



# Property & Casualty Coverage 101

## *Small Business Guidebook*

# The Basics & Key Things You Need to Know

Create a smart strategy to help you protect and grow your business.

**Consider Property & Casualty insurance coverage.**

## Question 1

**What is Property & Casualty (P&C) coverage?**

## Question 2

**What are the different types of P&C coverage?**

## Question 3

**Why do businesses need P&C coverage?**

## Question 4

**When do businesses need this coverage?**

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**How do you determine what your needs are?**

## Question 6

**How does a business normally purchase P&C coverage?**

## Question 7

**What information will you need to supply to obtain coverage?**

## Question 8

**How can you manage your P&C coverage after purchase?**

## Take Home Thoughts

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# Question 1

## What is Property & Casualty (P&C) coverage?

Insurance that provides a business with financial protection against a covered loss or damage to its physical location and property, as well as from liability claims against the business for bodily injury or property damage caused by the operations or products of the business.





## Question 2

# What are the different types of P&C coverage?

- Workers' Compensation
- Business Owner's Policy (BOP)
- Commercial Auto
- Excess Insurance
- Umbrella Policy
- State Disability

# Different types of P&C coverage

## Workers' Compensation

Insurance covering the cost of medical care and compensation for lost income to employees who suffer an occupational disease or injury while at work. Each state has different workers' compensation laws and requirements.

## Business Owner's Policy (BOP)

Bundles property and general liability coverage into a single policy. It enables you to purchase a broad range of coverage at a cost that is typically lower than if you purchased each form of coverage separately. BOP coverage can be tailored to particular business needs.

## Commercial Auto

Includes liability and physical damage insurance that covers vehicles owned by your company – and includes coverage for you in the event your employees use their personal vehicles on company business.

## Excess Insurance

Provides additional financial coverage for liability claims in excess of a specified limit.

**Tip: If purchased, check with an insurance professional that all the underlying liability limits are adequate.**

## Umbrella Policy

Provides additional financial coverage for liability claims beyond the limits of business, auto, general liability, or employer's liability insurance policies. **Tip: An umbrella policy may be more expensive than excess insurance coverage. Make sure you speak to a licensed agent for advice.**

## State Disability

Provides temporary cash benefits to an eligible wage earner disabled by illness or injury that occurs outside of work, or because the wage earner becomes disabled due to pregnancy. For example, if you are a New York-based employer, you are required to provide disability benefits to all eligible employees. Disability benefits include cash payments only – employers and insurance carriers are not responsible for medical care.



Some additional coverage options include:

- Errors and Omissions
- Directors and Officers
- Product Liability
- Commercial Property
- Fire
- Flood

# Question 3

## Why do businesses need P&C coverage?

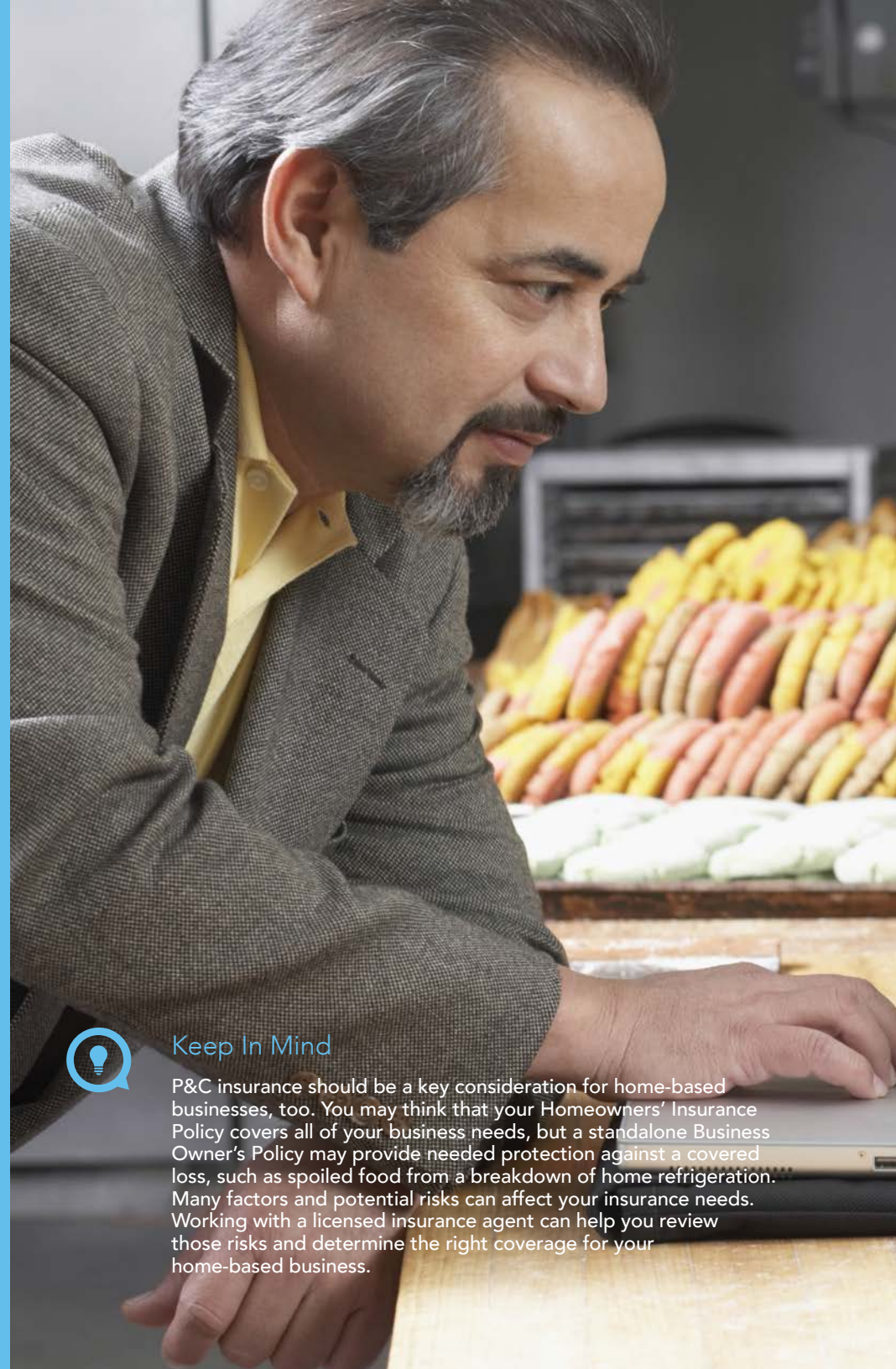
Each type of coverage serves a particular purpose.

1. **Casualty** – Protects business assets from liability claims regarding property damage or bodily injury resulting from business operations or products.
2. **Property** – Provides for financial protection for damaged property resulting from covered hazards or events. Property includes workers' compensation, which pays for medical care and lost wages for employees who are injured on the job or affected by illness associated with the operations of business.



### Keep In Mind

P&C insurance should be a key consideration for home-based businesses, too. You may think that your Homeowners' Insurance Policy covers all of your business needs, but a standalone Business Owner's Policy may provide needed protection against a covered loss, such as spoiled food from a breakdown of home refrigeration. Many factors and potential risks can affect your insurance needs. Working with a licensed insurance agent can help you review those risks and determine the right coverage for your home-based business.



# Question 4

## When do businesses need this coverage?

The need for coverage – and when you buy it – can vary and depend on the stage of business (new vs. established), industry, and location. For instance, you may consider purchasing a Business Owner's Policy before you even have employees. Workers' compensation coverage, however, is normally required by state law when you hire your first employee.

Some industries need different kinds of insurance simply based upon the nature of their work (and the inherent risks).

A roofing company will generally pay a high workers' compensation premium, because of the physical dangers of repairing roofs. A home-based food service business that sells prepared food to retail customers from a vehicle along a route would need workers' compensation and commercial auto insurance coverage. On the other hand, a home-based Web or software designer might not have as great a need for a Commercial Auto Policy. Speak to a licensed agent to determine the needs of your business.



### Keep In Mind

The business insurance needs of your business may also change as your organization grows. For example, your state may require you to have workers' compensation coverage after you reach a certain number of employees. It's important to review your insurance coverage with your agent over time to help ensure it matches your evolving business requirements and needs.

# Question 5

## How do you determine what your needs are?

All companies are different. Home-based businesses may have different needs than a traditional brick-and-mortar company with a shop on Main Street. However, all have a need to identify potential risks that they want covered.

Shop the market for Property & Casualty coverage just as you would shop for any other essential business need. Ask questions. Compare pricing and insurance requirements. Align your needs with an affordable product that can best fill those needs.

1. Consult a licensed insurance agent and a trusted advisor to review your coverage options and competitive quotes from insurance carriers.
2. Consider the factors that impact your specific insurance requirements.
3. Choose what you want insurance to cover (your building? machinery? furnishings? customer injury claims?) – and what you probably shouldn't insure.



### Keep In Mind

Workers' compensation coverage is mandatory in most states for virtually all kinds of businesses, even if a business is home-based.





## Question 6

# How does a business normally purchase P&C coverage?

You have several ways to obtain coverage:

1. **Licensed insurance agents or Brokers** – These are licensed representatives who sell the products of a variety of insurance carriers.
2. **Licensed Consultants (paid by the insurance buyer)** – They evaluate the needs of a business and recommend the best coverage for the price.
3. **Carrier** – They are the issuing company of the insurance policy.

# Question 7

## What information will you need to supply to obtain coverage?

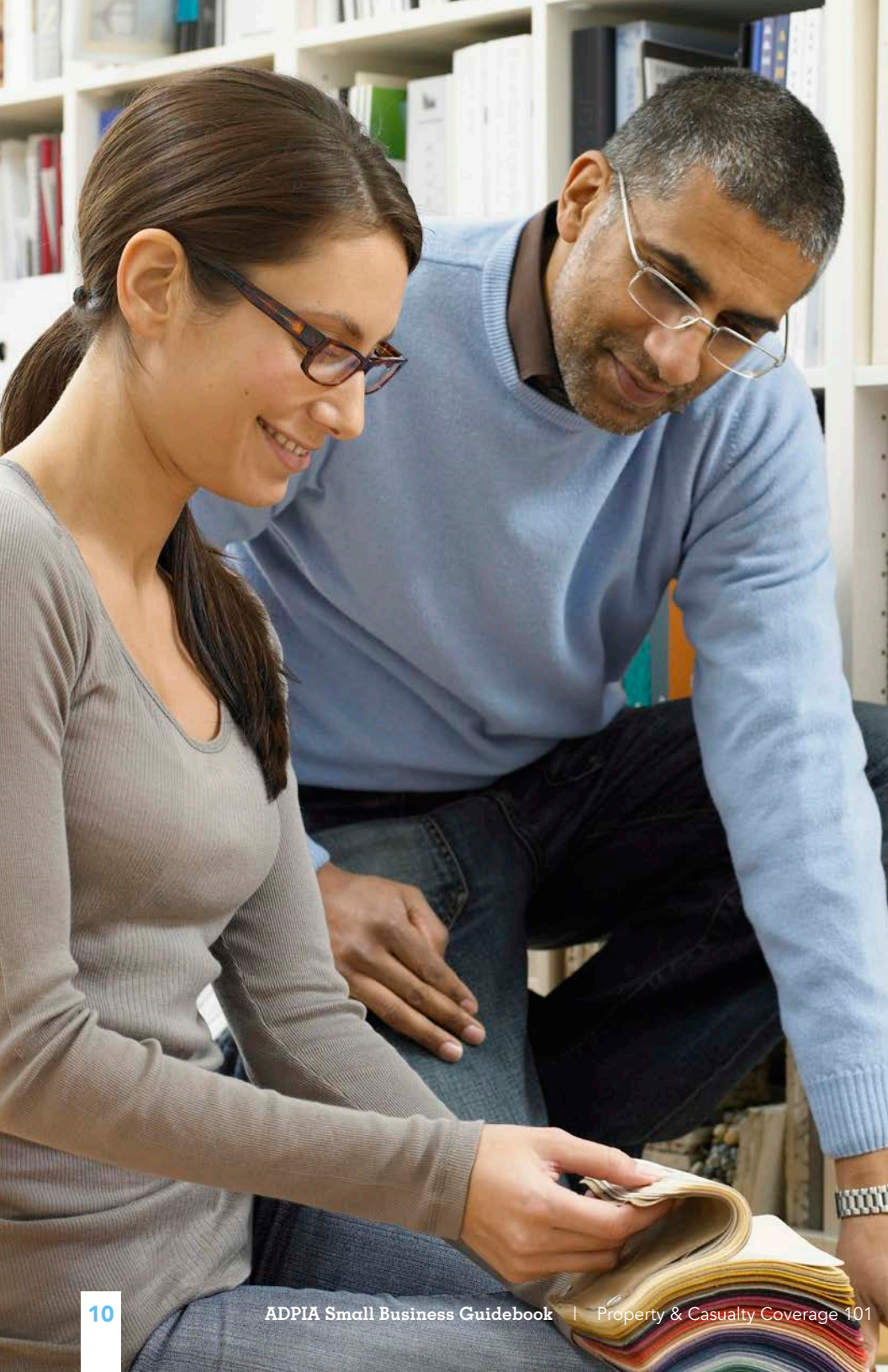
Insurance carriers want to know as much as possible about your company. This helps them provide the type of coverage you desire at a commensurate price. Requested information usually includes:

1. Basic information about your business and its ownership
2. Your company's latest audited financial statements
3. Permission for a carrier to access information about
  - a. Past insurance claims
  - b. Credit/consumer reports
  - c. Other information/records – which will vary by carrier



### Keep In Mind

It is important that all the information you provide to the insurance company be accurate. Inaccuracies in any information requested can result in the policy being cancelled.



## Question 8

# How can you manage your P&C coverage after purchase?

Managing your insurance coverage ultimately is the responsibility of every business owner. Here are some helpful tips:

## Managing Coverage After Purchase

- 1** Continuously review your policies to ensure they match the needs of your business.
- 2** Consider loss control programs like “Workplace Safety,” which may provide policy premium credits to reduce insurance costs. There are a variety of these kinds of programs, such as voluntary safety, drug and alcohol prevention, and return-to-work plans offered by carriers.
- 3** Utilize the services of a professional agent to purchase coverage from a carrier. This will help to obtain the proper level of coverage for present exposure and help avoid possible gaps in coverage thereby minimizing exposure to unexpected expenses. Licensed professionals may also help open the door to additional savings in company resources.
- 4** Take advantage of management tools like premium payment programs that may help improve cash flow by eliminating huge up-front premium deposits, lessen administrative tasks associated with managing the insurance program, and may also help minimize unexpected premium expenses.



## Take Home Thoughts

- 1** Premiums depend on a variety of factors – most notably the type of business you are in, where it is located, and your record of previous claims.
- 2** Minimize claims by implementing loss control programs and/or assuming more risk through higher deductibles – for example, opt for a higher deductible on fire damage if you install fire alarms and highly effective fire protection/suppression systems.
- 3** Reduce risk by proactively limiting exposure – for example, keep workplace floors and walkways in good condition to avoid the likelihood of personal injury from slips and falls.

# Useful Links

**Learn about ADPIA's Property & Casualty offerings:**  
<http://insurance.adp.com/what-we-offer/property-and-casualty.aspx>

**Learn how to implement a workplace safety plan:**  
<http://insurance.adp.com/~media/Insurance/Docs/Implement-5-Workplace%20Safety-steps.ashx>

**Learn about ADP's Pay-by-Pay® Premium Payment Program for workers' compensation**  
<http://insurance.adp.com/what-we-offer/property-and-casualty/pay-by-pay.aspx>

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