



# **SMALL-BUSINESS OWNERS' INSURANCE**

a guide for consumers



**STATE OF FLORIDA**

Florida Department of Financial Services

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### NOTE:

Most insurance rates and forms in Florida are regulated by the Office of Insurance Regulation (OIR). Other financial services are regulated by the Office of Financial Regulation (OFR). Although both are administratively housed within the Department of Financial Services (DFS), they are separate entities that report to the Florida Cabinet. Because DFS handles consumer-related matters, consumers should remember that DFS is their point of contact for all problems and questions.

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## SMALL-BUSINESS OWNERS' INSURANCE

Finding the best insurance plan to protect your business is one of the many important decisions a small-business owner makes. This guide explains required and optional coverage you need to consider.

To determine your business insurance needs, you should review your property and risks.

Your property is the building, possible equipment and inventory you own. Your risks are the financial responsibilities you have for the people and property your business employs.



To determine your business insurance needs, you should review your property and risks.





## TYPES OF PROPERTY AND LIABILITY COVERAGE

Florida law requires business owners to purchase workers' compensation and commercial automobile insurance under the following guidelines:

Workers' compensation insurance is required for any non-construction business employing four or more people and any construction business with at least one employee.

Commercial automobile coverage is required for businesses that own, lease or operate a motor vehicle.

### Workers' compensation coverage

Workers' compensation coverage provides medical and partial wage replacement benefits to employees injured as a result of work-related activity. This coverage also provides the employer protection from the threat of a civil lawsuit by an employee with a work-related injury. This coverage is provided by a workers' compensation policy, secured by the employer.

The type of business—defined by classification codes as either construction or non-construction—and the business structure are the key factors in determining when coverage is required.

Applications for election of coverage or exemption from coverage must be filed with and approved by the Florida Department of Financial Services (DFS), Division of Workers' Compensation. These applications have specific requirements and may require submission of additional documentation. *Applications and instructions are available at the Division's Web site at [www.MyFloridaCFO.com/wc](http://www.MyFloridaCFO.com/wc).*

*For more information on workers' compensation insurance, call the DFS Bureau of Compliance toll-free at 1-800-742-2214; the Workers' Compensation Employer Customer Service Center at (850) 413-1601; or visit the Division's Web site at [www.MyFloridaCFO.com/wc](http://www.MyFloridaCFO.com/wc).*

### Commercial automobile coverage

If your business owns, leases or operates motor vehicles, you must obtain commercial automobile coverage. Requirements and

options vary, so check with your insurance agent to determine what types of coverage you need. You also should contact your city and county government and the U.S. Department of Transportation to check for any other requirements.

Commercial motor vehicle coverage is similar to the auto insurance most people carry on their personal cars. Most policies include property coverage for your vehicle, as well as liability coverage for damage caused by an employee driving a company vehicle. If you are using your personal automobile for business purposes, you may not be covered, as the rules and guidelines are different for each insurance company. Review the business use of your personal vehicle with your insurance agent to be sure you are covered.

*You can purchase coverage through an insurance company, or you can self-insure your vehicles. For more information on self-insurance, contact the Florida Department of Highway Safety and Motor Vehicles, Division of Financial Responsibility, Neil Kirkman Building, 2900 Apalachee Parkway, Tallahassee, FL, 32399-0500, or call (850) 617-2000.*

### City and county requirements

While workers' compensation and commercial automobile coverage may be the only coverage required by Florida law, the city or county you operate in may have additional requirements. Call the occupational license office in your county or city to find out if you need additional insurance.

### Banks or lending institutions

Though not required by law, your bank or lending institution may require you to purchase property coverage if you borrow money to pay for buildings, equipment or any other property for your business.

This protects the lender's interest, and it allows you to repair, replace or pay off loans for items that are damaged or destroyed. Leased equipment or property also could have insurance requirements. Check your lease agreement for details.



The type of business—defined by classification codes as either construction or non-construction—and the business structure are the key factors in determining when coverage is required.



## OPTIONAL COVERAGE

Even if the law does not require your business to carry insurance, you may want to purchase some coverage to protect you, your property and your assets. This coverage is sold as a package policy that includes several types of insurance. For example: Property, liability and automobile coverage could make up a package policy.

Different businesses have different needs. Ask your agent to help you choose the type of insurance coverage that best suits you. Here are some brief descriptions of the many types of insurance available to business owners.

**Bonds** guarantee that you will perform a specific action or provide work of a certain quality. For example, if a bonded builder fails to perform as agreed, the client can get some money back through a settlement.

**Boiler and machinery insurance** pays for loss or damage to your property resulting from a sudden and accidental breakdown of equipment.

**Business income or interruption insurance** pays lost earnings if you must suspend operation of your business because of an insured property loss.

**Extra expense coverage** reimburses your business for any added expenses incurred during the restoration period following damage to the business and impairment of its operations as the result of an insured loss.

**Cargo and transportation insurance** covers your company's goods and products while they are in transit.

**Errors and omissions insurance** protects professionals from losses caused by their errors or oversights.

**Fidelity insurance** covers business clients or owners for losses due to dishonest acts by owners or employees.

**Flood insurance** covers losses to your building(s) and its contents due to flooding.

**Liability insurance** protects your business from financial loss as a result of injuries, death or property damage caused by your products, business operations or employees. There are two types:

**Premises-and-operations** provides coverage for accidents, such as "slip and fall" incidents, on your property.

**Products-and-completed-operations** helps pay for monetary losses resulting from injury or damage caused by a product or completed job.

**Professional liability insurance** pays liability claims arising from wrongful practice by physicians, attorneys or other professionals.

**Property insurance** protects business property and physical assets. There are three main types:

**Named-peril coverage** specifies the events that the policy will cover. For example, you may buy a named-peril policy as protection from losses caused by fire, explosion and smoke.

**Comprehensive coverage** provides broader coverage for all perils, except those specifically excluded in the policy.

**Windstorm insurance** pays for losses to buildings and their contents caused by windstorms (such as hurricanes and tornadoes) or hail.

Finding the best insurance plan to protect your business is one of the many important decisions a small-business owner makes. This guide explains required and optional coverage you need to consider.

To determine your business insurance needs, you should review your property and risks.

Your property is the building and equipment and inventory you own. Your risks are the financial responsibilities you have for the people your business employs.



Even if the law does not require your business to carry insurance, you may want to purchase some coverage to protect you, your property and your assets.



## PROPERTY INSURANCE: REPLACEMENT COST VS. ACTUAL CASH VALUE

With property insurance, you can buy either replacement cost or actual cash value coverage.

**Actual cash value (ACV)** insurance pays the cost of damaged property and goods after deducting for their depreciation. For example, if you paid \$2,000 for a computer five years ago, ACV would only pay its current value, say \$500.

**Replacement cost** coverage is more expensive. It pays the cost of replacing your property without deducting for depreciation. You should compare the premiums for replacement cost versus actual cash value when buying or renewing a policy.

## LEGAL EXPENSE INSURANCE

Legal expense insurance is available to provide you with modestly priced legal services. It also encourages you to consult with an attorney before serious problems arise.

DFS issues licenses to companies and agents selling legal expense insurance. These companies offer various types of plans that range from basic consultation to more complex legal services. *Contact Specialty Products Administration at (850) 413-3144 to request a listing of authorized legal expense plans.*

*You also can get this list and more information by going to the Florida Bar's Web site at [www.flabar.org](http://www.flabar.org) and clicking on "Public Information," where you will find the link to "Group and Prepaid Legal Services."*

## PURCHASING OPTIONS

In Florida, you have the option of purchasing your insurance through a variety of insurance organizations, depending on the type and size of your business.

Many authorized insurers are licensed to sell commercial insurance in Florida. Also, surplus lines insurers can provide coverage for businesses and professionals in high-risk situations.

There are risks and limitations associated with both types of insurance providers. The following sections outline these organizations and explain how they are licensed and regulated.

### AUTHORIZED INSURERS

An **authorized insurer** is a company authorized by the DFS to sell insurance. Most business owners seek coverage through authorized insurers and the licensed agents who represent them.

The Department requires authorized insurers to regularly submit their rates, financial standing, premiums, claims and policy forms for review.

These measures ensure that you are treated fairly and that the insurance company has enough reserve cash to pay claims.

Authorized insurers also must contribute to the Florida Insurance Guaranty Association (FIGA), which pays most claims for policyholders if an insurer becomes insolvent. Although many business owners choose to use authorized insurers, other options may be available.

### ALTERNATIVES TO AUTHORIZED INSURERS

#### Commercial self-insurance funds

With this type of plan, a group of business owners pools its risks and money to provide insurance through a shared fund. The fund must have enough assets to guarantee the payment of claims, and all rates must be filed with the Department.

A commercial self-insurance fund may provide commercial liability, property and workers' compensation insurance. Commercial self-insurance funds must issue **assessable**



In Florida, you have the option of purchasing your insurance through a variety of insurance organizations, depending on the type and size of your business.



policies. This means that if a business does not have enough money to pay the claims, the other participating businesses are assessed, or charged, to make up any shortfalls. Commercial self-insurance funds cannot write insurance outside Florida, and the Department must approve all forms used by the fund administrators. However, the Florida Insurance Guaranty Association (FIGA) will not pay the claims of failed or bankrupt commercial self-insurance funds.

### JOINT UNDERWRITING ASSOCIATIONS (JUA)

JUAs are organizations of licensed insurance companies that provide coverage to consumers who cannot obtain it in the traditional marketplace. Insurance may be purchased through various types of JUAs, including the Workers' Compensation Joint Underwriting Association and the Florida Joint Underwriting Association for Commercial Auto Risks.

Damage from Florida's recent hurricane seasons has made obtaining commercial property insurance difficult for some businesses. As a result, a property and casualty JUA has been formed to assist business owners who cannot otherwise find coverage. *Call the Citizens Property Insurance Corporation toll-free at 1-877-227-3492. Visit its Web site at [www.citizensfla.com](http://www.citizensfla.com).*

### RISK RETENTION GROUPS

A risk retention group provides commercial liability insurance to its members. Generally, members are professionals with similar businesses, or engaged in similar business activities with similar liabilities. Risk retention groups must apply for permission to organize in one state (called the certificated state). Once the risk retention group has been certified in one state, it registers as a liability insurance company in other states in which it wishes to do business. The Department cannot regulate the forms or the rates of a risk retention group that is not certified in Florida, and FIGA will not cover losses if the group becomes insolvent or bankrupt.

### SURPLUS LINES INSURERS

Standard insurance companies often reject high-risk applicants who do not meet their underwriting criteria, such as liability for day care centers or property coverage for expensive business equipment. Surplus lines insurers fill this need. However, before turning to a surplus lines insurer, your agent must apply for and receive rejections from at least three standard insurers.

Freedom from some regulation allows surplus lines insurers to respond to the needs of insurance consumers. The Department does not issue surplus lines insurers licenses to offer insurance in Florida. Therefore, no regulator in Florida has reviewed these insurance contracts, and FIGA does not provide any coverage for claims if a surplus lines company goes bankrupt. However, when surplus lines insurers provide certain financial information, they may receive official approval from the Department.

The Department does not regulate the rates these companies charge or the policy forms they use. Therefore, if you obtain a surplus lines policy, it is important that you read it thoroughly. These policies frequently involve differences in coverage and deductibles not found in other policies.

### PURCHASING GROUPS

Business owners or professionals may form a purchasing group to buy commercial coverage, thereby saving money by negotiating a group rate through a trade association rather than by purchasing individual policies.

Before buying coverage for a group of businesses, the purchasing group must get approval from DFS. Purchasing groups must buy coverage from an authorized insurer, a risk retention group or an eligible surplus lines insurer. Coverage through purchasing groups is not protected by FIGA.



Before buying coverage for a group of businesses, the purchasing group must get approval from the Department of Financial Services.



## INSURING YOUR ONE-PERSON OR AT-HOME BUSINESS

If you run a home-based or one-person business, most of the information presented in this guide applies to you as well. Do not assume that your homeowners or renters insurance policy will cover the professional equipment in your home or your liability needs. Most homeowners and renters policies specifically exclude coverage for property used in a business.

If your home-based business involves products, inventory or walk-in customers, you will need a business insurance policy. A business policy will insure you separately with property and liability coverage as though you were renting space for your business.

Many insurance companies have developed special insurance policies for at-home businesses. With the help of a good agent, your property and liability needs may be easy to meet.

If you want health coverage, you may have to shop around for an individual policy or a health maintenance organization (HMO) until you qualify for a small-group policy. (See “Small Employers Health Care Access Act” on page 16.) If your spouse works for an employer that offers health care coverage, you may be insurable under his or her employer’s plan. You also may be able to take advantage of group insurance through your membership in associations or professional organizations.

## HEALTH COVERAGE FOR YOUR EMPLOYEES

While not required by law, employers sometimes offer benefits, such as group life and health coverage, to attract and keep good employees. The next few pages address health care coverage. *If you want to learn more about life insurance, please request a free copy of our Life Insurance and Annuities guide for consumers by calling the Consumer Helpline toll-free at 1-877-MY-FL-CFO, (1-877-693-5236). You also can download it from the Department’s Web site [www.MyFloridaCFO.com](http://www.MyFloridaCFO.com).*

### TYPES OF HEALTH COVERAGE

Traditional health insurance, managed care plans and dental, vision and disability insurance are among the types of health coverage available to small employers.

#### Traditional Health Insurance

With traditional health insurance, employers usually offer health benefits to their employees by purchasing coverage through an insurance company at group rates.

#### Managed Care

Managed health care combines the delivery and financing of health care services. The most popular form of managed care is the

health maintenance organization (HMO). Your employees choose physicians and medical service providers from a list of HMO contract providers (hospitals, physicians, specialists, medical services, etc.).

The Office of Insurance Regulation regulates HMOs financially, reviewing and approving HMO contracts and rating methods, and monitoring HMOs for financial solvency. The Florida Agency for Health Care Administration regulates the quality of care offered by HMOs. *If you have questions or complaints regarding quality of care issues, call the Agency for Health Care Administration’s toll-free Consumer Hotline at 1-888-419-3456.*

The advantage of an HMO is that, in return for the limited choice of doctors and hospitals, HMO members usually pay less out of their own pockets than people with traditional insurance. There also is little or no paperwork for HMO members to complete when they receive care.

The main disadvantage of an HMO is that employees cannot always visit the physician or medical facility of their choice. They must choose from a group of physicians that contracts with the HMO, except in an emergency situation. *For more information*



Many insurance companies have developed special insurance policies for at-home businesses.



on HMOs, health insurance or other health coverage concerns, please request a free copy of our Health Maintenance Organizations or Health Insurance guides for consumers by calling the DFS Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236). You also may download them from the Department's Web site at [www.MyFloridaCFO.com](http://www.MyFloridaCFO.com).

### Association-Based Coverage

An insurance company that markets an association-based certificate to a Florida resident must obtain a license from DFS.

However, the insurer may keep the master policy in the name of an association or trust based outside Florida. In addition, the insurer may file its policy forms and rates for approval in the association's home state.

Please be aware that this means some of Florida's most important insurance laws covering benefits and rate increases may not apply to out-of-state, association-based coverage, even though the insurance is sold to Florida residents. In particular, the government of the home state (the state where the policy was issued) may not closely review or approve the rates involved.

*For more information about association-based coverage, you may request a free copy of Health Insurance: A Guide for Consumers by calling the Consumer Helpline toll free at 1-877-MY-FL-CFO (1-877-693-5236), or you may download it from the Department's Web site at [www.MyFloridaCFO.com](http://www.MyFloridaCFO.com).*

## SMALL EMPLOYERS HEALTH CARE ACCESS ACT

The Small Employers Health Care Access Act makes health insurance plans available to small-business employers regardless of the health-claims experience of a group of employees or the health status of any individual employee in that group. Here are the benefits offered by this law:

### GUARANTEED ISSUE

Insurers are required to offer all health benefit plans to small-business employers with one to 50 employees on a guaranteed-issue basis. However, if you are a sole proprietor or the sole officer of your corporation seeking coverage, you are considered a "one-life group." One-life groups must apply for coverage during an annual open enrollment period that lasts the entire month of August. Regardless of when you apply in August, your coverage will not start until the first day of October.

**Guaranteed issue** means that the policy must be issued regardless of the employer's or an individual employee's claims history, pre-existing condition(s) or health status. Insurers and HMOs may ask health and medical

questions, but the answers cannot be used to deny enrollment. Although enrollment cannot be denied, an insured person may be subject to a waiting period before medical claims are paid for certain pre-existing conditions.

For an employer with **fewer than two** employees, a pre-existing condition is an illness that is diagnosed or treated, or a condition for which an ordinarily prudent person would seek treatment, 24 months prior to the purchase of a health insurance policy, if the employee has had no prior coverage. The pre-existing condition period lasts only 12 months for those who have had prior coverage under a different health plan. However, that 12-month period will be reduced by the length of time that you have satisfied a pre-existing condition clause under the prior coverage. (See "Portability" in the following section.)

For an employer with **two or more** employees, the definition of a pre-existing condition is "a physical or mental condition, regardless of the cause, for which medical advice, diagnosis,



While not required by law, employers sometimes offer benefits, such as group life and health coverage, to attract and keep good employees.



care or treatment was recommended or received within six months of the enrollment date or time of application.” For these employees, the maximum waiting period is 12 months, minus any time satisfied under a pre-existing condition clause with a prior health plan. (See “Portability” in the following section.)

For employers with **two to 50** employees, an insurer that offers group health insurance coverage may not impose any pre-existing condition exclusion for pregnancy.

It is important to remember that insurance companies may refuse to renew coverage for fraud or intentional misrepresentation by the employer of the insured. Therefore, it is important for employees to provide “truthful and accurate” health and medical information to insurers and HMOs.

## PORTABILITY

Portability allows a covered person or dependent to meet the waiting period for a pre-existing condition only once, even if an individual changes his or her employer or insurer. To qualify, you must have continuous coverage with no more than a 63-day break (the maximum number of days you can go without coverage before your portability rights expire).

Some employers require employees to be employed for a period of time before they can join the company’s health plan. While this employment requirement frequently lasts three to six months, this delay will not count against the 63-day requirement for joining another health plan in order to qualify for exercising your portability rights.

## STANDARD AND BASIC HEALTH PLANS

The standard and basic health plans allow employers and employees to compare prices and services between health coverage companies (insurers and HMOs). The coverage of these plans is identical for each company, but they differ in price, service and out-of-pocket expenses.

The standard plan, with some limitations, includes coverage for:

- Inpatient hospitalization
- Outpatient services
- Newborn children
- Child care supervision
- Adopted and foster children upon placement in the residence
- Mammograms
- Handicapped children
- Emergency or urgent care outside the service area
- Prescriptions

The standard plan has higher premiums and lifetime benefits, but lower out-of-pocket expenses. With the basic plan, the monthly premiums are lower, but your out-of-pocket expenses are higher.

Remember that you should consider your needs and those of your employees before deciding on any health plan. Ask your agent for complete explanations of all options. Do not waive your rights to these plans without reviewing them first.



It is important to remember that insurance companies may refuse to renew coverage for fraud or intentional misrepresentation by the employer of the insured.





## HIGH DEDUCTIBLE HEALTH PLANS (HDHP)

Since Sept. 1, 2004, small-employer group coverage providers have been required to offer at least one HDHP that meets federal requirements of a health savings account (HSA) or health reimbursement arrangement (HRA—see next section) in addition to the standard and basic offerings.

These tax-advantaged accounts will be used to pay for qualified medical expenses as defined by the IRS.

DFS does not have authority over HSAs or HRAs. However, the Office of Insurance Regulation does have the authority to review and approve HDHP insurance contracts.

*A listing of small-employer group coverage providers who offer approved HDHPs is available on the Division of Consumer Services Web site at [www.servicepoint.fldfs.com](http://www.servicepoint.fldfs.com)*

### WHAT IS AN HRA?

An HRA (health reimbursement arrangement) is an employer-funded account that reimburses employees for qualified medical care expenses, typically combined with a high-deductible health plan.

### WHAT IS AN HSA?

An HSA (health savings account) is a tax-exempt trust or custodial account established to pay qualified medical expenses of the account beneficiary who, for the months in which contributions are made to an HSA, is covered under a high-deductible health plan.

### WHO CAN ESTABLISH AN HSA?

An “eligible individual” means, with respect to any month, any individual who:

- Is covered under an HDHP on the first day of such month;
- Is not also covered by any other health plan that is not an HDHP with certain exceptions for plans providing certain limited types of coverage;

- Is not entitled to benefits under Medicare (generally, has not yet reached age 65); and
- May not be claimed as a dependent on another person’s tax return.

### WHAT IS A “HIGH-DEDUCTIBLE HEALTH PLAN” (HDHP)?

An HDHP is an insurance policy that satisfies certain federally imposed annual deductible and out-of-pocket expense requirements.

#### **Self-Only Coverage:**

- Annual deductibles of at least \$1,000
- Annual out-of-pocket expenses not exceeding \$5,000

#### **Family Coverage:**

- Annual deductibles of at least \$2,000
- Annual out-of-pocket expenses not exceeding \$10,000

#### **Additional HDHP Attributes Include:**

- In the case of family coverage, there is only one deductible. It does not matter which family member incurs the expenses to meet the deductible.
- Amounts are indexed for inflation.
- A plan does not fail to qualify as an HDHP merely because it does not have a deductible (or has a small deductible) for preventive care (i.e., annual physicals; obesity weight loss programs; screening services such as mammograms; tobacco cessation programs; child and adult immunizations; and routine prenatal and well-child care).

**Please note:** Out-of-network copays don’t count toward out-of-pocket maximums.



Remember that you should consider your needs and those of your employees before deciding on any health plan.



## WHAT OTHER KINDS OF HEALTH COVERAGE MAY AN INDIVIDUAL MAINTAIN WITHOUT LOSING ELIGIBILITY FOR AN HSA?

An individual does not fail to be eligible for an HSA merely because, in addition to an HDHP, the individual has coverage for any benefit provided by “permitted insurance.”

Having additional insurance policies such as:

- Accident
- Disability
- Specific injury (i.e. a cancer policy)
- Dental care
- Vision care
- Long-term care

will not affect your HSA.

## MODIFIED COMMUNITY RATING

All small-group health plan premiums are determined using a modified community rating. The modified community rating allows five main factors to be considered in determining an individual's health plan rate: geographic area, gender, age, tobacco usage and family composition.

For small-business owners seeking coverage, the rate can be increased if the employer does not have workers' compensation insurance. Also, the base rate can be raised or lowered based on the employees' health status, past claims or length of time insured. However, the base rates can be raised or lowered by no more than 15 percent in the first year of coverage and no more than 10 percent in any renewal year due to claims or health status. Base rates can also increase due to health care cost increases.

Group size will generally not affect the rate charged. However, rates for one-life groups may be up to 50 percent higher.

## COBRA BENEFITS

The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) requires insurance companies that cover employee

groups of 20 or more to provide health coverage to employees who lose eligibility to participate in the company's health plan. Employees typically lose their eligibility when they retire, resign, lose their jobs or have their work hours reduced below the minimum amount required to participate in the company's health plan.

COBRA allows employees enrolled in small-group plans to receive coverage for themselves and their insured dependents for an additional 18 months following the termination of regular health plan coverage. An employee or insured dependent who is disabled at the time of job termination can receive a total of 29 months of continued coverage. Dependents losing coverage (spouse or dependent children) can receive up to 36 months of coverage under certain conditions. Under this law, the employer or its designee (usually its insurance company) is required to inform the employees of their COBRA rights when they lose their eligibility.

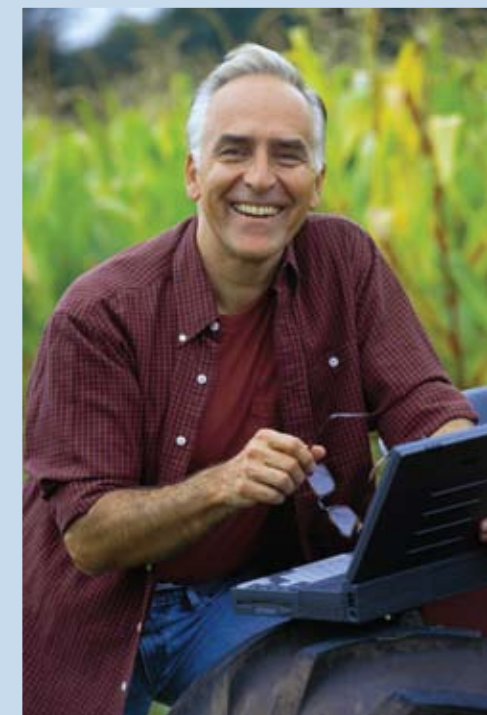
## MINI COBRA

Florida's Mini-COBRA law provides similar continuation of coverage protection for employees who work for employers with fewer than 20 employees.

**Note: Under this law, the employee must notify the insurer within 63 days of losing group eligibility that he or she is eligible to continue coverage. If you have specific questions, call the Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236).**

## CONVERSION

After you exhaust COBRA, you may qualify for a conversion plan, which is guaranteed-issue, individual coverage that the group plan insurer must offer you. You should receive two conversion plan options with different levels of comprehensive, major medical benefits. However, these benefits may differ from those offered by your previous group plan. *If a conversion plan is not available, please call the Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236), since you may have other options.*



An HDHP is an insurance policy that satisfies certain federally imposed annual deductible and out-of-pocket expense requirements.



## DISABILITY INCOME INSURANCE

You also may offer your employees disability income insurance to provide them with income if they become disabled from illness or injury and cannot work. Disability income insurance replaces a significant portion of an individual's income through periodic payments while the individual is disabled due to sickness or injury. Disability income benefits provide monthly or weekly payments of a specified amount for a period of time stated in the policy. Disability income insurance comes in both short- and long-term coverage.

**Short-term** disability income insurance generally refers to policies with a maximum benefit coverage of two years or less, although some companies may apply this designation to policies with benefit coverage of up to five years.

**Long-term** coverage includes policies with maximum benefit periods of 10 years, to age 65, or in a few instances, for the lifetime of the insured.

For the first 12 months of the disability, this type of income policy must provide benefits if the policyholder is unable to perform material and substantial duties of his or her regular occupation. After the first 12 months, the company may base the continuance of benefits on the person's ability to perform any work for which he or she is reasonably trained.



COBRA allows employees enrolled in small-group plans to receive coverage for themselves and their insured dependents for an additional 18 months following the termination of regular health plan coverage.



# HOW TO SELECT AN INSURANCE AGENT

When selecting an agent, choose one who is licensed to sell insurance in Florida. Some agents have professional insurance designations such as the following:

<b>CEBS</b>	Certified Employee Benefits Specialist
<b>CFP</b>	Certified Financial Planner
<b>ChFC</b>	Chartered Financial Consultant
<b>CIC</b>	Certified Insurance Counselor
<b>CLU</b>	Chartered Life Underwriter
<b>CPCU</b>	Chartered Property and Casualty Underwriter
<b>LUTCF</b>	Life Underwriting Training Council Fellow
<b>RHU</b>	Registered Health Underwriter

Make sure you select an agent with whom you feel comfortable and who will be available to answer your questions. Remember: An agent may represent more than one company. To verify whether an agent is licensed, call the Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236). You can also go to [www.MyFloridaCFO.com](http://www.MyFloridaCFO.com) and click on the “Verify Before You Buy” button at the bottom of the page to search for licensing information.

# HOW TO SELECT AN INSURANCE COMPANY

When selecting an insurance company, it is wise to know that company’s rating. Several organizations publish insurance company ratings, available in your local library and on the Internet. These organizations include: A.M. Best Company, Standard & Poor’s, Weiss Ratings Inc., Moody’s Investors Service and Duff & Phelps. Companies are rated on a number of elements, such as financial data (including assets and liabilities), management operations and the company’s history.

Before buying insurance, verify whether a company is licensed to sell insurance in Florida by calling the DFS Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236). Be sure to have the full, legal name of the insurance company when you call. You can also go to [www.MyFloridaCFO.com](http://www.MyFloridaCFO.com) and click on the “Verify Before You Buy” button at the bottom of the page to search for licensing information.



As with any major purchase, it is a good idea to shop around to make sure you are getting the most for your money.



## PROTECTING YOUR PRIVACY

### Your Insurers and Financial Institutions

Under federal law, some banks and insurance companies may have the right to share sensitive and personal information about you with other entities and business interests—without your permission. As the policyholder, you must take the lead in protecting your personal information.

Many companies will send you a privacy notice that will give you the opportunity to tell them that you want your personal information kept confidential. Unless you complete and return these forms, your personal financial and medical information may be shared with other companies. You may have to complete these forms on an annual basis.

When you receive a privacy notice form, read it carefully before signing it to avoid unintentionally giving the company permission to share information about you. If you have questions or concerns about these forms, call the Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236).

## INSURANCE FRAUD COSTS US ALL!

Insurance fraud costs each Florida family an additional \$1,500 per year\* in increased premiums. In fact, it can inflate your premiums by as much as 30 percent, according to the National Insurance Crime Bureau. This includes the money you pay for life, auto, health, homeowners and other types of insurance. You can protect your personal and family pocketbook by learning about the many different types of fraud schemes and scams. Some common examples include:

**Fictional Injury** – An attorney informs a small-business owner that a client suffered serious injury after falling at the owner's place of business. Actually, the attorney and client work together to bilk insurance money through phony accident claims.

**Rigged Robbery** – A small-business owner files a phony claim of stolen property or exaggerates the value of missing items.

**Arson for Profit** – The co-owner of a financially strapped business intentionally sets fire to the workplace in hopes of obtaining insurance settlement money.

**Unauthorized Referrel** – A laboratory bills an insurance company for a patient's tests using information stolen from a referring physician. Actually, the laboratory has never tested the patient.

**Deceptive Claim** – An employee who suffers a minor injury at work exaggerates the loss or uses a pre-existing injury to file for workers' compensation.

There are many other types of insurance fraud. *If you suspect such a crime has occurred, call the DFS Fraud Hotline toll-free at 1-800-378-0445.*

\*Source: Coalition Against Insurance Fraud



You can protect your personal and family pocketbook by learning about the many different types of fraud schemes and scams.





## GLOSSARY

**Agent** – An agent is a person who sells and services insurance policies. Agents must be licensed by DFS to sell insurance in Florida.

**Authorized Insurer** – An authorized insurer is an insurance company that has a Certificate of Authority from DFS to operate in Florida.

**Commercial Liability** – Commercial liability is an insurance policy written for businesses to cover negligent acts that cause injury or damage to persons or property unrelated to the business.

**Deductible** – A deductible is the amount that a policyholder must pay before the insurance company pays.

**Domestic Insurer** – A domestic insurer is an insurance company formed under Florida laws.

**FIGA (Florida Insurance Guaranty Association)** – A non-profit corporation of licensed property and casualty insurance writers that pays most claims for policyholders if an insurer becomes insolvent.

**FLAHIGA (Florida Life and Health Insurance Guaranty Association)** – An association comprising all life and health casualty companies authorized to operate in Florida that pays most claims for policyholders if an insurer becomes insolvent.

**Foreign Insurer** – A foreign insurer is an insurance company formed under the laws of a state other than Florida, but which offers policies in Florida.

**Group Insurance** – Group insurance is an insurance policy written on a group of people under a single master policy.

**Insured** – The insured are persons and items covered under an insurance policy.

**Insurer** – The insurer is the company that provides the insurance.

**Liability Limits** – The liability limit is the maximum amount of benefits your insurance company will pay for liability claims or losses.

**Loss** – A loss is an occurrence or event resulting in damage or destruction of property, injury or death. A policy may cover, limit or exclude certain losses, depending on the terms of the policy.

**Named Perils** – Named perils are specific, named causes of losses that are covered in a property policy. Some examples are fire, windstorm, theft and smoke damage.

**Pool** – A pool is an organization of insurers that band together to write insurance jointly for applicants who are unable to get coverage through ordinary methods.

**Preferred Provider Organization (PPO)** – A PPO offers another kind of provider network to meet the health care needs of consumers. A traditional insurance carrier provides the health benefits. An insurer contracts with a group of health care providers to control the cost of providing benefits to consumers. These providers charge lower-than-usual fees because they require prompt payment and serve a greater number of patients. Consumers usually choose who will provide their health services, but pay less in coinsurance with a preferred provider than with a non-preferred provider.

**Risk** – Risk is a chance of loss to insured persons, liabilities or properties.

**Risk Management** – Risk management is the management of the various risks that might affect a business. Its purpose is to identify potential loss situations and to control or reduce them through safety and insurance programs.

**Third-Party Administrator** – A third-party administrator is a business licensed by DFS to handle claims for insurance companies or self-insured programs.

**Unauthorized Insurer** – An unauthorized insurer is an insurance company not issued a Certificate of Authority to conduct business in a particular state.