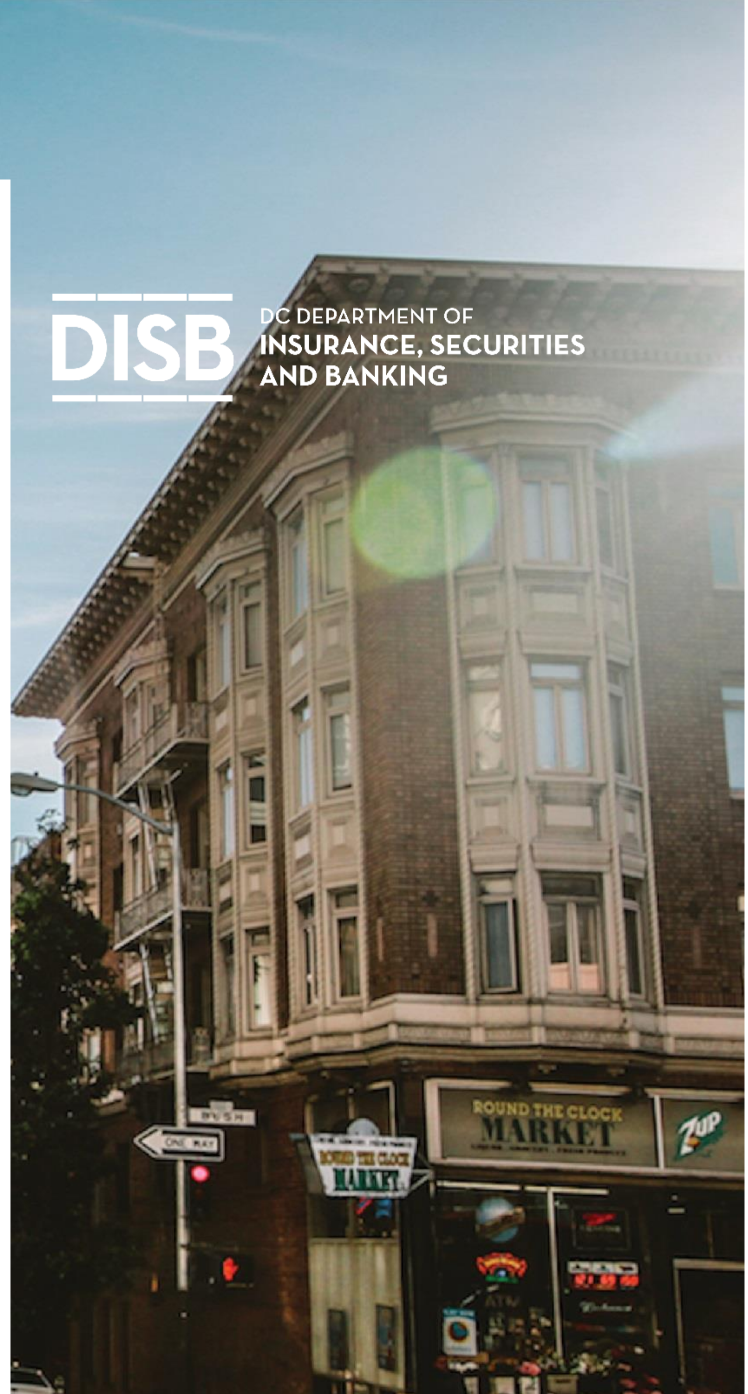
DC DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

A COMPREHENSIVE SMALL BUSINESS INSURANCE GUIDE



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WELCOME

Welcome to this comprehensive insurance guide! This guide provides key information to help you understand small business insurance and find the right coverage or insurance carrier. It can help you protect what's important in your business and help navigate the world of insurance concepts and operation with ease.

WHO WE ARE

The DC Department of Insurance, Securities and Banking (DISB) regulates financial-service businesses in the District by administering DC's insurance, securities and banking laws, rules and regulations.

DISB's Primary Goal

DISB’s goal is to protect the interests of District consumers from unfair and abusive practices while providing an equitable business arena for the regulated entities operating in Washington, DC.

DISB Mission

The mission of the Department of Insurance, Securities and Banking (DISB) is three-fold:
(1) cultivate a regulatory environment that protects consumers and attracts and retains financial services firms to the District;
(2) empower and educate residents on financial matters; and
(3) provide financing for District small businesses.

THE INSURANCE BUREAU

The DISB Insurance Bureau performs oversight operations that include consumer protection, financial review, policy and rate review, complaint handling, licensing, market regulation, and financial examination. The Insurance Bureau also analyzes policies, practices and program effectiveness, and makes recommendations regarding revisions or legislative and regulatory proposals. For more information on the services provided by the Insurance Bureau visit disb.dc.gov/page/insurance-bureau.

HOW WE HELP SMALL BUSINESSES

DISB helps small businesses in the District through various programs, services and resources.

1. Information on Insurance Options

DISB provides a wealth of information to inform and assist the business community about insurance options, product selections, services, provider information and insurance rates. This information can be found at DISB.dc.gov, through outreach events, by emailing disb.askthecommissioner@dc.gov, and within this guide.

2. Disaster Preparedness

DISB's website is a great resource to learn about business preparedness and downloadable disaster tool kits. There are many types of checklists, links and tools to help small businesses prepare for potential disasters, mitigate or navigate an emergency or fortify a business to avert potentially harmful business challenges and disruptions.

3. Ensure a Safe Marketplace

DISB provides oversight for a sound and financially secure marketplace in order to afford consumers and small business owners important financial protections.

4. Insurance Education and Empowerment

DISB encourages the business community to participate and engage in its business outreach programs and events. You can learn about opportunities to reduce premium payments, risk management, comparing insurance products and pricing, filing a complaint, engaging with industry and business constituents and how to protect your business from financial and natural mishaps.

5. Consumer Protection Division

If you believe you have been wronged or are a victim of fraud by an insurance carrier or producer, you should complete an insurance complaint form. Access the form at disb.dc.gov/publication/consumer-complaint-form. For more information, please call 202.727.8000.

RESOURCES FOR OUR SMALL BUSINESS COMMUNITY

DISB provides consumer guides, rate comparisons charts, podcasts, videos, notices, bulletins and an Ask-The-Commissioner inquiry portal related to insurance information and guidance.

You may access general or specific information in several ways: visit DISB.dc.gov, then under the "Residents" and "Insurance" tabs, you will find a variety of information to assist small businesses.

You can also call 202.727.8000 or write to us at the DC Department of Insurance, Securities and Banking, 1050 First Street NE, Suite #801, Washington, DC 20002. The DISB website contains a calendar of events. Feel free to visit the DISB booths at our community events throughout the city. The event calendar can be accessed by visiting disb.dc.gov/events.

INTRODUCTION TO SMALL BUSINESS INSURANCE

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

Protecting your small business is crucial for its survival and success. Small business insurance, also known as commercial insurance, acts as a safety net, shielding your valuable assets, property and income from potential financial losses and liabilities. Accidents, natural disasters, lawsuits, and even cybersecurity threats can pose significant risks, and adequate insurance coverage helps businesses continue operations and recover faster.

This guide will explore essential types of insurance coverage, terminologies and their applications, and explore insurance regulations that may be useful to your business.

WHERE TO FIND PRODUCERS/AGENTS, COVERAGE OR INSURANCE CARRIERS

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

A trusted agent or broker can be an asset who understands your business, not just the coverage being sold. Producers should understand the insurance policies, the companies they represent, how the company handles and pays claims, and the rating and audit provisions applicable to commercial policies. Friends, associates, attorneys and financial consultants may be able to refer you to a producer. The MyNewMarkets publication can be found by visiting mynewmarkets.com. This is a resource for locating insurance coverage, brokers or insurers. An internet search can be helpful. Other places to look for coverage include specialized insurers, surplus lines brokers, companies with a specific insurance program/platform or traditional insurance carriers.

Important things to remember:

1. Specialized insurers may offer policies specifically tailored for niche or specialty products.
2. There are companies that have programs or platforms for a-typical coverage.
3. You may locate coverage from many traditional insurance carriers.
4. Ask owners of similar businesses to recommend insurers, brokers, producers/agents.
5. Google and search trusted sources provided by DISB or other reputable reports.

You will need to discuss with a representative the details of your business, its exposures and the different types of insurance coverage options available. Your agent should be able to tailor a coverage package specific to your company.

DISB can provide information as to whether the insurance company or producer is a DC-licensed entity.

SHORT-TERM, PROJECT ORIENTED AND CONTINUOUS COVERAGE

Short-Term, Project-Oriented, and Continuous Coverage describe different types of insurance coverage based on the specific needs they address. Many unique coverages are offered in the DC market, and some coverages are offered by carriers outside the District of Columbia. You should provide details of your program and ask a representative if coverage of this nature is available.

Below is a table providing information on coverage characteristics

Feature	Short-Term Coverage	Project-Oriented Coverage	Continuous Coverage
Duration	Temporary, limited period	Specific project duration	Ongoing, long-term protection
Scope	Limited, less comprehensive	Specific project risks	Broad range of risks

Feature	Short-Term Coverage	Project-Oriented Coverage	Continuous Coverage
Flexibility	Can be purchased year-round	Tailored to projects	Generally, annual renewal
Cost	Potentially lower premiums	Project-based premiums	Premiums based on factors
Examples	○ Short-Term [Health/Life] ○ Short-Term Disability ○ Travel Policies ○ Car Rental ○ Short-Term Event Insurance ○ Gap Insurance ○ Home Sharing or Short-term Rental	○ Short-Term General Liability ○ Project Specific Insurance ○ Temporary Business Insurance ○ One Day Business Insurance ○ Contractors All Risk	○ Property Insurance ○ Commercial Package Policy ○ Business Owners Policy (BOP) ○ Business Interruption Insurance ○ Commercial Auto ○ Professional Liability ○Cyber Insurance ○ Workers' Compensation

INSURANCE COVERAGE REQUIREMENTS BY OTHER DISTRICT AGENCIES

As you build, buy or operate your business, you will need to contact many different District agencies or departments that may have different insurance requirements. Let's look at some of those requirements.

- **Department of Consumer Licensing and Protection (DCLP)**
  If you are a licensed professional, you will want to protect yourself, your business, and your clients by making certain that there is a valid Certificate of Insurance (COI) for the services you provide. Your COI will have insurance requirements such as: Professional Liability, Commercial General Liability or Liability. A bond instrument may be required for certain types of businesses. Ensure your customers are protected by obtaining a Certificate of Insurance (COI) from the service provider you contract with. Look for the same types of required coverage as mentioned above. A COI does not automatically mean that coverage will be provided for all issues, but it is proof of the coverage that has been afforded by an insurer. Learn more about common issues or insurance requirements for your business by visiting dlcp.dc.gov/node/1616016.

- **The DC Department of Buildings (DOB)**
  DOB is responsible for regulating construction activity and ensuring the safety of residents, businesses, and visitors in Washington, DC. They achieve this through permitting, inspections, and code enforcement, focusing on building safety, construction practices and rental housing

conditions. You may be required to provide additional liability insurance, outside of the licensing liability requirement, if you are doing major construction work. To learn more about insurance requirements visit dob.dc.gov.

- **The Department of Employment Services (DOES)**
  DOES administers the Workers' Compensation Program. This program is responsible for processing workers' compensation claims, monitoring benefit payments, mediating disputes, and ensuring employer compliance with insurance requirements for private sector employees who experience work-related injuries or illnesses. If you employ workers who work less than 240 hours per quarter, you may not be required to obtain workers' compensation coverage. For more information visit does.dc.gov.

- **The District of Columbia Department of Energy and Environment (DOEE)**
  DOEE plays a key role in the District regarding insurance, primarily through its involvement in flood risk management and partnership with the Federal Emergency Management Agency. For more information about whether your business is in a flood zone, or to obtain flood coverage, visit doee.dc.gov.

- **The Office of the State Superintendent of Education (OSSE)**
  OSSE is responsible for raising the quality of education for all DC residents. OSSE provides various services and support to students, families, schools and child development facilities in the District. For more information on the insurance requirements for childcare centers and large or small home childcare programs, or to find out more visit osse.dc.gov.

- **The Department of For Hire Vehicles (DFHV)**
  In Washington, DC, "for-hire" vehicles, including taxicabs and private vehicles-for-hire (like those used by ride-sharing companies), have specific insurance requirements set by DFHV. These requirements vary depending on whether the vehicle is actively engaged on a prearranged ride or available for hire but not yet matched with a passenger. If you want to own or operate a limousine company, a for-hire livery company (cab), or private for-hire livery company (TNC), or are a food delivery independent contractor, it is important to know the rules, standards and insurance requirements. Find out more by visiting dfhv.dc.gov or contact DISB.dc.gov.

- **DC Health**
  DC Health promotes health, wellness and equity across the District and protects the safety of residents, visitors and those doing business in our nation's Capital. DC Health's responsibilities include identifying health risks; educating the public; preventing and controlling diseases,

injuries and exposure to environmental hazards; promoting effective community collaborations; and optimizing equitable access to community resources.

DC Health Link

DC Health Link is operated by the **DC Health Benefit Exchange Authority (HBX)**. This is a distinct entity established by the District of Columbia to implement the Affordable Care Act (ACA) and provide a marketplace for residents and small businesses to purchase health insurance.

MANDATED/NECESSARY EMPLOYEE COVERAGE/INFORMATION AND DEDUCTIONS

- **Workers' Compensation**
  This is a type of insurance that covers medical expenses, lost wages, and rehabilitation costs for employees who are injured or become ill while working. It's generally mandatory for employers to have this insurance to protect themselves from lawsuits and provide workers' compensation benefits to their employees.
- **Unemployment Compensation**
  Unemployment compensation, also called unemployment insurance (UI), is a program that pays benefits to people who lost their jobs, often through no fault of their own. These benefits are managed by the DC Department of Employment Services (DOES) and funded by the taxes paid by DC employers.
  Unemployment insurance provides temporary financial assistance to qualified individuals who meet the eligibility requirements of the District of Columbia. Each person who collects unemployment insurance benefits is legally responsible for making sure he or she follows the rules set by the District. The program is not a right to all who have lost their job. For more information visit: unemployment.dc.gov/page/faqs.
- **Federal, State, Local, Social Security Tax and Medicare Tax [Deductions]**
  Mandatory tax deductions typically include federal income tax, Social Security tax, and Medicare tax. State and local taxes may also apply, depending on the employee's location.
- **COBRA (Consolidated Omnibus Budget Reconciliation Act)**
  Employers subject to COBRA must provide eligible employees and their families with the option to continue their health insurance coverage after certain qualifying events, such as job loss or reduced hours. Employers with 20 or more employees who worked more than 50% of their typical business days in the previous calendar year are generally required to offer COBRA**.**
- **Mini COBRA**
  "Mini-COBRA" refers to state-level laws that allow employees of smaller businesses to continue their health insurance coverage after leaving their job or experiencing a qualifying event, as specified in COBRA. DC's Mini-Cobra laws apply to employers with fewer than 20 employees.
- **Health Insurance Portability and Accountability Act (HIPPA)**
  HIPPA is a U.S. federal law enacted in 1996 to protect the privacy and security of protected health information (PHI). It establishes national standards for handling, storing and transmitting PHI to ensure patient confidentiality and security.

VOLUNTARY GROUP INSURANCE COVERAGE FOR YOUR EMPLOYEES

Health Insurance Coverage

There are many options for a small business to voluntarily offer healthcare for employees. Here are a few:

- **Group Health Insurance**

  Group health insurance is a type of health insurance plan offered by an employer or other organization (like a union) to its members, typically employees. It's a single insurance policy that covers a group of people, rather than individual policies for each person. For more information on group plan enrollment visit dchealthlink.com. If your business has 50 or more employees, you may be required to offer coverage under the Affordable Care Act or incur a penalty.

- **Group Disability**

  Group disability is a type of income protection insurance offered by employers to their employees as part of a benefits package. It provides a portion of an employee's income if they become unable to work due to illness or injury. This type of coverage can be offered as short-term disability (STD) or long-term disability (LTD). Group disability coverage is often less expensive than purchasing an individual policy.

- **Group Life Insurance**

  Group life insurance is a type of life insurance policy purchased by an employer or organization to cover a group of people, typically employees or members of an entity. It offers a death benefit to beneficiaries if the insured individual dies while covered by the policy. This type of insurance is often offered as a benefit to employees and can be more affordable than individual policies.

- **Group Travel Insurance**

  Group travel insurance provides a single insurance policy to cover a group of people traveling together, typically five or more, offering benefits like trip cancellation, medical expenses and baggage loss coverage. It's especially useful for business trips, student groups and other organized travel programs where multiple individuals need coverage under one plan.

- **Group Pet Insurance**

  Group pet insurance, often offered as an employee benefit, provides pet owners with discounted rates on pet insurance policies, typically through a partnership between the employer and a pet insurance provider. These plans can offer savings compared to individual policies and may also include additional perks like multiple pet discounts.

*__Health insurance plan premiums can be shared where employees cover a percentage, or the employer can cover all costs minus the co-pay or deductible.__

Life Insurance Coverage

Employers have various life insurance options to offer their employees.

- **Group Term Life Insurance**,
  Group term life is common, offering coverage for a set period, and coverage is often offered by an employer.
- **Group Universal Life Insurance**
  Group universal life insurance is a type of permanent life insurance offered through employers or other groups providing both life insurance protection and a cash value component that increases with a tax deferred benefit. It combines the benefits of life insurance with a savings component, offering flexibility in premium payments and potential for long-term growth.
- **Voluntary Life Insurance**
  Voluntary life insurance is an optional benefit that employees can choose to purchase through their employer, typically at a lower cost than individual policies. It supplements the employer's basic, often free, group life insurance and provides a death benefit to beneficiaries if the insured employee dies while covered.
- **Corporate-Owned Life Insurance (COLI)** is a type of insurance that provides a crucial financial safety net for businesses in the event of a key employee's death or disability. This coverage ensures the continuity of the business by:
  1) Recruiting, training and finding a successor;
  2) Replacing lost income during the transition; and
  3) Using life insurance proceeds to purchase shares or the ownership interest of the deceased or disabled partner as outlined in the buy-sell agreement.

***Group life insurance premiums can be shared where employees cover a percentage, or the employer can cover all costs minus the co-pay or deductible**

TYPES OF INSURANCE MARKETS

There are several avenues or markets available for insurance coverage, ways to access these markets, and benefits, drawbacks and qualifiers related to each market or avenue. There are also important questions to pose to your producer (agent or broker) when exploring coverage.

- **The Admitted Market**
  What is the Admitted Market?
  The “admitted market” also called the “standard insurance market” is comprised of insurance policies sold by companies licensed by the DC Department of Insurance, Securities and Banking (DISB) to operate and sell policies in the District and must comply with DC laws and regulations.
  Products
  The products offered in the admitted market contain standardized language with little variance, and include Workers' Compensation (W/C), Commercial General Liability (CGL), Business

Owners' Policies (BOP), commercial auto (CA), Cyber-insurance, Umbrella, and Professional Liability (Errors & Omission/Directors & Officers).

The Producers

DC-licensed producers (agents or brokers) sell standardized products from admitted insurers. Information about licensed producers or insurers can be found via NAIC or a website search. An insurance producer can be an independent producer, an exclusive (captive) agent of an insurance company or an intermediary of an insurer.

Admitted Market Access

The admitted market can be accessed easily by working with an insurance agent or broker licensed by a DC insurer. You can also research and contact some insurance companies directly or obtain premium quote and coverage options online.

Pros: Insurance policies purchased through admitted market insurers provide more consumer protection for the purchaser. Admitted market insurance policies are backed by the District of Columbia's guaranty fund, which provides some protection to policyholders in the case of the insurer's insolvency.

Cons: These products are standardized and may be unable to provide large coverage limits or coverage for complex or high-risk business exposures.

Questions to ask an agent/producer or broker: Are there strategies, programs and practices I can utilize to help reduce my commercial insurance risk(s) and premium cost? Is there a Workers' Compensation workplace safety premium credit program and how does that work?

- **Non-Admitted or Excess & Surplus Lines Market**

  What is the Non-Admitted or Excess & Surplus (E&S) Lines Market?

  The "non-admitted" or "excess and surplus lines market" (Surplus Lines) is comprised of insurers who are authorized to provide policies/products or insurance coverage, through an agent/broker/ intermediary, that are not available in the admitted market.

  The Products

  Surplus lines of products are offered by non-admitted insurance companies. The non-admitted insurance market sells insurance products for high-capacity risks, unusual or unique exposures, difficult-to-insure risks or risks with unfavorable attributes that insurers in the admitted market can't accommodate. Non-admitted insurance products may cover special events, taverns, pubs, atypical umbrella and excess liability exposures, building demolition contractors work and vacant or unoccupied buildings.

  The Surplus Lines Insurer

  A non-admitted or surplus lines insurer is not licensed to operate in DC; however, a DC producer, broker or intermediary can locate and sell policies from a non-admitted carrier if they have surplus lines authority. To learn more visit disb.dc.gov/page/surplus-line-information.

The Producers, Brokers or Intermediaries
Surplus lines insurance representatives specialize in placing insurance policies with "non-admitted" or "E&S" insurers. These producers require extensive knowledge of niche markets and have complex risk assessment experience. They often work with clients to secure coverage for businesses that admitted insurers do not cover, have a poor loss history, have a new venture with high-risk potential, have a unique or hazardous operation, or a risk requiring high insurance limits not available in the standard market.

The Surplus Lines Market Access
The surplus lines market can be accessed through a licensed DC "surplus lines broker" who specializes in finding coverage from non-admitted insurers. The surplus lines broker will often reach out to a wholesale or managing general agent (MGA) who will secure coverage with a surplus lines insurer in the non-admitted market.
Pros: Insurance policies purchased from surplus lines markets have greater price flexibility, product variety, and coverage options and can be customizable for specific business needs.
Cons: Business (insureds) purchasing insurance products from non-admitted insurance companies, may be responsible or incidental expenses such as additional administrative cost or premium taxes.

Questions to ask an agent/producer, or broker: Are you authorized by DISB to sell products from the surplus lines market? If so, do you personalize coverage? Do you help identify areas where I can improve company policies and procedures to reduce my risk and liability?

- **Residual Market or Assigned Risk Market**
  What is the Residual Market or Assigned Risk Market?
  The “residual market” or “assigned risk market” is an insurance market that offers coverage to individuals and businesses where insurance coverage has been declined, cancelled, non-renewed or rejected by admitted or voluntary market insurers. It is operated by a charter established by DISB. The residual market is often called the market of “last resort” because it is often the last place a business can turn to meet certain contract or regulatory licensing requirements.

The Product
Workers' Compensation, Commercial Automobile Liability, and Commercial Property are types of business coverage offered through this market. These policies cover liability for, but are not limited to, tow-truck drivers, unoccupied commercial buildings, and 4-unit owner occupied buildings.

The Producer

If your business insurance has been cancelled, non-renewed, or denied, your producer or insurer must provide a rejection letter or notification citing the reasons for termination or denial. This notification must contain contact information about the residual or assigned risk market. The three residual markets in the District of Columbia are the National Council on Compensation Insurance (NCCI) workers' compensation, AIPSO (formerly an acronym for Automobile Insurance Plans Service Office and now the organization's official name) and the District of Columbia Property Insurance Facility (DCPIF).

Residual or Assigned Risk Market Access

To access the assigned risk market, you typically need to contact your insurance agent or broker and inform them that you've been unable to secure coverage in the standard market, prompting them to apply through DC's respective assigned risk program on your behalf. You may need to provide proof of termination, cancellation or non-renewal from your insurer or other insurers first. In some situations, applications can be submitted online or by mail.

Pros

The residual market is an available option for businesses that have been cancelled, non-renewed or denied coverage by an admitted insurer. This market ensures availability of necessary or statutorily mandated insurance coverage. Insurance coverage (premiums) can be financed.

Cons

Coverage may be limited and less comprehensive. Premiums can be higher, reflecting the risk. Premium finance options may have higher interest rates.

Scope of Coverage Offered through the Residual Market

Commercial Buildings--The District of Columbia Property Insurance Facility (DCPIF) offers a commercial fire program for commercial building owners and tenants. To learn more about DCPIF visit dcpif.org.

Commercial Automobiles--The District of Columbia Automobile Insurance Plan (DCAIP) is available to consumers with a valid DC driver's license and a vehicle registered in the District of Columbia. To learn more about DCAIP visit aipso.com.

Workers' Compensation--The National Council on Compensation Insurance (NCCI) is the District of Columbia Assigned Risk Pool or market of last resort for businesses that can't find coverage in the private or voluntary insurance market. To learn more about NCCI visit ncci.com/pages/default.aspx.

- **The Captive Insurance Market**

  A captive insurance company, or captive, is essentially a subsidiary or affiliate formed to insure the risks of its parent company or affiliated businesses. It's a form of "self-insurance" where the owner assumes a portion of the risk by investing their own capital, instead of solely relying on commercial insurers. DISB oversees the regulation and licensing of captive insurance companies within its jurisdiction.

Pros

Potential for lower premiums, access to reinsurance markets, capturing underwriting profits, potential tax benefits, tailored coverage, greater control over claims, emerging and hard-to-insure risks, protection against market fluctuation, and reduced reliance on commercial insurers.

Cons

Significant upfront costs increase the administrative burden and the need for expertise. Many companies choose to acquire or outsource expertise in captive underwriting, claims handling, and loss control operations. There are also financial risks, capital at risk, potential financial strain and potential liquidity issues.

Resources

Resources related to captive insurance may be found at DISB.dc.gov, including:

- Application forms for obtaining a license.
- Instructions for financial filings and reporting requirements.
- Information about the benefits of operating a captive in DC, such as efficient approval processes and potential cost savings through low fees and premium tax rates.

Captives, like traditional insurers, are subject to regulations concerning financial reporting, solvency, reserve requirements, and annual actuarial opinions. To learn more about the Captive insurance market visit disb.dc.gov/page/captives.

- **Additional Markets**

  It is important to briefly note other markets that fall outside a typical insurance market, the structure, their needs and resources. They are:

  The Self-Procurement Market allows a business to directly procure insurance coverage from a non-admitted insurer.

  The Reinsurance Market provides financial protection for businesses that self-insure and allows the business to transfer a portion of their self-insured risk to a reinsurer to protect against catastrophic losses.

  A Joint Underwriting Association (JUA) is typically established by a state or municipality to provide coverage for high-risk or hard-to-insure groups or categories of insurance needs.

  A Risk Retention Group may be formed under most corporate structures, including a stock, mutual or LLC-based company.

It is important to work with a trusted advisor, attorney or a producer (agent/broker) to discuss the best direction or right coverage for your small business. A DISB representative can provide general information about licensing or answer general insurance questions.

__**Health Insurance Markets (Options)**__

- **Health Maintenance Organizations (HMOs**) are a type of managed care health insurance plan that features a network of health care providers that treat a patient population for a prepaid cost.

  Pros

  Generally, HMOs have lower monthly premiums, deductibles and copays compared to other health insurance plans. HMOs have agreements with providers to offer services at a reduced rate, which translates to lower costs for members. The Primary Care Physician (PCP) acts as your main point of contact, managing your overall health, coordinating your care, and providing referrals to specialists as needed. This coordinated care can help streamline the healthcare process and ensure you receive appropriate treatment. No need to file claims when you see an in-network provider.

  Cons

  Limited provider network: You're generally limited to a specific network of doctors and hospitals for covered services. If you want to see a provider outside the network, you'll likely have to pay the full cost out-of-pocket (except in emergencies). You must get a referral from your PCP to see a specialist.

  Resources–Some HMOs offer resources like care management services to support members with specific health conditions or needs.

- **Preferred Provider Organization (PPOs)** is a type of medical plan in which coverage is provided to participants through a network of selected health care providers, such as hospitals and physicians.

  Pros

  Your employees may have more freedom to choose their healthcare providers. Employees may not need a referral.

  Cons

  Regardless of whether employees or the company share the costs, they may face higher monthly premiums and out-of-pocket expenses. There is an annual deductible obligation before insurance coverage starts paying a portion of the costs. There are also higher out-of-network costs. The potential exists for balance billing, which means that if an out-of-network provider charges more than the PPO's "allowed amount," a bill for the difference may be sent to the insured person.

  Resources–Insurance Company Websites: PPO plan providers often have extensive information and provider directories on their websites**.**

- **Exclusive Provider Organizations (EPOs)** is a type of health plan that falls somewhere between a Health Maintenance Organization (HMO) and a Preferred Provider Organization (PPO) in terms of cost and flexibility. With an EPO, members have only in-network coverage (except for emergencies), but they do not need to select a primary care physician (PCP) or get referrals to see specialists.

Pros

EPOs generally have more affordable premiums compared to PPOs, leading to cost savings for both employers and employees. EPOs can streamline the healthcare process for employees and reduce administrative tasks for HR which can be a benefit for small businesses.

Cons

Employees are limited to in-network providers, potentially leading to dissatisfaction if their preferred doctors or specialists are not included. There is also a potential for higher out-of-pocket costs. Some employees may have specific healthcare needs or preferences that are not met by the EPO network.

Resources for Employers – A Google search may provide a good starting point to find carriers or information about EPO plans and costs.

MINDING YOUR BUSINESS

Interested in learning more about launching, insuring, funding and fortifying your business? Visit the DISB Minding Your Business webpage at disb.dc.gov/smallbusiness.

In the early planning stages of your business, reach out to other business owners in your industry, utilize references and resources available on the DISB website, or consult with an insurance agent. These resources will help you become more informed and make knowledgeable decisions.

RISK AND DISASTER MITIGATION TECHNIQUES FOR SMALL BUSINESSES

Small businesses can mitigate risks and disasters by developing a comprehensive risk management plan that includes identifying potential threats, assessing their impact, and implementing strategies to avoid, reduce or transfer these risks. Key strategies involve creating a business continuity plan, conducting regular risk assessments, securing appropriate insurance, and establishing strong cybersecurity measures. Key risk mitigation techniques include avoidance, reduction, transference and acceptance. Incorporating a safety program in your business operation and installing mitigation devices or fortifying your business property can reduce premium coverage for your business.

More information on work safety programs that reduce workers' compensation premiums can be found by visiting does.dc.gov/page/safe-workplace-program-updated.

CLIMATE OR ENVIRONMENTAL INSURANCE COVERAGE

- **Flood Insurance**

Flood insurance is a type of insurance that specifically covers losses to your business property or owned building caused by flooding, unlike standard business insurance which typically does not. It is often required when a business has a loan from a federally regulated or insured lender and is in a high-risk flood area. However, even if it is not required, flood insurance is recommended for all property owners, as floods can occur anywhere.

- **Pollution Legal Liability**
  Pollution legal liability (PLL) insurance covers businesses for financial losses stemming from pollution incidents, including cleanup costs, bodily injury and property damage. It's crucial for businesses dealing with hazardous materials, property owners and contractors, especially in industries like manufacturing, construction and real estate.
- **Contractor's Pollution Liability**
  Contractors pollution liability (CPL) insurance protects contractors from financial losses related to pollution incidents caused by their work, whether sudden or gradual. This coverage is crucial for contractors working in various fields, including construction, demolition, excavation and environmental remediation. CPL is particularly important when working on government or large commercial projects where it may be a contractual requirement**.**
- **Storage Tank Pollution Liability**
  Storage tank pollution legal liability insurance is crucial for businesses that own or operate storage tanks and offers protection from financial and legal repercussions of spills and leaks. This coverage is essential for a wide range of businesses, including gas stations, manufacturers, farms, and even entities like hospitals and universities that may have storage tanks for various purposes.

OWNING, BUYING, SELLING OR LEASING SPACE – THE TYPICAL INSURANCE NEEDED

Owning	Buying	Selling	Leasing
*W/C	Title Insurance	*CGL	BOP
*CGL	Commercial Property/Hazard Insurance	Representations and Warranties Insurance	CGL
Commercial Property	Life (Keyman)	Tail Coverage (Extended Reporting Period Insurance)	W/C
Business Owners Policy	*W/C (If employees)	D&O	POI
P&L	*GGL	P&L	COI
Business Interruption		Property Insurance	
*Commercial Auto		*W/C	

The specific insurance need will vary based on your business, exposures and the sale agreement. Only a general overview of key coverages to consider was presented in the chart.

SIX POPULAR SMALL BUSINESSES – INSURANCE COVERAGES

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

It is important to understand that a producer's proposal is just that–a proposal. When all is said and done, it is your choice. Make an informed decision about which insurance best fits your business and offers you the desired level of protection. The relationship you build with your producer is extremely valuable in this critical decision-making process. Experienced, licensed producers deal with lots of businesses like yours and can offer you the benefit of their knowledge to ensure that you do not have gaps in coverage.

Commercial insurance can be complicated, so be sure to discuss any terms, conditions or concepts you are not familiar with or do not fully understand with your producer. Producers can answer specific questions and help you understand the insurance you are considering. While your business may not need all types of commercial coverage, it is a good idea to have basic knowledge of the types of insurance coverage available.

As your business changes and expands, you should reassess your coverage and determine what additional coverage you may wish to purchase. This is particularly true if your business grows and new risk exposures arise.

The table below provides examples of insurance coverages that may apply to certain types of small businesses, depending on their operations and applicable laws or regulations. Business owners should consult with a licensed insurance professional or legal advisor to determine their specific requirements.

Small Businesses (7) Types	Coverage Suggestions (*Statutorily or *Regulatory Requirements) An asterisk means insurance is often required by law.
Cleaning Services	• Commercial General Liability* • Business Property • Workers' Compensation*

Small Businesses (7) Types	Coverage Suggestions (*Statutorily or *Regulatory Requirements) An asterisk means insurance is often required by law.
	• Crime • Business Owners Policy (BOP) • Inland Marine • Bailee's Customer • Umbrella Liability • Bond
Daycare (Centers) **Home Child Care**	• Daycare Liability* • Commercial General Liability* • Commercial Auto Liability* • Non-Owned Auto Liability • For-Hire Auto Liability • Professional Liability • Corporal Punishment Liability • Sexual Abuse and Molestation Liability • Umbrella Liability • Flood • Sewer Backup • Bond • Workers' Compensation* • Employment Practices Liability • Business Property • Cyber • Employee liability
Selling Online	• Commercial General Liability* • Seller Suspension • Employment Practices • Cyber Liability • Transportation Insurance • Contents • Intellectual Property • Bond○ Product Liability • Umbrella Liability • Rider on Homeowner's Policy
Moving Company	• Mover's Cargo • Commercial General Liability* • Commercial Auto Liability • Commercial Auto Liability* • Time element • Business Insurance • Bond • Key Person insurance • Umbrella Liability

Small Businesses (7) Types	Coverage Suggestions (*Statutorily or *Regulatory Requirements) An asterisk means insurance is often required by law.
	• Workers' Compensation*
Restaurant	• Commercial General Liability* • Business property • Equipment Breakdown • Workers' Compensation/Employer Liability* • Business Income or Business Interruption • Food Spoilage • Liquor Liability • Public Liability • Flood and Sewer Backup • Crime Insurance • Umbrella Liability • Bond • Employment Practices Liability • Cyber
Transportation Network Drivers	• Commercial Auto* • Commercial General Liability* • Personal Third-Party Liability* • Uninsurance Motorist Coverage*
Insurance Agent/Public Adjuster	• Errors and Omissions* • BOP

BIDDING ON FEDERAL AND DISTRICT PROPOSALS – INSURANCE INSIGHTS

- Workers' Compensation and Employer's Liability
- General Liability Insurance
- Automobile Liability Insurance
- Professional Liability Insurance (Errors & Omissions).
- Cyber Liability Insurance
- Property Insurance
- Umbrella/Excess Liability Insurance

CLOSING

Insurance is a dynamic field with many moving parts, products and services. Exposures often emerge. Please note that many of the concepts or terms appearing in this guide may be known by different names or applied differently depending on the entity providing coverage.

As you move forward in your business journey, it is important to understand your business and its insurance needs; know where to locate insurance coverage and information; and understand how to best protect your business.

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CONTACT DISB

If you notice any inconsistencies, think our guide should cover other areas, have additional questions, or have a complaint about business insurance, please contact us at 202-727-8000 or visit DISB.dc.gov.

INSURANCE TERMINOLOGY AND APPLICATIONS

Insurance has its own unique vocabulary. The terms and their application are organized alphabetically for easy reference. Some of the terms appear in the guide and others do not. Understanding insurance terms and their application can make you a better negotiator, and buyer of insurance coverage

- **Actual Cash Value**
  Actual cash value (ACV) coverage in insurance pays out the depreciated value of damaged or destroyed property. This means the insurance payout will be less than the cost to replace the property with a new one because it factors in wear and tear and age. ACV policies are typically used for business property like electronics, furniture and appliances, within a BOP insurance policy. They can also apply to specific structures, depending on the policy and age of the item. In auto insurance, ACV is used for total loss claims, i.e. when a commercial auto is considered a total loss.
- **Admitted Insurers/Products**
  An admitted insurer is an insurance company licensed and regulated by a state's insurance department, meaning they have met specific financial and operational requirements set by the state. Their products, which include standard insurance policies, are also reviewed and approved by the state before they can be sold.
- **Attorney Opinion Letters (AOLs) [Enhanced & Insured]**
  An attorney opinion letter (AOL), also known as an attorney title opinion letter, is a legal document prepared by a licensed attorney that analyzes a property's title records to assess the validity and marketability of the title. Generally, it provides a professional opinion on whether the seller has the right to transfer ownership of the property and if there are any potential legal issues or encumbrances that could affect the buyer's ownership. Enhanced or insured AOLs attempt to mimic title insurance by providing lenders or property purchasers with a certain level of protection against third-party claims.
- **Bail Bond**
  A bail bond is an obligation signed by the accused to secure his or her presence at the trial. The obligation means that the accused may lose money by not properly appearing for the trial. The bail bond can be co-signed by a bail bond agent, who charges the defendant a fee in return for guaranteeing the payment.
- **Bailee's Customer**
  Bailee's customer coverage, also known as bailee's insurance, is a type of insurance that protects businesses that temporarily hold and care for customers' property. This coverage is particularly important for businesses that regularly handle items belonging to others, such as dry cleaners, repair shops, storage facilities, and parking garages. It covers the business's legal liability for damage, loss or destruction of customer property while in their care, custody or control.
- **Binder**
  An insurance binder is a temporary policy that serves as a placeholder until a formal insurance policy is issued. It provides evidence of sufficient insurance coverage while the actual policy is being finalized. Binders are often used when purchasing a new business or land, and when

refinancing or starting a new insurance policy. They are typically valid for a limited time. The binder has specific information about coverage and the purchaser.

- **Builder's Risk Insurance**
  Builder's risk insurance, also known as a *course of construction insurance*, is a type of property insurance that protects buildings and materials during the construction or renovation process. It covers various risks such as fire, theft, vandalism and certain natural disasters. This insurance is typically temporary, usually covering the project from the start of construction until project completion.
- **Business Income Expense (BIE)**
  This coverage covers operating expenses associated with covered losses that force the business to suspend operations. Business Income Expense, is often added onto a Business Owner's Policy (BOP) and typically covers three main areas:
  1. **Lost Income**: Loss of net income (profit) the business would have earned if the covered loss had not occurred. It also includes normal operating expenses that continue during the shutdown, such as payroll, rent and loan payments.
  2. **Extra Expense**: this covers the additional costs incurred to keep the business running after a covered loss. Examples include temporary relocation expenses, expedited shipping costs, or renting temporary equipment.
  3. **Dependent Property Coverage**: This covers losses incurred due to damage to property belonging to others that is essential to the business's operations, such as a key supplier's warehouse
- **Business Owners Policy: Commercial Package Insurance**
  A business owners policy is a bundled insurance policy designed for small and medium-sized businesses. It combines several coverages such as general liability, property and business income insurance. Read more about a BOP policy by visiting disb.dc.gov/page/introduction-business-owner%E2%80%99s-policy-package-solution**.**
- **Cargo Insurance or Motor Truck Cargo Insurance**
  If you're hauling goods, this covers damage or loss of the cargo itself during transit.
- **Certificate of Insurance/Certificate of Liability**
  A Certificate of Insurance (COI), specifically a Certificate of Liability Insurance, is a document that proves a business or individual has insurance coverage. This proof of insurance is often required by clients, landlords or other parties before engaging in a business relationship or project. It shows that the certificate holder has the required coverage and amounts.
- **Claims Made Insurance Policy Coverage**
  This coverage only kicks in when you file a claim during the policy period. If an insurable event happened after the policy's retroactive date, your insurer should provide coverage. A claims-made policy covers claims filed while your insurance is active**.**

Scenario: An architect with a claims-made professional liability insurance policy in place from January 1, 2024, to December 31, 2025, and a retroactive date of January 1, 2022.

Example 1: Claim made during the policy period. A client files a lawsuit on June 1, 2025, the first time the architect became aware of the claim, for a design error that occurred on March 1, 2023. In this case, your claims-made policy would cover the claim because it was made during the policy period and the incident occurred after the retroactive date.

Example 2: Incident occurs during policy period, but claim made after policy expires. The same design error occurs on June 1, 2025, during your active policy period. However, the claim is not filed until May 15, 2026, after your policy has expired and you haven't purchased tail coverage. In this situation, the claims-made policy would not cover the claim, as the claim was made outside the active policy period.

- **Coinsurance Clause**
  A coinsurance clause in property insurance requires policyholders to insure their property for a specific percentage (often 80% or more) of its replacements value. If the insured amount is less than the specified percentage, the insurance company may apply a penalty, reducing the amount paid on a claim, even if it’s within the policy limits.

Co-Insurance Clause

$$\boxed{\text{Actual Replacement cost of all property}} \times \boxed{\text{Co-insurance Clause}} = \boxed{\text{Required amount of Insurance}}$$

$$\boxed{\frac{\text{Actual Amount of Insurance Carried}}{\text{Required Amount of Insurance}}} \times \boxed{\text{Amount of Loss}} - \boxed{\text{Deductible}} = \boxed{\text{Insurance Company Payout}}$$

- **Cold Storage Insurance**
  Cold storage insurance covers digital assets stored in offline, secure storage solutions often known as "cold wallets", protecting against physical loss or theft of the devices holding the cryptocurrency.
- **Commercial Auto**
  Commercial auto insurance is a type of business insurance that covers vehicles used for business purposes, like company cars, trucks or vans. It provides financial protection for damages, injuries and legal fees in the event of an accident involving a business-owned or leased vehicle.

- **Commercial Exempt Risk**
  In the District of Columbia, "commercial exempt risks" refer to certain commercial insurance policies that are exempt from specific rate and policy form filing requirements with DISB. These exemptions are designed to reduce regulatory burdens on businesses that meet specific financial or risk management criteria. Criteria for commercial exempt risk:
  To be considered an exempt commercial risk, a policyholder must either:
  1. Employ a certified or qualified risk manager;
  2. Have a net worth exceeding $2 million;
  3. Generate annual revenues exceeding $2 million;
  4. Have at least 10 employees;
  5. Pay annual aggregate country-wide standard insurance premiums exceeding $10,000
  6. Have total insured property value of at least $2 million and/or
  7. Have a signed verification form from parties involved in the transactions (may be required).
- **Commercial General Liability**
  This type of insurance protects businesses from claims related to bodily injury, property damage, and personal and advertising injury that result from their business operations.
- **Commercial Mortgage**
  These loans are specifically designed for businesses to purchase or refinance commercial properties like office buildings, retail spaces or industrial warehouses.
- **Commercial Package Policy**
  A commercial package policy (CPP) is a customizable insurance policy that combines multiple business insurance coverages into one plan. It's designed for businesses needing more than basic coverage and allows for tailored protection against various risks.
- **Commercial Property**
  This is a type of business insurance that protects a company's physical assets, such as buildings and contents, from various risks like fire, theft and vandalism.
- **Corporal Punishment Liability**
  Corporal punishment liability insurance provides financial protection for schools, daycares and educators against lawsuits related to the use of corporal punishment, including claims of physical harm or allegations of inappropriate discipline. This type of insurance coverage may help cover legal costs, damages and settlements associated with such claims. It can safeguard them from the potential financial repercussions of accusations or claims related to corporal punishment.
- **Credit Insurance**
  Credit insurance is insurance that is sold in conjunction with a credit obligation or loan. If you lose your job or become unable to work due to some type of disability, and these events prevent you from making the necessary loan payments, credit insurance protects the lender from your inability to repay the loan by making payments to the lender on your behalf. There

are usually (4) types: credit life, credit disability, credit involuntary unemployment insurance and credit property insurance. To learn more about credit insurance visit content.naic.org/article/consumer-insight-credit-insurance.

- **Crime Insurance Coverage**
  Commercial crime insurance, also known as fidelity or crime insurance, protects businesses from financial losses due to criminal acts, primarily theft, fraud and other dishonest acts. It can cover losses from both employee dishonesty and external criminal activity.
- **Custody Insurance**
  This protects businesses that hold or manage cryptocurrency for clients, covering losses due to theft, hacks or operational failures of their systems.
- **Cyber and Data Breach Protection**
  This type of insurance protects businesses from the financial impact of cyberattacks and data breaches. It may cover costs like legal fees, fines, notifications to affected customers, and potentially ransom payments. It can cover a range of risks, including data breaches, hacking, extortion and business interruption due to cyberattacks. Cyber insurance covers two main types of claims: first-party and third-party. First-party claims are for losses directly experienced by the policyholder due to a cyber incident, such as data recovery costs or business interruption. Third-party claims are for losses that the policyholder is liable for, such as lawsuits from customers due to a data breach
- **Daycare Liability**
  Daycare liability insurance provides financial protection for childcare providers against potential risks and liabilities associated with their business, including property damage, injuries and lawsuits. It's a specialized form of business insurance designed to meet the unique needs of daycare facilities, whether they operate in a home or commercial space.
- **Declaration Page**
  The declaration page is a document summarizing your policy's business coverages, limits, discounts and credits.
- **Derivatives**
  Derivatives are financial contracts that derive value from an underlying insurance-related index or event. They are primarily used by insurance companies as an investment tool to hedge or to manage and mitigate various financial risks, such as interest rate risk, currency risk, and even risks related to specific catastrophic events.
- **Difference in Conditions (DIC)**
  Difference in condition insurance provides supplemental coverage to fill in the gaps of a standard property insurance policy, particularly for perils not typically covered, like earthquakes, floods or landslides. It's designed to broaden coverage beyond what a standard policy offers, often acting as a "gap filler" for high-risk situations.
- **“E–insurance” or Internet Business Insurance**
  This type of insurance covers web-based businesses for damage caused by computer hackers and viruses.

- **Earthquake Insurance**
  Earthquake insurance primarily covers damage to your property caused by the shaking and related ground movement associated with an earthquake. While it typically covers direct damage from the earthquake itself, it may not cover damage from other events that are triggered by the earthquake, such as riots or subway tremors, fires or landslides. It also usually doesn't cover damage from man-made events like explosions or blasts, unless your policy specifically includes "earth movement" coverage.
- **Employees Liability Insurance**
  Employee liability refers to the legal responsibility an employer has for the actions of their employees. Employers are generally liable for the actions of their employees within the scope of their employment. This means they can be held responsible for injuries, damage or other harm caused by their employees.
- **Employment Practices Liability (EPLI)**
  EPLI covers a range of employment-related claims, including: 1) Allegations of discrimination that are based on race, gender, age, religion, disability or other protected characteristics. 2) Wrongful Termination: claims or lawsuits that allege an employee was fired illegally or without proper cause. 3) Claims or lawsuits related to sexual harassment, as well as other forms of harassment in the workplace; and 4) Other employment-related issues that can include failure to promote, failure to hire, breach of contract, and negligent evaluation.
- **Environmental Liability Insurance**
  Environmental Liability Insurance protects businesses with potential environmental risks, like landscapers or auto repair shops, against liabilities arising from pollution or contamination. This specialized coverage can cover unexpected cleanup costs, third-party claims for bodily injury and property damage, and legal defense expenses.
- **Equipment Breakdown**
  Equipment breakdown coverage, also known as boiler and machinery insurance, is a type of insurance that covers the cost of repairing or replacing damaged or malfunctioning equipment due to internal failures, such as electrical shorts, mechanical breakdowns, or power surges. Companies in industries such as manufacturing, food service, data centers and property management which often rely on equipment can benefit from this coverage.
- **Food Spoilage Coverage**
  Food spoilage insurance covers the loss of perishable food due to spoilage, typically caused by power outages, equipment breakdowns or other unexpected events. Businesses such as restaurants, grocery stores and food manufacturers that handle perishable goods can benefit from this coverage.
- **For-Hire Auto Liability**
  For-hire auto liability, also known as hired and non-owned auto liability (HNOA) insurance, is a type of commercial auto insurance that protects businesses from liability when using vehicles they don't own for business purposes. It covers situations where an employee or the business

itself rents, leases or borrows a vehicle for work-related activities and that vehicle is involved in an accident.

- **For-Hire Livery Insurance**
  For-hire livery insurance, also known as livery insurance, is a type of commercial auto coverage for vehicles that are used by businesses that generate revenue from transporting people.
- **GAP Coverage**
  Gap insurance, or guaranteed asset protection insurance, is an optional coverage that can be added to a car insurance policy, especially for those who finance or lease their vehicles. It covers the difference between your car's actual cash value (what your insurance company pays out) and the remaining loan or lease balance if your car is totaled or stolen.
- **Garage Keepers Insurance**
  Garage keeper's liability provides protections for vehicles you have in your possession, but do not own, such as your customer's vehicles**.**
- **Home-Based Business Insurance**
  Home-based business insurance refers to a specific type of business insurance designed to protect businesses operating from a residence**.**
- **Home-Share Business Multi-Peril Insurance**
  If you rent your home on a short-term basis using a rental network, you may need this type of coverage. If you are renting out your home or room in your home on a longer-term basis you may need **landlord insurance or rental dwelling/property insurance** in addition to renter's insurance for the tenant. Contact DLCP for information on insurance and a business license.
- **Host Liability Insurance**
  This insurance protects individuals or businesses who host events, especially those involving alcohol, from potential lawsuits arising from accidents or injuries caused by intoxicated guests. This type of insurance may cover legal fees, medical expenses and property damage costs if the host is found legally responsible for incidents related to alcohol consumption at their event. If you're renting or hosting a party, wedding or any gathering where alcohol will be served, host liability insurance you may benefit from this coverage.
- **Hot Wallet Insurance**
  Hot wallet insurance specifically covers digital assets stored in online, internet-connected wallets**.**
- **Hull Insurance**
  Hull insurance protects a vessel (like a ship or boat) from physical damage to the hull itself, its machinery and equipment. It's essentially marine insurance that covers the vessel against various risks like collisions, storms, fire and sinking.
- **Inland Marine Insurance**
  Inland marine insurance is a type of business insurance that covers property in transit or at locations other than your main business premises. It's designed to protect movable assets,

equipment, and goods while they're being transported, stored or used away from your primary business location. Despite the "marine" in the name, it typically doesn't cover water transportation. It is considered a floater policy because coverage moves with the covered items. Policies may cover heavy equipment installed inside a van or truck.

- **Key Persons or Keyman Insurance**
  Key person insurance is a type of business insurance that provides financial protection to a company in the event of the death or disability of a key employee or owner. It's designed to help businesses mitigate financial losses and maintain operations when a critical individual can no longer contribute due to unforeseen circumstances. Keyman insurance may pay a death benefit to a small business if an owner, top executive or other crucial team member passes away. It provides funds for the business to continue operating if the key person's death would negatively impact the business's future.
- **Lender Placed Insurance**
  Lender-placed insurance, also known as force-placed insurance, is a policy a lender or mortgage servicer buys to protect their financial interest in a property when the borrower's own insurance coverage is deemed insufficient or has lapsed. It's primarily for the lender's benefit and is triggered when the borrower doesn't maintain adequate commercial mortgage insurance. If a commercial mortgage policy is canceled, has lapsed, or is deemed insufficient by the lender, the lender can purchase lender-placed insurance which is generally more expensive.
- **Liability Excess Insurance**
  Excess liability business insurance is a layer of financial protection for businesses that face the potential for large claims exceeding the limits of their primary liability policies. It works by kicking in *after* the underlying policy's limits are exhausted, covering the additional costs, up to the limits of the excess policy.
- **Liquor Liability/Dram Shop Liability**
  Liquor liability insurance, also known as dram shop insurance, protects businesses that manufacture, sell, serve or distribute alcohol from claims arising from certain alcohol-related incidents. This includes bodily injury and property damage caused by certain intoxicated patrons.

  > **What are Dram Shop laws?** Also known as liquor liability laws, these laws hold businesses liable for damages caused by certain intoxicated individuals to whom they served alcohol. These laws vary by state but generally allow individuals injured by an intoxicated person, under certain circumstances, to sue the establishment that served the intoxicated person. Dram shop laws are designed to prevent over-service of alcohol and mitigate the harm caused by intoxicated individuals.

- **Non-Owned Auto Liability**
  Non-owned auto liability insurance, often included in a hired and non-owned auto (HNOA) policy, protects businesses when employees use their personal vehicles or rented vehicles for business purposes and an accident occurs. This coverage fills a gap in protection that may exist

with only a business owned vehicles policy. It can be needed when employees occasionally or regularly use their personal vehicles for work tasks, such as making deliveries, running errands or visiting clients.

- **Ocean Marine**
  Ocean marine insurance is for businesses and individuals involved in maritime trade and activities. It primarily covers risks associated with the transportation of goods and merchandise on vessels across domestic and international waters, including inland and air transit connected to a shipment. Businesses engaged in importing, exporting, marine transportation and fishing, as well as those that own vessels such as container ships, yachts, barges or ferries, may benefit from ocean marine insurance. Shoreside operators like ship repairers, contractors, stevedores, wharfingers, and terminal operators may also benefit from this coverage.
- **Occurrence Insurance Policy**
  An occurrence policy protects your company if the loss or incident happened during the policy timeframe. This means that if you have an occurrence policy in effect when an event causing damage or injury occurs, that policy will cover the claim, after the policy has expired or you've switched to a different carrier. Here is a simple example:
  Scenario: A small business has an occurrence-based General Liability insurance policy from January 1, 2024, to December 31, 2024
  Incident: On July 10, 2024, a customer is injured at the business, but the injury is not immediately apparent.
  Claim: The Customer's injury worsens, and they file a lawsuit on May 15, 2026
  Coverage: Despite the policy being expired at the time the claim is filed, the occurrence policy that was in force on July 10, 2024 (the date of the incident), may provide coverage for the claim, assuming certain policy conditions were complied with including prompt notice of claim. If your business was insured when the incident occurred, you can file a claim with your insurer. Occurrence coverage may include long tail or retroactive events.
- **Parametric Insurance**
  Also known as index-based insurance, parametric insurance offers pre-defined payouts based on the occurrence of a specific, measurable event or parameter, rather than on a traditional assessment of damages. This means that if the predefined trigger is met (e.g., wind speed exceeding a certain threshold or an earthquake reaching a specific magnitude), the policyholder receives a set amount of money regardless of the actual damage to their property.
  You and your insurer agree on specific, measurable triggers for a claim, such as wind speed, rainfall amount, or earthquake magnitude. Independent third-party data sources (e.g., meteorological agencies, seismic monitoring stations) verify when the triggering event occurred. If the trigger is met, you receive the predetermined payout specified in your policy without undergoing a lengthy claims process.
- **Premium**

An insurance premium is the amount of money an individual or entity pays to an insurance company in exchange for insurance coverage. It's the price you pay for the protection your insurance policy provides. Premiums are typically paid regularly, such as monthly, semi-annually or annually.

- **Professional Liability (Errors & Omission/Directors & Officers)**
  Professional liability insurance, also known as errors and omissions (E&O) insurance, is a type of liability insurance specifically designed to protect businesses and professionals from claims arising from alleged negligence, errors or omissions in the professional services they provide.
- **Proof of Insurance (POI)**
  This is a document from your insurance company that confirms you have an active insurance policy and meets certain requirements. It serves as verification of coverage and demonstrates compliance with legal or contractual obligations. You might need POI if you are a commercial driver, purchasing, registering or leasing a vehicle. It may be required by a landlord if you are leasing commercial space for your business.
- **Proof of Loss Form**
  This form is a sworn statement that policyholders submit to their insurance company after a covered loss, detailing the damages and requesting payment. It is a part of the insurance claims process, and most insurers require it, especially for property damage or significant losses.
- **Property and Casualty Liability**
  This type of insurance provides coverage for the physical property of a business or homeowner and the financial liability associated with accidents or injuries that occur on the property. Liability insurance protects against claims for bodily injury, property damage, or personal injury, while property insurance covers damage to the insured's building, equipment and other assets**.**
- **Property in Transit Coverage**
  This coverage protects your business's equipment and goods while it's on the move. It can help pay for the repair or replacement of damaged or stolen business property while located or stored off site. If you transport goods, equipment or inventory to and from your business's primary location, your property coverage usually ends at your office doors. This leaves you open to risk exposures if you store and retrieve products from a storage unit, haul equipment to work sites, or transport raw materials to a production facility.
- **Public Liability Coverage**
  Businesses that have frequent public interaction or regularly engage with clients, customers, or the public, either on their premises or at client locations, may benefit from public liability insurance to safeguard against potential claims. This applies to various businesses, including retail stores, restaurants, hotels, fitness centers, cleaning businesses, contractors, tradespeople, consultants, and service providers.
- **Rate**
  An insurance rate is the price an individual or entity pays for a specific amount of insurance coverage. It is essentially the cost per unit of exposure, like $1,000 of home coverage or one

year of auto coverage. Rates are determined by various factors that assess the risk associated with the insured, and they are used to calculate the premium.

- **Replacement Cost Coverage (RPL)**
  Replacement cost coverage is a term used when a claim or covered loss is settled. An insurance company or representative will pay the full cost to repair or replace the damaged property with new items of similar kind and quality, without deducting for depreciation. This ensures you receive enough money to fully replace what you lost, even if it costs more than what you originally paid**.** A claimant may initially be given the actual cash value of the damaged property. Once the property is replaced and insured, they receive the remaining amount.
- **Representations and Warranties Insurance**
  This insurance protects both the seller and the buyer from financial losses if there are inaccuracies or breaches of the representations and warranties made in the sale agreement. It can help facilitate the transaction and reduce the need for large escrows.
- **Retroactive Insurance**
  Retroactive insurance is also known as **prior acts coverage** and covers claims for incidents that occurred before the policy's start date but are reported during the policy period. It is for professionals in fields where errors or omissions can have long-term consequences, like medical practitioners, architects, lawyers and accountants. This coverage provides protection even if the incident happened before the policy was in place, if it's reported during the policy's active time. A retroactive date on an insurance policy specifies the earliest date for which a claim will be covered, even if the claim is made after the policy's start date. These are primarily associated with *claims-made policies* where coverage applies to claims made during the policy period for incidents that occurred on or after the retroactive date.
- **Rider (Addendum or Endorsement)**
  An insurance rider, also known as an endorsement or floater, is an addition to an existing insurance policy that provides extra coverage or modifies the existing policy's terms. Riders can be added to various types of insurance, including life, health and homeowners' insurance, allowing policyholders to tailor their coverage to specific needs and circumstances.
- **Salvage Value**
  In business insurance, salvage value refers to the residual value of damaged property after a covered loss, such as a fire or flood. It is the estimated amount that can be recovered by selling or reusing the damaged asset. When a business experiences a total loss, the insurer may factor in the salvage value when calculating the loss settlement.

  If the insured business chooses to retain the damaged property, the salvage value will be subtracted from the total loss settlement. The logic is that the business can recover some of the loss by selling or repurposing the damaged goods, so the insurance payout is adjusted accordingly. In cases of total loss where the insurer pays out the full claim, they often take ownership of the salvaged property. This allows the insurance company to potentially recoup some of their expenses by selling the salvage themselves.

Simple Salvage Value Calculation

- **Service Contract**
  A service contract is a legally binding agreement where one party (the service provider) agrees to perform specific services for another party (the client) in exchange for compensation. It outlines the terms and conditions of the service, including the scope of work, payment details and timelines. These contracts are used across various industries to define the obligations and responsibilities of both parties involved. DISB regulates service contracts issued in the District of Columbia.
- **Sewer Back Up Coverage**
  Sewer backup coverage, also known as water backup coverage, is an optional add-on to homeowners' insurance that covers damage caused by sewage or wastewater backing up into your home. This typically includes damage to your home's structure, personal belongings, and the cost of cleanup and debris removal.
- **Sexual Abuse and Molestation Liability (SMML) Insurance**
  SMML insurance is a specialized form of insurance coverage designed to protect organizations that work with vulnerable populations such as schools, religious institutions, non-profit organizations, youth-serving or similar entities, from claims and liabilities arising from incidents of sexual misconduct, molestation or abuse. It can provide financial protection and assistance in the event of allegations made against the organization, its employees, volunteers or representatives.
- **Short-Term Liability Insurance**
  This insurance provides liability coverage for businesses for a limited time, often ranging from a few hours to a year. It is designed for businesses with temporary needs or those needing coverage for specific projects or events. It may be useful for contractors, event planners, freelancers and businesses with seasonal operations.
- **Surety Bonds**
  A surety bond is a financial guarantee that one party (the principal) will fulfill their contractual or legal obligations to another party (the obligee), with a third party (the surety) backing the principal's promise. In simple terms, if the principal fails to deliver on their commitment, the surety will step in to resolve the issue, often by compensating the obligee, and then seeking reimbursement from the principal. Industry associations and educational resources:
    - The Surety & Fidelity Association of America (SFAA): The SFAA is a valuable resource for learning about surety bonds, including definitions, types and benefits. They also

offer tools to help verify the authenticity of a bond. You can visit their website at: surety.org/surety-fidelity/what-is-surety.

- The National Association of Surety Bond Producers (NASBP): NASBP provides information and resources related to surety bonding, including educational programs and a directory of surety bond producers. You can explore their offerings at: nasbp.org.

Popular Contract Bonds

Bid Bonds: Bid bonds are required during the bidding process for projects over a certain threshold.

Performance Bonds: These bonds guarantee the project will be completed according to the contract terms.

Payment Bonds: Payment bonds guarantee payment to subcontractors, laborers and suppliers.

- **Surplus Lines Insurance (Non-Admitted Carriers)**
  This insurance is also known as excess and surplus (E&S) insurance. It covers risks that are too high-risk, unique, or complex for standard insurance companies to handle. It may be needed by individuals or businesses that fall outside the typical risk profiles considered by admitted insurers. This may include businesses in high-risk industries, those with unique or unusual exposures, or those needing very high coverage limits.
- **Tail Coverage (Extended Reporting Period Insurance)**
  This coverage protects your business in the event that you have a claims-made policy (which only covers claims reported while the policy is active). It allows claims to be reported after the policy expires, providing protection from lawsuits that might arise after the policy expires.
- **Terrorism Coverage**
  This coverage provides financial protection against property damage and other losses resulting from acts of terrorism, often through a combination of private insurance and government reinsurance. The Terrorism Risk Insurance Act (TRIA) of 2002, established by the U.S. government, offers this backstop for private insurers, helping to ensure coverage is available for commercial property and casualty policies.
- **Title Insurance**
  Title insurance ensures that you have the legal right to use or own your property. It protects you from legal disputes over your ownership. This insurance covers hidden issues that might affect your property, such as fraud, undisclosed previous owners, liens, or mistakes in documents. Title insurance will cover legal fees if there is a property right dispute. Title insurance offers two types of coverage: 1). The owner's policy protects the property purchaser and, 2). the lender's title policy protects the financial interest or investment in the property and decreases as the loan is paid off.

Total Loss Concept

A total loss refers to a situation where the insured property is severely damaged or destroyed beyond further use or cannot be recovered. In essence, repairing or restoring the insured property to its pre-loss condition is either impossible or economically unfeasible.

Total Loss Formula

Salvage Value + Repair Value (Repair Estimate + Resale Value)	$\geq$	Actual Cash Value + Value before destruction

A total loss may result in the diagram If the calculation on the left is equal to or greater than the calculation on the right

- **Umbrella or Excess**
  Umbrella and excess insurance both provide additional liability protection beyond your standard insurance policies, but they do so in different ways. Umbrella insurance is a broader policy that can cover a wide range of risks, including those not covered by your primary policies, while excess liability insurance only provides additional coverage for the specific types of claims covered by your underlying policies.
- **Valued Policy**
  A valued policy in insurance is a policy where the insurer and the insured agree on the value of the insured property at the time the policy is issued. In the event of a total loss, the insurer pays the agreed-upon value, regardless of the actual cash value of the property at the time of the loss. This differs from an open policy, where the value of the property is determined after a loss occurs**.** Valued policies are often used for items like artwork, antiques or other items where the market value can fluctuate significantly.
- **Warranty Coverage**
  A warranty is a written guarantee, issued to the purchaser of an article by its manufacturer, promising to repair or replace it, if necessary, within a specified period.

APPENDIX

APPLICABLE INSURANCE LAWS AND REGULATIONS

Understanding the laws and regulations needed to operate legally, avoid penalties, and protect a business from potential risks is crucial for sustainability. Knowledge of business law is important for compliance, risk management and ethical governance, ensuring fair business practices and safeguarding stakeholders' interests.

Understanding insurance is critical for a business's success and longevity. Insurance acts as a safety net by:

- **Protecting against financial loss and risk;**
- **Maintaining business continuity, operations and adds to employee wellbeing;**
- **Meeting legal and regulatory compliance, thereby avoiding possible penalties; and**
- **Transferring some of the business's risks.**

  In essence, insurance knowledge empowers business's to proactively manage risks and protect their business investments ultimately fostering a more secure and successful future. Title Insurance

Producer Licensing Laws

§ 31–5041.02. Licensing requirements.

Surplus Lines Laws

§ 31-2502.40 – License to procure policies from unauthorized companies

Commercial Auto Laws (Autonomous Vehicle Testing)

§ 50–2352.01. Autonomous Vehicle Testing Program

Cancellation and Non-renewal of Insurance Policies

§ 31-2409 Consumer protection (auto)

Workers' Compensation Laws

§§ 32-1501, et seq.

Self-Procurement Insurance Laws

§ 31–2502.39 - Persons not to act for unauthorized companies

Code of the District of Columbia

code.dccouncil.gov/us/dc/council/code

DC Municipal Regulations

dcregs.dc.gov/Common/DCMR/ChapterList.aspx?subtitleId=26

NOTES: