

# Commercial Insurance

## Business Insurance

Business insurance policies can provide protection from all major property and liability risks in one package or as separate coverages. One package that is often purchased by small and medium-sized businesses is the businessowners policy (BOP). However, larger companies might purchase a commercial package policy or customize their policies to meet the special risks they face.

BOPs include:

- Property insurance for buildings and contents owned by the company.
- Business interruption insurance, which covers the loss of income resulting from fire or other catastrophe that disrupts the operation of the business. It can also include the extra expense of operating out of a temporary location.
- Liability protection, which covers a company's legal responsibility for the harm it may cause to others. This harm is a result of things that an employer or employee does that may cause bodily injury or property damage to defective products, faulty installations and errors in service provided.

BOPs, however, do not cover professional liability, auto insurance, workers' compensation or health and disability insurance.

## Business Interruption Insurance

Business interruption insurance can be as vital to your survival as a business as fire insurance. Most people would never consider opening a business without buying insurance to cover damage due to fire and windstorms. But too many small businessowners fail to think about how they would manage if a fire or other

disaster damaged their business premises so that they were temporarily unusable. Business interruption coverage is not sold separately. It is added to a property insurance policy or included in a package policy.

A business that has to close down completely while the premises are being repaired may lose out to competitors. A quick resumption of business after a disaster is essential.

- Business interruption insurance compensates you for lost income if your company has to vacate the premises due to disaster-related damage that is covered under your property insurance policy, such as a fire. Business interruption insurance covers the profits you would have earned, based on your financial records, had the disaster not occurred. The policy also covers operating expenses, like electricity, that continue even though business activities have come to a temporary halt.
- Make sure the policy limits are sufficient to cover your company for more than a few days. After a major disaster, it can take more time than many people anticipate to get the business back on track. There is generally a 48-hour waiting period before business interruption coverage kicks in.
- The price of the policy is related to the risk of a fire or other disaster damaging your premises. All other things being equal, the price would probably be higher for a restaurant than a real estate agency, for example, because of the greater risk of fire. Also, a real estate agency can more easily operate out of another location.

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## Disasters Not Covered

### Protection against flood damage

Property insurance policies usually exclude coverage for flood damage. Find out from your local government office or your commercial bank whether your business is located in a flood zone. Also ask around to find out whether your location has been flooded in the past.

If you need to buy a flood insurance policy, contact your insurance agent or the National Flood Insurance Program. For more information about this program call 888-CALL-FLOOD or look at its web site <http://www.fema.gov/nfip/>. The federal government requires buildings in flood zones that don't conform to flood plain building codes to be torn down if damage exceeds 50 percent of the market value. Consider purchasing "ordinance or law" coverage to help pay for the extra costs of tearing down the structure and rebuilding it.

### Protection against terrorist attack losses

Under the Terrorism Risk Insurance Act of 2002, only businesses that purchase optional terrorism coverage are covered for losses arising from terrorist acts. The exception is workers' compensation, which covers injuries and deaths due to acts of terrorism.



## Saving Money

Here are ways to save money on business insurance:

### Shop around.

Prices vary from company to company, so it pays to shop around. Get the names of companies or brokers who specialize in your type of business. Call several so that you can compare prices and get a feel for the types of services they would provide.

### Choose a higher deductible.

Deductibles represent the amount of money you pay before your insurance policy kicks in. The higher the deductible, the less you will pay for the policy.

### Buy a package policy.

It can sometimes be cheaper to purchase a package policy, such as a Businessowners Policy (BOP), rather than individual coverages. A package policy provides standard coverages and limits of liability that are appropriate for typical small-to-medium-sized businesses.



### Work closely with your agent.

Your insurance professional can provide invaluable advice to help protect your business from unexpected disasters.

### Ask about ways to prevent losses.

You may be able to reduce your premium for certain coverages by following your insurance company's recommendations. These can include workplace safety, disaster preparation, and human resource intervention.

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## Workers' Compensation Insurance

Workers' compensation is an insurance system, mutually beneficial to both employees and their employers. It serves two basic purposes:

- To provide benefits to employees who have suffered a work-related injury or illness; and
- To protect employers from costly litigation over claims of work-related injuries and illnesses.

Benefits to the injured employee can include one or more of the following:

- Appropriate medical treatment;
- Partial replacement of lost income in cases where an employee is unable to work for more than seven days (or death benefits paid to dependent survivors in the event of a fatal injury or illness);
- Vocational rehabilitation so the injured worker can return to gainful employment as quickly as possible.

Workers' compensation is the oldest form of no-fault insurance. First established in Germany in 1856 and adopted soon after by England and most of Western Europe, workers' compensation insurance was enacted in Michigan in 1912. By 1920, all but eight of the other states had passed workers' compensation laws.

Workers' compensation is "no-fault" in the sense that benefits are paid without regard to who or what caused or contributed to an injury or illness that **"arises out of, or in the course of, employment."** Before this insurance system was established, an employer could be sued for negligence and could only defend himself/herself against such lawsuits by proving that the employee was at least partially at fault, that a fellow employee contributed to the injury, or that the employee assumed the risk of potential injury by accepting the job.

All private employers must have workers' compensation coverage if:

- They regularly employ three or more workers at one time; or
- During the preceding 52 weeks, they have regularly employed at least one worker for 35 hours or more per week for 13 weeks or longer.

All public employers must have coverage. Any other employer can voluntarily choose to buy workers' compensation coverage. By doing so, the employer is protected against being sued in the event a worker is injured on the job.

## Workplace Injuries

Fatal work injuries are estimated at 123 in 2008 for Michigan, an increase from 120 in 2007, according to the U.S. Department of Labor's Bureau of Labor Statistics.

Most workplace fatalities in Michigan in 2008 were the result of highway incidents (18), assaults/violent acts (13), and pedestrians being struck by a vehicle (13) and falls (17).

### Fatal Occupational Injuries in Michigan 2000-2008

<u>Year</u>	<u>Fatalities</u>
2000	156
2001	175
2002	152
2003	152
2004	126
2005	110
2006	157
2007	120
2008	123*

Source: Bureau of Labor Statistics

\*preliminary