the policy.

**Extra Expense insurance.** This coverage is similar to business interruption, but covers the additional expense of keeping the business going on as nearly the same basis as possible after a covered loss to buildings or business personal property. The additional expenses must be actually incurred to be covered.

**Rents or Rental Value coverage.** Usually an endorsement to the building or personal property policy, it covers the lost rent or rental value while the building cannot be occupied due to a covered loss.

**Outdoor Signs coverage.** These signs are not usually covered under a basic policy, but may be added by endorsement or by purchasing a separate policy.

**Radio and TV Towers/Antennas coverage.**

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

**Inland Marine insurance.** This insurance is written primarily to cover property in transit, as well as property in the custody of bailees, such as dry cleaners, processors, laundries, etc. This type of insurance may also be used to cover such things as sales samples, contractors' equipment, patterns, exhibitions, boats designed for inland waters, and live animals.

**Ocean Marine insurance.** Special policies cover ocean-going vessels, their cargo, and liability for operation of the vessel.

**Glass coverage.** This insurance may be purchased to provide all risk coverage for breakage of glass that is a part of buildings and display cases. Insureds with large amounts of plate glass may want to buy this coverage to provide protection for damage otherwise excluded under most commercial property policies.

**Commercial Crime coverage.** Insurance may be purchased to cover your business personal property in the event of burglary or robbery, or to protect against accepting counterfeit currency. Most crime policies do not cover money and securities unless the policy is specifically designed for that purpose, such as a money and securities policy, or the policy has an endorsement extending the coverage.

**Boiler and Machinery insurance.** This coverage provides protection for damages caused by, and to, certain pressure, mechanical, and electrical equipment which keeps the business in operation, and basically insures against the three major exclusions found in most property insurance policies:

- (1) boiler explosion;
- (2) mechanical breakdown; and
- (3) electrical arcing.

Almost any type of equipment that controls, transmits, or uses high-pressure steam, mechanical, or electrical power can be insured under a boiler and machinery policy.

**Flood insurance.** This insurance covers losses to buildings and their contents due to flooding caused by rising water. Generally, flood insurance is not sold by private insurance companies, and coverage for this peril is not covered under most property insurance policies. The federal government sells insurance for direct flood and flood-related damage including mudslide and erosion under the National Flood Insurance Program (NFIP). Some insurance companies also offer policies through the NFIP in their own names. For more information, contact your agent or call the National Flood Insurance Program at 1-800-427-4661. This coverage may also be available under motor truck cargo insurance policies, all risk transportation endorsements, and bailees' customers' policies.

**Earthquake insurance.** Coverage for earthquakes is usually available through an earthquake extension endorsement that, for an additional premium, extends coverage to earthquakes and volcanic eruption. This is generally written with a deductible that is a percentage of the

value of the property that is damaged. It is important to discuss this coverage with your agent.

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

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

## GEORGIA UNDERWRITING ASSOCIATION

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

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

**Georgia Underwriting Association**

**3355 Annandale Lane, Suite 3**

**Suwanee GA 30024-2100**

## B. LIABILITY INSURANCE

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

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

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

**Premises and Operations coverage.** This insurance provides **bodily injury** and **property damage** liability coverage for accidents on your premises or arising out of your business operations.

**Products and Completed Operations.** This coverage provides protection for liability arising from goods or products manufactured, sold, handled or distributed by your business after the product is given to others and is away from the business premises. It also provides coverage for claims occurring away from your premises that arise out of operations that have been completed or abandoned. Other liability coverages are available as an **endorsement** to the CGL policy or as separate policies. Some of these are:



### **Owners' and Contractors' Protective Liability.**

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

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

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

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

**Professional Liability insurance.** These policies cover liability claims arising from wrongful acts, errors and omissions, or malpractice by medical practitioners, attorneys, accountants, engineers, or other professionals.

**Errors and Omissions insurance.** Like Professional Liability except this coverage is available for nonprofessionals who may be held liable for losses caused by their errors or oversights.

**Care, Custody, or Control.** Most basic liability policies exclude property in the care, custody, or control of the insured. This is important if you have property of others that you work on, or store, or if you do work on the premises of others. For example, if you are painting an interior wall in a building, the windows, doors, and trim on that wall (not to mention that expensive artwork), and probably the floor, ceiling, and other walls adjacent to the wall you are painting are in your care, custody, or control. Damage to these items would not be covered under your liability policy. If your business may be exposed to such losses, ask your agent about coverage under your policy, and the cost to purchase coverage if it is excluded.

**Pollution.** Basic business liability policies usually exclude damage caused by polluting the air, water or soil. Coverage can be added by **endorsement** for many businesses. However, businesses that have a particular exposure to pollution (such as a business using or handling chemicals) may need a separate pollution policy.

## **BASIS FOR LIABILITY CLAIMS PAYMENT**

Be sure to ask your agent or insurer how your professional liability policy or your **general liability** policy pays claims. These policies



frequently purchased by small to mid-size businesses is the Business Owners Policy (BOP). Another well-known commercial combination policy is the Commercial Package Policy (CPP).

## C. BONDS

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

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

## D. WORKERS' COMPENSATION INSURANCE

Georgia law requires that employers with three or more full or part time employees carry workers' compensation coverage. You may obtain this coverage through a company licensed to sell workers' compensation insurance in Georgia, through membership in a group self-insurance fund licensed in Georgia, or through programs offered by licensed Life and Health insurers offering workers' compensation alternative programs. You may also be





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

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

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

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

Department of Transportation and the Interstate Commerce Commission to check for any other insurance requirements.

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





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

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

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

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

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





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

-----

## II. LIFE AND HEALTH INSURANCE

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

### A. GROUP INSURANCE

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

**Group Life Insurance.** This coverage is most often offered as **term insurance** covering employees during the period of employment. It is commonly available as either a flat amount on each employee (such as \$10,000 or \$25,000), or as multiple of each employee's salary (often offered as a choice of one, two, or three times earnings). Coverage for the employee's spouse and dependent children is often offered as an option, but usually at much lower amounts.

**Group Health Insurance.** This protection is available in many different forms and offers a wide variety of choices of health care providers. Some of the more common forms of this coverage are:



**Point of Service Plans.** These plans utilize the covered employee's own family physician as a **gatekeeper**, subject to limitations set forth in the policy. Claims are usually paid on the same basis as the traditional health contract.

**Preferred Provider Organization (PPO).** A PPO is an arrangement whereby the insurer or qualified self insurer contracts with a Network of preferred health care providers to serve the health needs of the group members. Using a provider not on the preferred provider list will result in the employee paying additional amounts out of his or her pocket for the services.

### **Consumer Choice Option**

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



**NOTE:** As new combinations of health care delivery are tried the definitions become less stable. For instance, some traditional plans use **gatekeepers** similar to the description under Health



compensation law are usually not covered under these policies. Two types of coverage are commonly offered: short-term and long-term disability.

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

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



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

**Dental Insurance.** Many of the same forms of coverage are available as under health insurance, including traditional, HMOs and PPOs.

**Vision Care Plans.** These plans are also offered in a variety of forms.

**Specified Disease Policies.** These plans usually pay in addition to other group medical coverage and provide additional insurance for the most expensive medical conditions, such as cancer or heart disease.



**Accidental Death and Dismemberment.** Often referred to as “AD&D”, this coverage provides lump sum payments in the event of death or loss of specific body parts or their functions due to accident.

**Travel Accident Insurance.** This protection provides specific benefits for death occurring while a passenger is on public (or sometimes private) transportation. Additional benefits, similar to AD&D, can be added.

**Long Term Care Insurance.** This coverage provides for nursing home or other care usually associated with aging. Various amounts, time limits, and types of care are covered.



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



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



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

## B. SPECIALIZED PROGRAMS

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

**Business Overhead Expense Insurance.** Coverage protects the smaller business in the event the owner/operator becomes disabled. The policy is usually written for a monthly benefit equal to the fixed expenses of the business. Thus the rent or mortgage payment, utilities, taxes, insurance and other fixed expenses can be paid while the owner recovers from the injury or illness.

**Key Employee Life Insurance.** The death of a key person can mean the death of a business. To provide funds to search for or train a replacement and to make up

for lost revenues during this period, key employee coverage can be purchased.

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

-----









through a licensed Georgia surplus lines broker. Ask your agent for the **financial rating** of the surplus lines insurer.

-----





ensure your ability to make an accurate claim on business personal property to your insurance company. Copies of contracts, subcontractors proof of insurance, tax records, payroll records, and other business records may be invaluable in proving a loss as well as reducing the time your business is “down.” Give duplicates to your attorney or accountant, or keep them in a safe deposit box.

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

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



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

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



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

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

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

## V. WHAT INSURANCE IS REQUIRED?

### LAW REQUIREMENTS:

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

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

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

### OTHER REQUIREMENTS:

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

## VI. PROTECTIONS UNDER GEORGIA LAW

### INSURER GUARANTY FUNDS.

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

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

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

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

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

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

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

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

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

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

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

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

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



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

interest guarantees.



**CAUTION: Limits on the maximum amounts payable under the Guaranty Association and the Insolvency Pool may leave you with uninsured losses in the event of insurer insolvency. It is important that you are satisfied with the financial rating of your insurer.**

## CANCELLATION BY THE INSURER

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

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

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



eligible for continuation and/or conversion from group to individual insurance.



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



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

- **Fair claims settlement.** Insurers must investigate and settle claims in a prompt, fair, and equitable manner. They must respond to communications on claims in a timely fashion.
- **Health insurance conversion rights.** A group health insurance policy must include, for individuals covered continuously for 6 months or more, the right to convert to an individual policy on termination of the group coverage.
- **Small group health insurance rates.** The law places limitations on the way insurers calculate rates for groups of 50 or fewer. Georgia Law places limitations on certain forms of claims experience rating on small employer groups and requires “pooling” of claims experience of all small employers by an insurer.



arsonists. Calls to the arson hotline are confidential.

To report suspected arson call:

**Arson Hotline:**  
TOLL FREE (800) 282-5804

-----



(404) 656-2070  
TOLL FREE (800) 656-2298

**Or**, enter a complaint on our web complaint form:

[www.oci.ga.gov](http://www.oci.ga.gov)

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

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

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

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

If you have a hearing or speech impairment, Insurance Commissioner JRKQ).LQJ 's office is readily available to you. Just call our TDD number.

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

**The Department of Insurance will:**

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

- Correct misunderstandings.

**But the Department cannot:**

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

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

## **Loss Exposure Checklist**

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

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

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

You also may want to consider having an insurance counselor review your insurance coverage. A counselor charges for his or her services, but cannot receive a commission on the same insurance subject on which they charge a counselor's fee. Thus they are

working for you and have no incentive to recommend more or less insurance than is needed.

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

**Insurance and Safety Fire Commissioner**

**John F. King:**

(404) 656-2100

# LOSS EXPOSURE CHECKLIST

## I. DIRECT DAMAGE TO PHYSICAL ASSETS

Location # \_\_\_\_\_

Street Address: \_\_\_\_\_

**Building:**

Replacement Cost: \$ \_\_\_\_\_

Actual Cash Value: \$ \_\_\_\_\_

**Glass:** \$ \_\_\_\_\_

**Outdoor Signs:** \$ \_\_\_\_\_

**Contents (business personal property)**

Replacement Costs: \$ \_\_\_\_\_

Actual Cash Value: \$ \_\_\_\_\_

**Boiler and Machinery:** \$ \_\_\_\_\_

**Data Processing Values:**

Hardware: \$ \_\_\_\_\_

Cost to Reproduce Data: \$ \_\_\_\_\_

**Valuable Papers:** \$ \_\_\_\_\_

**Customers Property:** \$ \_\_\_\_\_

**Radio and TV Towers/Antennas:** \$ \_\_\_\_\_

**Jewelry:** \$ \_\_\_\_\_

**Antiques:** \$ \_\_\_\_\_

**Fine Art:** \$ \_\_\_\_\_

**Other Valuable Items:** \$ \_\_\_\_\_

**Rent Income or Rental Value:** \$ \_\_\_\_\_

Does the Building Have ....

Alarm System:

Burglar: Yes/No

Fire/Smoke: Yes/No



Sprinkler System:	Yes/No
Watchman Service:	Yes/No
Other Security System:	Yes/No
Elevators or escalators:	Yes/No
Is the building subject to building codes or ordinances that would increase the cost of repairs?	Yes/No
Values for all locations combined	\$ _____
Contractors Equipment, total value:	_____
Accounts Receivable, maximum value:	_____
Motor Truck Cargo:	
Maximum any one vehicle:	\$ _____
Maximum all vehicles:	\$ _____
Maximum any one incidental Storage location:	\$ _____
Total Business Annual Income:	_____
Advertising Income:	_____
Payroll, total annual:	_____
Monthly extra expense necessary to keep your business operating if your building (s) could not be occupied due to a loss	\$ _____
Maximum amount of your business' money or securities handled by:	_____
Any one employee:	\$ _____
All employees:	\$ _____
Maximum amount of money or securities belong to others handled by:	_____
Any one employee:	\$ _____
All employees:	\$ _____

**Values for all locations combined**

Automobile Physical Damage:  
 Attach list of vehicles \_\_\_\_\_ # of vehicles deductible

**Collision:** \$

**Comprehensive:** \$

Named Perils:

**Liability Limits needed:** limit

Automobile: \$

General Liability (non-auto): \$

Umbrella: \$

Other \_\_\_\_\_: \$

Other \_\_\_\_\_: \$

**Crime Coverage:** coverage

Burglary:

Robbery:

Theft:

Safe Burglary:

Other \_\_\_\_\_: \$

Other \_\_\_\_\_: \$

Other \_\_\_\_\_: \$

Other \_\_\_\_\_: \$

## GLOSSARY

### **Actual Cash Value:**

Buildings – replacement cost less depreciation

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

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

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

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

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

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

**Burglary:** See Crime.

**Business Interruption:** Loss of business income because of loss or damage to the building(s) or personal property of the business (insured under a business interruption policy or endorsement).

**Coinsurance:**

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

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

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

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

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

**Copayment:** The dollar amount the covered person pays under a health insurance policy, or health benefit plan, for each treatment

(or for each doctor or hospital visit, or for each prescription drug treatment, or other basis as specified in the policy or plan).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Motor Truck Cargo:** A form of inland marine insurance that covers shipments by motor vehicle. (Usually the policy covers a

specific territory or radius from a certain point and may cover risks incidental to the transportation, such as warehousing along the route or ferrying or “piggy-backing.”)

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

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

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

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

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

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

**Reporting Form:** A method of determining the coverage and premium for certain property and casualty insurance policies, where the insured reports property values, payrolls, sales, or some

other business figures on a periodic basis (usually monthly or quarterly).

**Rider:** See endorsement.

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

**Risk Retention Group:** A business chartered and licensed as an insurance company in one state and, under federal law, allowed to insure its members in other states without being licensed in those other states or complying with most of those other states insurance laws.

**Robbery:** See Crime.

**Safe Burglary:** See Crime.

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



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

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

**Theft:** See Crime.

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

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

## TELEPHONE NUMBERS FOR THE WORKERS' COMPENSATION BOARD

**To inquire about a Workers' Compensation claim:**

(404) 656-3818

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

(404) 656-4893

## TELEPHONE NUMBERS FOR COMMISSIONER'S OFFICE

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

If you are calling:

Dial this number

To see if an insurer is licensed:

(404) 656-2074

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

(404) 656-2100

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

(404) 656-2074

To see if an HMO is licensed: (404) 656-2074

To see a workers' compensation group self-insurance fund is licensed: (404) 656-2074

To see if a multiple employer welfare arrangement (trust) is licensed: (404) 656-2074

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

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

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

## **TO REPORT A SUSPICIOUS FIRE**

Arson hot line                      TOLL FREE                      (800) 282-5804

## **TO REPORTED SUSPECTED INSURANCE FRAUD**

(800) 726-6070

**\*ALL CALLS REMAIN ANONYMOUS\***

## **FOR HELP WITH YOUR INSURANCE QUESTIONS OR PROBLEMS**

(800) 656-2298

If you have a speech or hearing impediment call:

Metro-Atlanta	(404) 656-4031
Remainder of Georgia	(800) 656-4031

## **THE NUMBERS FOR THE WORKERS' COMPENSATION BOARD**

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

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

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