

Small Business Risk Management

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TOPICS

1. Commercial General Liability (CGL) Insurance
2. Errors and Omissions Coverage
3. Automobile Insurance
4. Workers' Compensation Insurance
5. What to do in the Event of a Claim

COMMERCIAL GENERAL LIABILITY INSURANCE

Overview

- Basic commercial general liability insurance in Georgia protects a business against personal injury and property damage claims.
- The policy also covers litigation costs related to injury or damage.
- Business owners who think that a simple general liability insurance may not be sufficient, such as those with high risk businesses, should get an umbrella policy. This type of policy provides coverage for additional risks not covered in the general policy.

COMMERCIAL GENERAL LIABILITY INSURANCE

What does it typically cover?

- **Bodily Injury:** physical damage to a person other than an employee at your place of business and injuries caused by you or an employee at a client's home or work place.
- **Property Damage:** damage caused to your property or to someone else's property.
- **Personal Injury:** libel, slander, copyright infringement, invasion of property or privacy, wrongful eviction, false arrest and similar acts that cause damage to a person's reputation or rights.
- **Advertising Injury** – coverage for the following offenses in connection with the insured's advertising of its goods or services: libel, slander, invasion of privacy, copyright infringement, and misappropriation of advertising ideas. Note that this generally does not include punitive damages for negligence or willful misconduct.

COMMERCIAL GENERAL LIABILITY INSURANCE

Insurance Requirements

- Commercial Liability Insurance is not mandatory for businesses operating in Georgia, but accidents and resulting claims/lawsuits still happen!
- The type of business you operate or products you manufacture should determine how much commercial general liability insurance you need.
- If your line of work is a high-risk business, such as construction, or has a high volume of interaction with the public, such as a restaurant or retail business, you may want to consider increasing your coverage.
- Note that if you operate out of your home, your homeowner's or renter's insurance may not provide coverage for any business liability and loss.

COMMERCIAL GENERAL LIABILITY INSURANCE

Common Coverage Exclusions

- Worker's Compensation
 - This insurance does not apply to any obligation of the insured under a worker's compensation, disability benefits, or unemployment compensation law or any similar law.
- Employer's Liability
 - Bodily injury to an employee of the insured arising out of or in the course of employment by the insured or performing duties related to the conduct of the insured's business
 - The spouse, child, etc. of the employee

COMMERCIAL GENERAL LIABILITY INSURANCE

Common Coverage Exclusions

- Liquor Liability
 - This insurance does not apply to bodily injury or property damage for which an insured may be held liable by reason of causing or contributing to the intoxication of any person, furnishing alcohol to a person under the legal drinking age or under the influence of alcohol

COMMERCIAL GENERAL LIABILITY INSURANCE

Common Coverage Exclusions

- Property Damage
 - This insurance does not apply to property damage to property you own, rent or occupy, property loaned to you, or property damage in your care, custody or control.

COMMERCIAL GENERAL LIABILITY INSURANCE

Common Coverage Exclusions

- Automobiles and other vehicles
 - This insurance does not apply to bodily injury or property damage arising out of the ownership, maintenance or use, or entrustment to others, of any auto.

ERRORS & OMISSIONS COVERAGE

What is it?

- Also known as Professional Liability Coverage – most common to doctors, lawyers, accountants, architects, engineers, investment advisors, and insurance agents.
- Insures you against negligence, misrepresentation, violation of good faith and fair dealing, inaccurate advice, etc.
- Although Georgia law doesn't require most businesses to obtain professional liability coverage, it may be worth your consideration.
 - Other professions that should consider E&O coverage - advertising agencies, commercial printers, web hosting companies, wedding planners, real estate agents, appraisers, home inspectors, staffing agencies

ERRORS & OMISSIONS COVERAGE

Why get E&O Coverage?

- A typical commercial general liability policy only covers bodily injury, property damage, or personal/advertising injury.
- However, various professional services and products can give rise to legal claims without causing any of the specific types of harm covered by your commercial general liability policy.
- Professional liability coverage also often provides for legal defense costs if litigation becomes necessary.

ERRORS & OMISSIONS COVERAGE

What will my policy look like?

- A typical policy will provide indemnity to the insured against loss arising from any claim or claims made during the policy period by reason of any covered error, omission or negligent act committed in the conduct of the insured's professional business during the policy period.
- Some policies are more tightly worded than others, so it is important to thoroughly read your policy.
- Coverage is usually continued for as long as the policyholder provides covered services or products.

AUTOMOBILE LIABILITY INSURANCE

Overview

- If you are operating a vehicle for any business-related purposes, you may need commercial automobile insurance.
- Automobile insurance companies typically view the risks covered by commercial insurance and personal insurance as two completely different things. This is mainly because businesses typically face more risks in the daily operation of vehicles than a private citizen would.
- If you carry a personal automobile insurance policy and you file a claim for an accident that occurred while driving for business purposes, you may find that your automobile insurance company will not pay the claim.

PERSONAL AUTOMOBILE LIABILITY INSURANCE

Common Coverage Exclusions

- Business Use
 - Coverage does not apply to bodily injury or property damage arising out of the use of a vehicle or trailer while being used to carry persons or property for a compensation or a fee.
- Employment
 - Coverage does not apply to bodily injury or property damage to an employee of an insured arising out of or occurring within the course of employment.

COMMERCIAL AUTOMOBILE INSURANCE

Who needs Commercial Auto Insurance?

- Trucks, utility vans, delivery vehicles, and any vehicle owned by your business
- Simply put, if you use a vehicle or vehicles for your profession or business (other than commuting to work), it's likely you need commercial auto insurance.
- If you use your personal vehicle for work-related purposes and you aren't sure if you need commercial auto insurance, ask your insurance agent.

COMMERCIAL AUTOMOBILE LIABILITY INSURANCE

What does Commercial Automobile Insurance Cover?

- Commercial automobile insurance generally provides the same major coverages that private individuals purchase (usually at higher limits).
- However, there are many add-ons and endorsements more suited for commercial driving, such as coverage for your:
 1. **Employees:** including fellow employee coverage and broadened and blanket policies that protect additional employees or people for whom your business is doing work.
 2. **Equipment:** including equipment for loading and unloading goods.
 3. **Business:** which protects the assets of your business in the event of a lawsuit.

COMMERCIAL AUTOMOBILE LIABILITY INSURANCE

How much coverage do I need?

- Limits in commercial automobile insurance policies typically differ from personal automobile insurance limits in one major way.
- Standard liability insurance policies usually break limits out into separate categories for property damage and personal injury.
- However, a commercial automobile insurance policy generally has a **combined** single limit for both personal and property damage.
- This means that claims under your commercial automobile insurance policy will typically be covered under one limit.

COMMERCIAL AUTOMOBILE LIABILITY INSURANCE

Coverage Continued

- You must meet Georgia's liability insurance minimum requirement which is:
 - Bodily Injury
 - \$25,000 per person
 - \$50,000 per accident
 - Property Damage
 - \$25,000
- However, the bodily injury and property damage limits are usually combined into a single limit.
- It is not uncommon to see coverage limits ranging from \$500,000 into the millions.

COMMERCIAL AUTOMOBILE INSURANCE

Other Optional Coverages

- **Uninsured/underinsured motorist insurance:** This insurance protects you if you're involved in an accident with another driver who has no insurance or not enough insurance.
 - Relatively inexpensive compared to the premiums for liability coverage under the policy
- **Medical payments coverages:** Medical payments coverages help take care of expenses incurred when you and/or your passengers are injured in an accident.
- **Emergency roadside insurance:** Emergency roadside insurance helps you in the event you're left stranded on the side of the road.
- **Personal effects insurance:** Some insurance companies provide personal effects coverage that takes care of your or your employees' personal property in the event of damage or theft. Usually, this coverage is up to a certain dollar amount.

COMMERCIAL AUTOMOBILE INSURANCE

Uninsured/Underinsured Motorist Coverage

- Financially safeguards your business and protects your employees.
- Example – Employee is involved in an accident with an uninsured vehicle. Since the accident occurred in a work capacity, your employee's personal coverage may not pay for the expenses. That means your employee could be stuck paying the medical bills. However, if your company carried uninsured motorist protection, your carrier would cover those expenses.
- Example Continued – What about the costs to repair the company vehicle your employee was driving? Is your company strong enough to shoulder the body shop bills on its own?

WORKERS' COMPENSATION

Overview

- Georgia requires any employer with at least three employees to obtain workers' compensation insurance.
- Workers' compensation insurance pays for the care of employees who are injured or become disabled in the course of executing their duties at work.
 - Compensation is provided regardless of whether the employer or employee was at fault for causing the injury.
 - Workers' compensation is an employee's exclusive remedy even if the employer was negligent in causing the injury.
- Insurance premiums are paid by the employer and should NEVER be deducted from employee wages.
- An employee may only collect workers' compensation benefits if her injury arises out of and in the course and scope of employment.

WORKERS' COMPENSATION

Preventing Injury: Drug Free Work Zones

- The SBWC provides up to a 7.5% reduction in insurance premiums to employers certified as drug free work zones.
- Application fee is \$35.
- Apply online at Georgia State Board of Workers' Compensation website <https://sbwc.georgia.gov/drug-free-workplace>

WORKERS' COMPENSATION

Preventing Injury: Tailored Safety Training

- Pre-employment training
- Consider annual training sessions as a refresher
- Especially applicable if people require special licenses to operate machinery or if nature of employment is dangerous

WORKERS' COMPENSATION

Preventing Injury: Pre-Employment Physicals

- Determine physical capabilities and ailments that may put the employee at an elevated risk of injury.
- Documenting the employee's pre-employment physical condition will also be helpful should the employee file a workers' compensation claim to eliminate any confusion about the cause of the employee's injury.
 - Consider requiring submission to annual physical examinations as a condition of an employee's initial employment

WORKERS' COMPENSATION

Preparing for Injury: Educate Employees

- No matter what you do to prevent injury, accidents are inevitable. Prepare for the worst and hope for the best!
- Make sure injured employees are aware of proper reporting procedures in case of an accident.
- Encourage injured employees to immediately report their injuries to their supervisors to ensure accurate documentation of the incident.
- Documentation is key.

WORKERS' COMPENSATION

Preparing for Injury: Educate Managerial Staff

- Ensure supervisors are aware of proper protocol after an accident is reported.
- Employers are required to clearly display a list of physicians who have been preapproved by your WC insurance carrier to treat injured workers.
- **Do not forget to advise your injured worker to treat with one of the posted physicians.** If you don't, the injured worker can treat with whomever they want. This can impact you negatively if the injured worker chooses notoriously claimant friendly doctor.
- Contact your WC carrier immediately.

WHAT TO DO IN THE EVENT OF A CLAIM

- Know your policy:
 - It is important that you read your policy and understand what is covered.
 - Consult your insurance agent to discuss any questions you have about your coverage.
- Report the claim to your insurance carrier immediately.
 - Consider asking your agent for a copy of the letter, email, etc. showing that they have given notice to your insurance company.
 - Also consider personally following up with your agent and/or insurer to make sure that the insurer has confirmed receipt of the notice of claim.

WHAT TO DO IN THE EVENT OF A CLAIM

Continued

- Follow the guidelines for appropriately documenting the claim.
 - Some policies require written notification – this is why it is so important to read your policy and know what it says.
- Maintain open communication with the insurance adjuster and/or attorney working on the claim.
 - Most policies require that you cooperate with your insurer in the investigation of a claim, and may even require that you provide certain documentation, submit to recorded examinations (statements), etc.

RESOURCES

- International Risk Management Institute: <http://www.irmi.com/free-resources>
- State Board of Workers' Compensation: <https://sbwc.georgia.gov/>
- U.S. Small Business Administration: <https://www.sba.gov/offices/district/ga/atlanta>
- Office of Insurance & Safety Fire Commissioner: <http://www.oci.ga.gov/home.aspx>