



:How To Series 2006

How to ... Tips 'n Tools for Commercial Lines



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High Noon ... Evaluating, Buying & Selling “Mom & Pop” Insurance Agencies

About the Author

Eddie K. Emmett is one of the owners of Atlanta’s largest group of independent insurance agencies dealing primarily with nonstandard auto insurance agencies. Raising the level of professionalism in the insurance industry is of utmost importance to him.

In his spare time he is Editor / Publisher of the FYI Express (www.fyigeorgiaviews.com), the most widely read insurance industry newsletter of its type and is past-President of the Georgia Insurance Agents Alliance, Executive Director of the National Auto Agents Alliance (an organization made up of 19 state associations), Board of Director for Atlanta Association of Insurance Professionals (Georgia’s only insurance agents’ organization made up of minorities). He is a frequent speaker / instructor for these organizations as well as the Professional Insurance Agents of Georgia (PIA), Insurance Women of Georgia and Independent Insurance Agents of Georgia (IIAG).

It is to the “Movers & Shakers” of the Insurance Industry who have mentored him over the last three decades that he dedicates this series of “How To” booklets.

He is currently developing a group of kiosks located inside businesses that deal exclusively with the Hispanic population. The kiosks, named Zaragoza Aseguranzas, are staffed by bilingual employees and are open seven days a week until 8:00 p.m. Check out the business plan at www.z-aseguranzas.com.

By the way ... the only Spanish words Eddie knows are “Mucho Dinero”!

Also in the “How To” Series 2006:

How To Evaluate, Buy & Sell a “Mom & Pop” Insurance Agency

How To Give the Ultimate Auto Insurance Quote

How To Tips ‘n Tools for Commercial Lines

Contact Eddie K. Emmett at eddieemmett@alltel.net to download them in Adobe PDF

Table of Contents

FYI Tip: Clicking on any of the articles will take you straight to it in Adobe PDF

New Laws That Can Affect Your Commercial Insurance Book Of Business Growth	3
Complete Apps = Faster Quotes & (Usually) At A Lower Premium	5
How To Get The Best Commercial Quote	6
Sell Insurance Not Cancel Policies	7
“Phantom” Workers’ Comp Fraud Haunts Georgia	9
Don’t Ask ... Don’t Tell	11
Independent Contractor Status	11
Questions On Certificates Of Insurance	12
The IRS’s 20-Factor Analysis	15
How The Workers’ Compensation Law Applies To Employers	16
Frequently Asked Questions (FAQ) About Workers’ Compensation Insurance	18
WC Fraud Stories From Around The Usa	19

NEW LAWS THAT CAN AFFECT YOUR COMMERCIAL INSURANCE BOOK OF BUSINESS GROWTH

By Pat Jewell

Beginning January 01, 2008, the State of Georgia will require contractors to be licensed. Contractors can start the application process on January 01, 2006. There are three levels of licensing; depending on what the contractor builds.

1. Residential Contractor Only
2. Light Commercial & Residential Contractor
3. Heavy Commercial

What does this mean to you? Opportunity! Up to this point, there has been no insurance requirement for contractors, now it will be compulsory, much like auto liability. These contractors will be required to maintain General Liability and Workers Compensation insurance to be licensed. Not all contractors will be required to be licensed, but almost 100% of the companies that write General Liability Insurance for General Contractors require 100% insured subcontractors or artisan contractors.

Again, what does this mean for you? Many of you are already writing auto policies for your artisan contractors. Why not write the General Liability and Workers Compensation Policies also? Customers love a one-stop shop. It is also easier for them to call just one agency for a certificate of insurance.

What do you need to do? Make sure that you are able to issue certificates of insurance and have a way to keep a record of those you issue. Brush up on your knowledge of General Liability and Workers Compensation Coverage. Get out your old agents licensing manual or take a class. (I used a cheat sheet to explain coverage to customers when I first started selling commercial policies!)

Licensed Residential General Contractors will be required to carry \$300,000 each occurrence limits with \$600,000 aggregate limits.

The other 2 classes must carry \$500,000/\$1,000,000 limits. You may want to focus on artisan contractors. Most of them will be required to carry the same limits as their general contractor. I offer the customer an alternate quote of \$1,000,000/\$2,000,000 as well. The difference in premium is usually minimal.

The quoting is easy.

1. Make sure that you find out EXACTLY what the customer is doing. Example: Roofing, Framing, Floor Covering. Is the work all residential or commercial or both?
2. Get the number of active owners. Owner’s payroll is fixed for rating purposes, usually \$24,400 on General Liability.
3. Determine the estimated annual payroll, including casual labor. This combined with the owner’s salary is the basis of the rating. Be sure that your customer knows that this number needs to be as accurate as possible because the policy is subject to audit at expiration. (Additional audit premiums created by unforeseen or unreported exposure [payroll/sales] can be difficult to collect on expired policies, particularly if you don’t get the renewal order)

High Noon ... Evaluating, Buying & Selling “Mom & Pop” Insurance Agencies

4. Get the estimated annual receipts. This number is before expenses.

5. Talk to the customer. Get as much information as possible. You will need to know the number of years he has been in business and how many years experience he has running a business. Has there been any prior coverage? If so, with what company? Have there been any claims? If so, what and when? Do they need an additional insured endorsement?

In the words of Gary P. Alexander (of Alexander General Agency), “People love to talk about their business!” Ask lots of questions and let them talk. The more you know about an account, the better you can present the account to your companies.

The new licensing laws require that all General Contractors be in compliance with the existing Workers Compensation Laws. The State Board of Workers Comp. gives us the following information about compliance:

Every employer, individual, firm, association or corporation, regularly employing three or more persons, part-time or full time, shall provide WC insurance coverage. Exempted officers of corporations or exempted members of limited liability companies shall not reduce the number of employees for this purpose.

Employee or worker shall include every person, including minors, working full-time or part time under a contract of hire, written or implied.

A sole proprietor is not an employee of the business unless he or she wishes to be included as an employee in the coverage provided and so advises his or her insurance company on form WC-10.

A contractor who sublets any part of his or her contract work to a subcontractor may be liable for coverage for the employees of the subcontractor if the subcontractor has not obtained workers' compensation insurance.

For more information on Workers Compensation laws, you can contact the State Board of Workers Compensation at 404-656-3818 or 800-533-0682 or visit their web site at www.ganet.org/sbwc. Information is also available in the Tips & Tools section at www.fyigeorgiaviews.com. Any licensed insurance agent in the state can write Workers Compensation insurance through the National Council of Workers Compensation. See www.ncci.com for more information.

Several of the participants and sponsors of the Insurance Expo 2006 Trade Fair will write General Liability and Workers Compensation for Artisan and General Contractors. These companies include:

Appalachian Underwriters	Continental Special Risk	The Insurance House
Southern Insurance Underwriters	Strickland General Agency	

Contact information is on the “Virtual Trade Fair” at www.fyigeorgiaviews.com. Contact your company representative or underwriter. They will be happy to tell you what is needed to get a quote. General Contractors usually require an Acord 125 & 126 with a company specific supplemental application and loss runs (or a resume if the risk is a new venture). Commissions usually range from 10% to 12.5% for General Liability and 5% to 8% for Workers Compensation. The average artisan contractor’s policy is very low maintenance from an agency standpoint. Most of the companies offer premium financing on the policies that they write. Also ask your representative if they write contractor’s equipment coverage. This will help you round out an account.

Before you present your quote, read your proposal. Be aware of any endorsements that limit coverage. Take note of deductibles, minimum earned premiums, special exclusions or work limitations. Ask questions! I frequently request copies of account specific or company specific endorsements to attach to my proposals. Full disclosure of all of these items is essential.

Finally, be careful of certificate requirements. As discussed in Ron Webber’s class at the Insurance Expo 2005, Rob Sherwood of Strickland General Agency stressed the importance of making sure that certificate information is correct. When in doubt, contact your underwriter. Serious penalties will result for agents that use certificates of insurance to attempt to change wording or broaden coverage that is not in the policy. For more information on certificates go to: “Georgia DOI Clarification of Certificates of Insurance” at www.fyigeorgiaviews.com.

For more information about Contractor licensing, contact you local Homebuilders Association. You can also get more information and even read the actual law at Secretary of State, Cathy Cox’s web page at www.sos.state.ga.us. There is a link to professional license.

I hope you enjoy your commercial policy writing experience.

Complete Apps = Faster Quotes & (usually) at a Lower Premium

I'm told that well over 50% of Commercial Applications are returned for missing items, which are necessary to quote. Some general agencies & companies have considered reducing commissions up to 2% as a deterrent to this widespread practice.

Why are apps submitted without all of the necessary information? We have to believe it is due to a lack of understanding / training on behalf of the employees. Who would deliberately submit an incomplete app? Incomplete apps increase phone calls and faxes. Incomplete apps prevent proper rating and often result in cancellation notices, which generate up to \$75.00 in reinstatement fees.

Here are a few problem areas on many commercial applications:

(1) Nature of Business / Description of Operations by Premises ... PAINTER (not what kind ... is it inside or outside painting, or both? Is there spray painting? Underwriters need a complete description.

(2) Years in business and Prior Carrier Information, plus Loss History (or none) ... BLANK!

(3) Coverages ... nothing shown, would you believe?

(4) Schedule of Hazards ... cannot rate the Coverages without this area. It seems a large percentage of CSRs do not realize that Risks are rated on Payroll, Sales (Receipts), Area, Cost, Admissions, Per Unit.

(5) Valuation ... instead of showing Actual cash Value (ACV) or Replacement Cost (RC) ... the answer is quite often "Yes", or "No".

(6) Causes of Loss ... Basic, Broad or Special ... would you believe "None" or "Unknown"?

(7) Completely left of 60% of the time ... Burglar Alarm type, or should show "none; Premises Fire Protections ... BLANK ... are there fire extinguishers? Smoke alarms?

N-Surance Outlets, Inc. has provided a few instructional examples of the most common areas of concern. I realize there are hundreds of applications other than Acord but they can be used as agency training tool.

(1) Commercial Insurance Application (Acord 125)

(2) Commercial General Liability Section (Acord 126)

(3) Property Section (Acord 140)

(4) Umbrella Section (Acord 131)

The Instructional Examples follow this page.

Complete applications have an added benefit ... it helps avoid the dreaded "We Don't Need You" letter. It may sound callous and it's true, the market won't be hard forever, but sometimes, companies have to cut their losses - I think it would be helpful for agents to understand this.

Here's an example that recently went out from one of Georgia's Commercial Lines General Agencies:

I have three submissions from your agency on my desk. All of which are General Contractors coming out of seriously under priced standard facilities. Your indicated target premium on one is under priced by more than 500%, based on our current facilities.

As most brokers, we have limited resources - we concentrate on those agencies with which we have a history of success. Your agency has submitted risks to us over the past three years, yet not a single piece of business has been placed with us. Many of the risks have been declined for one reason or another, other offers given, resulting in no order. Experience tells me that continuing to support your agency will only cost us both time & effort.

For these reasons, I am closing any open quotes and your agency file.

You wouldn't believe some of the stuff that Commercial Lines General Agencies receive from folks who actually want them to use to quote!

How To Get the Best Commercial Quote

submitted by [Gary P. Alexander](#)

[Alexander General Agency](#)

In today's insurance marketplace, having competitively priced products seems to be the agent's best weapon in his fight to put new business on the books and to retain the accounts he is already writing.

While an agent can't always control the quote on any particular risk, his contribution to the underwriting process can help determine the price of the product presented to the prospect or client. There are a number of contributions any producer can make to the underwriting process that will help assure the best quote.

Make the underwriter comfortable with the risk. Give him a complete description of the risk which you are asking him to write. Start at the front door of the risk. Take him from there to the executive offices, through to the shipping dock. Define all parts of the operation.

Provide a web site address; don't make him search for it. If there is no web site, provide photographs, brochures, marketing literature, resumes, financial statement, loss control summary and any other information available to help provide all the angles of the risk. Anticipate any questions and provide in depth explanations. The more the underwriter knows and understands about what he's quoting, the easier it is for him to make a decision about accepting the risk.

Provide full rating and coverage information. Such information usually consists of payroll, receipts, values and coinsurance requirements. Since most buyers want the broadest coverage available at the most competitive price, ask the underwriter for quotes on coverages the insured may not currently be carrying and solicit his suggestions on coverages you may have overlooked.

Make sure your submission doesn't contradict itself. For example, if you answered "yes" to "does the applicant check motor vehicle records of employees?", be sure to provide MVRs - they should be available for the asking (of course, you'll want to make sure you and the applicant are securing the appropriate privacy statements in compliance with applicable statutes).

Provide detailed loss experience. Don't just say "there were \$20,000. in losses in 2001". Tell the underwriter what each particular loss was about and give complete details. Understand that loss runs from previous carriers often are hard to read, have codes which are not decipherable by the underwriter and often do not indicate any text explaining what happened or the origin of the loss. Again, make it easy for the underwriter to understand the risk and you will help him become more comfortable with it.

Find out who the previous carriers were and the price of the coverage. Along with the name of the carrier, you should also provide the policy numbers, expiration dates and renewal terms offered. This is one of the most misunderstood and overlooked parts of the submission. The ability to explain the reason this information is needed to your prospect is as important as securing the information for your submission. Let's look at how you can help the applicant understand why it is in his best interest to provide this information.

1. Underwriters are deluged with submission from many producers, as the market continues to harden. There are two primary reasons why applicants and producer look to re-market their coverage; substantial increase in premium and cancellation or non-renewal. It's sometimes dangerous to define "substantial increase in premium" in terms of a percentage. For example, last year the applicant paid \$750. for his package policy and his renewal offer was \$1200. - an increase of 60%. If you know your carriers have \$1500. minimum premiums for packages, be prepared to deliver that news to your prospect BEFORE shopping the risk.

2. Many producers make the mistake of withholding renewal terms from prospective carriers, in hopes of "beating" the expiring terms. If you think your underwriter looks at the expiring premium to determine his price, you could be right, but more than likely, the underwriter wants to use other offers as a yardstick, to determine if he can compete or not. Seeing a renewal offer of \$4400 and knowing his starting price for similar risks is \$10,000 saves everyone a lot of tears. If your carrier or broker looks at the other guys price and cuts \$100. off of it to successfully write an account, you need to ask yourself how good of an underwriter he really is.

There's a loyalty and perception issue here that often is overlooked. Think of it this way, you do business with who you have more success with. You choose your carrier based on price, service and knowledge, not necessarily in that order. All other things being alike, you pick the underwriter/market you're most comfortable with. As they say "it doesn't take a salesman to give something away". Try to bring a personal level of service to your client, by going the extra mile and

explaining the market and your relationships with the underwriters to him. Chances are, your prospect will be more willing to pay a few extra bucks for his policy, if you're sincere, honest and professional in your dealings with him.

Consider the use of deductibles and special rating techniques. In some cases significant credits are given for various levels of deductibles, depending on the size and type of risk. Retro programs, retentions and self insured retentions are useful in making a more competitive presentation to your insured or prospect on larger risks.

Be honest with your underwriter. Lies and half truths take years for an underwriter to overcome. He'll always wonder if you're telling him the whole story about the risk. Your relationship with the underwriter and credibility isn't worth risking. Provide all the information requested, even if it could adversely affect the risk from an underwriting standpoint. If you don't know the answer to a question, don't make something up - find out and get it to your underwriter as soon as possible.

Don't submit a half completed or illegible application with no supporting documentation. Making the underwriter come up with a laundry list of questions will ensure that your submission will go to the bottom of his stack. Fully complete submissions will help you be more productive, have a better hit ratio and ultimately help you out perform your competition. Don't be afraid to ask your insured or prospect questions. If you have a legitimate entree to the risk, they'll be happy to have you understand their business and its intricacies. If the prospect or insured is indifferent to your inquiries, chances of writing the account are slim anyway. Remember, people usually love to talk about their business. Be a good listener and take detailed notes, that shows the applicant that you're genuinely interested and want to do them a good job. The better you understand the risk, the better you can explain it to your underwriter and the better your proposal for coverage will be. You'll also be better equipped to advise the applicant on his insurance needs. In other words, be more than a salesman, be an advisor - sell more than price, outsell the other guy.

An insurance contract is a contract of good faith and the strength of that good faith is built on communication between insured, agent and underwriter. Be honest with your insured and your underwriter and enjoy the benefits of those excellent relationships, integrity and success.

SELL INSURANCE not CANCEL POLICIES

Here's one I get probably no less than a million times a day:

Producer sends in app showing risk as a "handyman" doing room additions (a contradiction in terms). Shows owner only, sometimes \$10,000 additional payroll for a "helper" (aka Casual labor). Shows no sub-contracted work. My response is this:

If applicant is doing room additions there would be some electrical and potential plumbing work, which requires a license - is applicant a licensed electrician and plumber? If not, that would indicate some amount of sub-contracting, which changes the complexion of the risk.

Not to steal from Ron Webber (but I will, cause we're pals) but the Bottom Line here is this: think about what exposures the applicant has and ask the questions when he's in the office or on the phone. If he has no answer, or his answer is not logical, is this really someone you want to write? The idea is not to write it today and cancel it tomorrow. Put another way, the idea is to SELL INSURANCE not CANCEL POLICIES. No one ever made a fortune in this business by canceling policies.

A producer friend of mine called me very excited about 9 months ago, exclaiming: "I'm going to grow my business by telling people no!" This individual had figured out that the \$800 and \$1000 premium commercial account was actually costing him more time and headache than his larger risks - taking focus off the larger risks where he could concentrate his efforts on cross selling. This is done all the time in the L&H field; it comes in the form of "do you qualify?" Today, this guy is one of the top shelf producers - why? Because he has figured out and applied the basic premises of success in business:

- a) No one works for free
- b) Concentrate your efforts where they bring the best result

Let's face it, 9 out of 10 of those little guys that finance their \$800. policy will cancel within the first 60 days. Why? Because they need a certificate of insurance for a job they're doing. They are not interested in the coverage, just the piece of paper that says they have coverage. When their policy cancels, you don't hear back from them for a rewrite, follow-ups are useless and they just cost you more in time and effort than it would have cost to pass on him. I don't say that I won't write these smaller risks, after all, the little businessman is the backbone of our economy. It's important to explain coverage to the "little guy", help him to understand what he's buying and why the coverage is as valuable as his bank account. We all know what can happen and no one ever needs the coverage until they don't have a policy! It's a good idea to pre-qualify these guys and to sell them insurance up front (rather than price) - that way the chances of keeping coverage in force are dramatically improved. Fewer cancellations. And if you do get that cancellation, make the "remember why you purchased this important coverage" call - works like a charm.

Stepping down off my soap box....

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UNDERWRITING TOOLS

I have these saved into a folder in my favorites I call "underwriting tools". You might want to place these on your computer as additional links...

Georgia Assigned Risk Manual - <http://www.aipso.com/manuals/Regions/GA/>

Georgia Secretary of State - <http://www.sos.state.ga.us/cgi-bin/external2.asp?prefix=http&link=www.ganet.org/services/corp/individual.html>

Address verification, Misc services <http://www.melissadata.com/>

Code of Federal Regulations <http://www.access.gpo.gov/cgi-bin/cfrassemble.cgi?title=199949>

Address Verification <http://www.cedar.buffalo.edu/adserv.html>

Yahoo Maps <http://maps.yahoo.com/> (I think it is much more accurate than mapquest)

NADA

<http://www3.nadaguides.com/default.asp?UserID=540721143F7FB&DID=37770&ColorId=&wSec=8&wPg=1005>

US DOT / Volpe <http://www.ai.volpe.dot.gov/>

Safer Sys <http://www.safersys.org/>

Area Code Decoder <http://decoder.americom.com/>

Zip Code Lookup - <http://www.getzips.com/city.htm>

Zip + 4 lookup http://www.usps.com/ncsc/lookups/lookup_zip%2b4.html

Contractor Lookup <http://www.thebluebook.com/>

FC&S, useful information <http://www.nationalunderwriter.com/FCSfx/default.asp>

Metric Converter <http://www.qsl.net/w4sat/feetconv.htm>

Calculate distance <http://www.indo.com/distance/>



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"Phantom" Workers' Comp Fraud haunts Georgia

My Opinion & Welcome to It! by Eddie K. Emmett

Do you write workers' compensation? Are you issuing Certificates of Insurance from your office? Are you writing W.C. for minimum premiums (\$750 NCCI)? Are you committing Fraud in the way you do workers' compensation business? If your answer to any of the first three questions is "yes", you need to read this article.

Last year, Jerry Duke, Executive VP of PIA of GA, requested a clarification from the GA DOI on the topic of Certificates of Insurance. The 3-page Clarification in Adobe PDF may be downloaded for free at http://www.piaga.com/PDF/Cert_Ins.pdf

I'm planning to go after the Hispanic population in a big way. Zaragoza Aseguranzas is the name I chose for the group of Hispanic insurance agencies that specifically targets Mexicans, the largest percentage of Latinos in Georgia.

My research indicates that my target market works all week long then heads to the "Plaza" on weekends to take care of personal business including the purchase of insurance.

Zaragoza Aseguranzas will be sold only on Friday, Saturday and Sunday through satellite kiosks in plazas, flea markets, check cashing services, Latino banks or anywhere there's heavy Mexican foot traffic on weekends. Policy service will be done at Ofincia Principal (Main Office) during the week.

Deciding which markets to sell to Mexicans is simple. Figuring out how to do it efficiently, legally and profitably is my biggest challenge.

For example, some auto insurance carriers prohibit International Driver's License, some surcharge points, and some cancel if a Georgia driver's license isn't produced within 30 days from policy inception.

I see great potential in making it easy for undocumented immigrants to purchase auto insurance.

Worker's Comprehensive is another potential goldmine ... or bottomless pit of fraud, lost income and E&O.

NAFTA put virtually every Mexican farmer out of business, and the Mexican economy was an agrarian economy. Archer-Daniels-Midland is selling corn in Mexico cheaper than the local farmers can produce it. To feed their families, those farmers must come to the USA, legally or otherwise, and do whatever they can to survive. They find work in construction, a very dangerous occupation in which they are not experienced. They have no concept of the importance of workers' compensation, just that the "Boss" requires it.

Many carriers that were a direct assignment carrier for the workers' compensation assigned risk plan have opted out. The fraud being committed and supported by the assigned risk process overwhelmed them. The Insurance Department directs NCCI on handling the assigned risk plan. Minimum premium policies for contractors in the building trades and transportation risks in intrastate commerce flooded in through the assigned risk process after the broke insurers that were allowed to do business here were put into liquidation by their home states.

These policies came from two primary sources, very large agencies and a few of the agencies specializing in writing contractors. When those carriers would issue based on somewhat proper payrolls, insureds, agents, NCCI and the Insurance Department would yell at them. Rather than yield to pressure and be a party to the fraud, they quit direct assignments.

It doesn't take very long for folks who are forced to purchase insurance to find loopholes in the law. New ventures and / or folks wanting only a certificate of insurance can ask agents to apply through the National Council of Compensation Insurance, Inc. (NCCI) for \$750 minimum premium WC policies that exclude the subcontractor who states that he has no employees.

Many general contractors require subcontractors to provide such certificates of insurance. The workers' compensation law in Georgia makes general contractors the statutory employer of the employees of uninsured subcontractors (Code Section 34-9-8). So it is OK for the subcontractor himself not to be covered on the sub's policy. The \$750 minimum premium policy does cover any employee of the subcontractor and the certificate issued allows the general contractor to not be charged for the sub because that policy means that the sub is not an uninsured sub.

WC for Latinos is new to me but not so for others in our industry. Several enterprising insurance agents go to building material stores like Lowe's and Home Depot and sell such policies to anyone who will buy them. Almost all buyers of "Phantom" policies are small subcontractors in the building trades, but some are in the trucking and parcel delivery business.

Rumor has it that an employee of the Insurance Commissioner's office tells the people that "Independent Contractors" and "Owner Operators" do not have to be counted as employees. Most employees of the subcontractors in the building trades and employees of truckers and couriers have been required by their employers to sign independent contractor forms. That opinion seems to contradict the Court of Appeals decision in Pitts vs. Gofer that confirms the "Independent Contractor" exception does not apply to employees and that the "Owner Operator" exception is applicable only to persons involved in interstate commerce and international commerce. The transportation risks seeking "Phantom" policies are involved in intrastate hauling.

There are numerous court decisions that affirm the employees of subcontractors in the building trades are employees of the general contractors when the subcontractor has no insurance, and signed independent contractor forms are irrelevant, but those decisions are ignored, too.

Agents who sell and service \$750 minimum premium WC policies should check their commission statements.

The ones I looked at paid 8% commission or about \$60.00. Not much compensation for a lot of service work.

But it gets worse.

Until recently, the interpretation of NCCI Basic Manual Rule 16b (2) was a pretty sweet deal for \$750 minimum premium policyholders. If the policyholder pays cash "under the table" to employees who never have a claim and the policyholder's payroll records reflect zero payroll, the classification is changed to Code 8810 Clerical Office Employees NOC, which has a current rate of \$227.00. The policyholder is refunded over \$500 and the agent gets charged back over \$40 in unearned commission!

At least one voluntary carrier filed a minimum premium as \$750 for all classes, so they never owe back return premium or have to try to collect unearned commission. Then they charge all risks except insurance agents insuring their own agencies an additional \$150 or so depending on the state for a mandatory \$1,000,000 limit of employer's liability on minimum premium policies. Depending on the state, the minimum is then \$850 or \$900. When they made that change, agents moved approximately 2500 minimum premium policies away from them to insurers with lower minimum premiums, primarily assigned risk. There are few voluntary markets for minimum premium risks in the blue-collar trades, and no stable ones that I know about. This change reduced the number of policies on which they were facing fraudulent intent by close to 2500 policies.

Of course, if any claims were filed, the policyholder only has to report the payroll and the claims are paid. Heads They Win ... Tails We Lose!

I've heard of one Latino agent who has all his insureds set up with a Latino accountant who gives payroll to the auditors as \$0, despite employees having turned in claims. The claims investigations read like: "The employee was alone on one side of the roof and the three employees of the same employer on the other side of the roof did not see him fall." Typically the non-existent employees have worked for the employer for a period prior to the inception of the policy that shows no payroll. The carrier charges a premium, the agents and insureds object, the Insurance Department informs the insureds they don't have to pay the premium and can file for a hearing with NCCI. Despite having no authority to hold such hearings, and despite the criteria for hearings not being met, NCCI schedules them at the direction of the Insurance Department; they set up a kangaroo court and make an invalid, incorrect and unenforceable decision. Then to top it off, NCCI fines the carrier if they cannot report the audited premium on time.

You would not believe some of the assignments carriers get from assigned risk. One was minimum premium and later the agent, probably the largest in that part of the state, sent the carrier several dozen certificates of insurance the agent had issued and signed incorrectly. When the carrier looked in their database and found a prior submission several years ago for a risk with the same president and millions of dollars of payroll, the carrier endorsed the policy charging a premium of almost \$500,000 and canceled when it was not paid. The agent filed for a hearing but the carrier refused to reinstate the policy. One day before cancellation, the additional premium arrived. It was not enough, though. The risk has now been turned over to a collection attorney to try to collect about \$250,000 of additional premium still owed to the carrier.

This is no Latino and the amount of premium involved probably exceeds all the uncollectible Latino premiums combined. This is not an isolated incident, either. One wallboard contractor in Atlanta came back to the carrier through assigned risk as a minimum premium. They issued his policy at \$225,000 premium because they had audited him when he tried to do that to them on a voluntary policy. He never paid anything more than the minimum premium. After the carrier canceled, all he had to do was get reassigned to a different insurer in a different name at a \$750 premium. He is not a Latino. None of the large cases are Latino. Latinos are certainly responsible for a large number of "Phantom" policies, but the "Phantom" policies of non-Latinos account for many times more premium defrauded from insurers.

Don't Ask ... Don't Tell

It's been pointed out to NCCI personnel on a daily basis that the assignments carriers get from them make no sense. They've been asked them how they expected a roofer to do the job with no help, if they had ever tried to carry wallboard up steps alone, if they had ever tried to carry a roll of carpet up steps alone, etc. I'm told that NCCI employees admit they know the applications are inaccurate (a nice term for "fraudulent"), but the applications are arriving in such great numbers there is nothing they can do but assign them.

How about the issue of subcontractors buying policies for minimum premium showing no payroll and having employees sign independent contractor forms? Take the case of two Latino workers who were severely injured but their non-Latino employer them had sign independent contractor forms, buy their own minimum premium policy and reject benefits for themselves.

This saved the contractor over \$5,000 in workers' compensation premium per employee and the employer deducted the minimum premium from the employees' wages. The injured workers told the adjuster they thought they were buying medical insurance. The agent said he had a Latino explain to them at the time they signed the independent contractor forms and bought the WC policies they would have no workers' compensation. Regardless of who the court decides who will pay, the agent will undoubtedly get subrogated.

Independent Contractor Status

Effective July 1, 2004 Georgia has a new law of the books in regards to tax penalties on false Independent Contractor Status. § O.C.G.A. Code Section 48-7-127 made it illegal for "any person knowingly to coerce, induce, or threaten an individual falsely to declare himself or herself to be an independent contractor or falsely claim that an individual employed by such person is an independent contractor in order to avoid or evade the withholding and payment of taxes".

Not only does this make a great impact on subcontractors and their "cash under the table" laborers but insurance agency owners who fool themselves and their employees by calling them "independent contractors" should pay heed. We'll discuss this further at the "A Fistful of Dollars" CE seminar at IE2006 on July 28th at Gwinnett Convention Center.

In the meantime, I've reproduced the IRS's 20-Factor Analysis on page 10 for you to share with potential clients.

Workers' Comprehensive Websites

Rob Hatfield of Best Buy Insurance Services of Athens recommends WorkersCompensation.com NewsLine Report as one way for our industry to track trends and legal issues. Check it out at www.workerscompensation.com/news



Questions on Certificates of Insurance

Question #1: If the main goal of "Phantom" WC policyholders is to have certificates of insurance issued for general contractors, where in the guidelines does it give an agent the right to issue Certificates of Insurance for policies written through NCCI?

Question #2: Is it prohibited? Is it allowed? Is it a "gray" area?

For the answers I turned to 3 prominent experts in the field of workers' comp: **Dean Auten** of **Auten Insurance Services** in Brunswick, **Bill Murrey** of **N-Surance Outlets** in Marietta and **Reggie Strickland** of **Strickland General Agency** in Norcross.

Dean: Agents do not have authority to issue Certificates of Insurance for NCCI. There is a form that you can fax requesting a certificate. After policy is issued and you have a company, you can issue certificates but only as "Agent of Insured" which means you are not issuing for NCCI or Company but as "Agent of Insured"--which is something that scares us but we see no way to not issue that way. I have seen certificates with "NCCI" listed as Company--NCCI is not Insurance Company! There used to be an Allstate agent that wrote a lot of auto insurance in the assigned risk and he would put "Georgia Assigned Risk" as name of company--and Tax commissioner's office accepted (new law helped with this too).

Bill: Really do not know where such a Ruling might be. However, Certificates of Insurance are to be countersigned by an "Authorized Representative". The Certificate is a copyright Form. If an Insurance Company (or its contracted agent or managing general agent) has not authorized someone to sign the Certificate then it sure seems that it would be illegal for someone to issue. N-Surance Outlets does NOT authorize any of its Producers to issue Certificates...we are dealing with "Brokers" not agents who are licensed by the companies that we represent. Also we do NOT issue Certificates showing the Named Insured as a Certificate Holder...just opens potential for fraud. This has happened twice this past year and they have been referred to Insurance Department who has not responded to us

Dean: I would say it is prohibited but I'm not the best one to ask. Ask Reggie Strickland.

Reggie: With regard to Certificates of Insurance, there is nothing in the law specific to such certificates. It is illegal to represent yourself as a representative of an insurer that you do not represent, and most people who issue certificates of insurance on "Phantom" policies are signing them as "Authorized Representative" of the insurer they do not represent. Nobody is going to prosecute them for it though. The Workers' Comp Board is trying to prosecute those who issue false certificates. Our guess is that there are personnel to deal with about

one out of each 10,000 false certificates. When I say "false", I mean there is no insurance in force. Of the certificates of insurance presented to us at audit time, only about 50% are valid. Of those 50% considered valid, many are issued in legally licensed, but insolvent insurance mechanisms. The Georgia Insurance Commissioner tried very hard this past legislative session to get the Georgia Legislature to include those mechanisms in the insolvency pool of insurers to bail them out, but was unsuccessful. Anyone insured in one of those mechanisms should beware.

Question #3: Are Certificates issued by an agent supposed to be reported to the carrier in the same manner as endorsements are reported to auto carriers?

Dean: Yes, yes, yes! This is a big problem area. Some agents do not send a copy to the company--and that is so dangerous I could not sleep at night knowing the possibilities of claims against agency.

Dean Auten uses a couple of rubber stamps on such certificates of insurance: One says "YES" and is used in the Workers' Compensation and Employers' Liability section that states "Any Proprietor / Partner / Executive Officer / Member Excluded?" The other stamp reads "For The Insured" and is stamped in the "Authorized Representative" section.

Workers' Comprehensive Websites

Dean Auten of Auten Insurance Services in Brunswick also suggested a website solution to verifying WC. Florida Department of Financial Services has developed a new online database that will send automatic electronic notification to primary contractors who sign up for the service, concerning changes to a subcontractor's WC coverage status. This free service is available at www.fldfs.com/wc by clicking on the "Construction Policy Tracking Database" icon.

But Dean's research also found that many agents in Florida are not even aware of the website.

Using Google and letting my fingers do the walking, I stumbled over a similar website for Washington State Department of Labor and Industries. Check it out at www.lni.wa.gov and click on "Verify Workers' Comp Premium Status". The website allows interested parties to verify if the business contracted with has WC, premiums are paid to date and even print out their Employer Liability Certificate as proof.

I also found Dean Auten's neat website that allows prospective WC applicants to initiate the process of buying proper coverage. Check it out at www.georgiaauten.com

Letters to the Editor

Dear Eddie,

Re: "Phantom" WC policies

Before addressing "Phantom" workers' compensation policies for Latinos and Certificates of Insurance, please let me give you some of my credentials. With one insurer, I have cumulative earned workers' compensation premiums of \$1,294,966 at a 19% loss ratio through April 30, 2004. IBNR is not included. The insurer's loss ratio on all business is 68%. My average loss is \$2,801. The insurer's average loss is \$9,320. Much of this business I took out of the Assigned Risk Plan where other agents had placed it.

In addition to being a local independent insurance agent, I have been a legislator on the Insurance Committee in the House of Representatives, I was marketing manager for one of the largest wholesalers in the country and I was co-founder and part owner of a reinsurance company reinsuring workers' compensation insurance. To quote Waylon Jennings, "There ain't too much I haven't seen."

"Phantom" policies, those purported to cover nobody, but in truth cover many, are placed mostly with NCCI, administrator of the assigned risk plan, directed by the Commissioner of Insurance. Many very large agencies are placing "Phantom" policies with NCCI while you read this. Other agents go to large building supply stores and sell such policies to small subcontractors, mainly Latinos. There is widespread demand for such policies. Many agents don't consider they are doing much wrong because the policy is subject to audit. Bureaucrats who refuse to read case law advise employers they do not have to pay for employees the WC Board says are eligible for benefits.

I am aware of one Latino agent who sets up his clients with a Latino bookkeeper who reports payrolls to auditors as "0", even after the insurers have paid claims on employees.

Don't blame it all on Latinos, though. On the business we reinsured, the largest dollar amounts of losses came from non-Latinos and non-Latino agents. One risk was written at \$750 minimum premium. Audit produced an additional \$225,000 premium. After a non-payment cancellation, the risk was sent to NCCI at a \$750 premium from the same agent. The risk was assigned to the same insurer who issued at \$225,000 premium. Another non-payment cancellation and the risk went back to NCCI under a different name from the same agent at a \$750 premium. Another assignment of an employee leasing company was at \$750 minimum premium, but was audited at nearer \$750,000. Of course all of it has not been collected. Again, the agent knew the score.

This was no Latino either.

Some agents and their insureds buy a \$750 WC policy for each employee in the employee's name as Named Insured. The employee Named Insured does not elect coverage on himself. The employer pays the \$750 premium for each employee and deducts it from the employee's pay. This saves the employer \$3,000 to \$4,000 per employee in WC premium because he gives his insurer a certificate of insurance on each employee that he calls an "Independent Contractor". When one of the employees is injured and gets an attorney, it is E&O time.

NCCI personnel told the primary insurer we reinsured that they know the applications are fraudulent, but there are so many there is nothing they can do but assign the risks. When the primary carrier pursued collection of the premiums owed, bureaucrats in state government using NCCI tried to hinder the insurer in every way possible. The insurer quit taking direct assignments to escape the circle of fraud.

Certificates of insurance do not grant coverage, but they can cause an untold amount of misery. I am not aware of any laws or regulations specifically addressing who can and can't issue a certificate of insurance.

There are laws that control who can claim to be the agent of another. In our office, we don't sign any certificate of insurance as agent of an insurer we do not represent. We do not represent any insurer through NCCI. We are the "Insured's Agent". On behalf of our insured, we issue certificates of insurance showing our insured's clients he has insurance. Of course we always send the insurer a copy of every certificate of insurance we issue.

An agent who does not send the insurer a copy of a certificate the agent has issued is not breaking any law or regulation that I know about. However, the agent runs the risk of a certificate holder failing to get notice of cancellation of a policy if the agent fails to send the insurer a copy of the certificate of insurance. I believe the certificate holder then has a cause of action against the agent for that failure. One insured of an agent in Duluth has a \$20,000 additional premium he must pay because of insurance not being in force on a certificate he was given. If he could find the agent who issued the certificate, he would sue.

The insurance shown on the certificate may be correct or in force in only about one-half of the cases for a variety of reasons. There is massive fraud by employers issuing their own certificates. This fraud dwarfs errors made by agents. The WC Board fraud unit prosecutes all the fraud it can, mostly agents taking money and issuing certificates but purchasing no insurance.

Trying to stop payroll and certificate fraud with available enforcement personnel is like a few people trying to hold back a hurricane.

Just as we agents devised a system and had laws passed to reduce uninsured motorists, we can have amazingly simple system to eliminate the fraudulent certificate of insurance problem.

ELIMINATE FRAUDULENT CERTIFICATE INSURANCE PROBLEM

Eddie. I am glad you are doing an article. It is something that is needed and I hope Agents, Companies, DOI, Board of WC and others will get involved in this issue. One email I received gave some information that will help if we can get the changes. I would like to take credit but this suggestion came from another agent. The Agent is the same one that had an insured who relied on a fraudulent certificate of insurance and it has cost him \$20,000.

That is after Company reduced the amount by taking out material, etc. He has not paid yet. The insured does not want to take responsibility for accepting a fraudulent certificate, and of course the agent must do what he can to help, which is nothing, really. The WC Board's Fraud Division, the only people we know who will investigate fraud, has already investigated the agent who issued the certificate. They have prosecuted some agents. The agency in this case is gone and the employee has disappeared.

Agent has a good idea. His email comments with a few changes by me:

1. All insurers presently report WC insurance in force to NCCI via Internet.

2. All insurers presently must give the WC Board (by notifying NCCI's data base) 15 days notice of advance cancellation of WC insurance via Internet.

Therefore, there is a presently a database showing who is insured for WC at all times. Agents, insureds, certificate holders and insurers should be able to inquire against that database to determine if a risk is insured.

This would eliminate huge amounts of work trying to verify certificates of insurance. Plaintiff lawyers currently call the WC Board and are given a complete history of an employers' WC insurance. The Board uses the NCCI database to give the information.

Chairman Lord put Georgia in the lead in the USA for verifying insurance in force on autos. The same can be done on WC, but much easier. There are no serial numbers or tag numbers on WC and the database already exists. It is simply a matter of allowing access. NCCI will want to be paid. Since this is insurance and not benefits, it would be in Chairman Lord's committee.

Everyone will bring up the privacy issue when allowing anyone to access a database through the Internet. For that reason, no information can be given about the name of the insurer, limits of employer's liability, etc. The only thing to be given is "Yes", the risk

is insured, or "No", the risk is not insured after entering the insured's name and address. I see nothing wrong with giving the inception date of current coverage and the prior policy period if they are linked in the database. I would not give the expiration date because a policy can be canceled and reinstated.

This very small advance could put bogus certificates out of business immediately. All the enforcement people in the state can't do that. One estimate is that around 50% of the certificates of insurance are fraudulent.

Of the valid 50%, meaning there really is insurance, there are errors in the number of days of cancellation, additional insured wording, limits of insurance, etc. on some high percentage.

There are some lawsuits being defended by agents' E&O insurers. I am not aware that any of them arise from an improperly issued certificate of insurance. Most arise from the agent being in business, doing a good job, but the insured has no insurance or insufficient insurance for a loss, usually due to the insured's own negligence. In one such case, there is a \$1,500,000 default judgment due to the insured failing to answer a lawsuit.

He had no insurance because the auto was not his or about his business. His auto insurer, a giant insurer with "Auto" in its name, rightly tendered defense back to the insured and the insured did nothing. Once he was hit with a default judgment, only because he failed to respond, he blamed the agent who had no way of knowing he failed to respond. This is why an agent writing only basic limits of liability still needs many millions of dollars of E&O limits.

By their own wording, certificates do not give coverage. Improperly issued, however, they can cause tons of grief.

Eddie. I looked at the web site you sent me and that is great. At least one state, Washington State, recognizes the problem. May be we can get some help in Georgia. While I like what Washington State is doing and hope we can get Georgia to follow their lead, I would think it would be better to have NCCI let us access what they have now. NCCI has information on contractors and other Employers in most States.

Many of our contractors and sub contractors have insurance in another State. Our DOI has a designated staff person (s) that represent Georgia with NCCI. I remember when Dan Champlin was DOI's Representative and, at the time, they were taking actions against agents who knowingly put in payrolls and/or wrong codes to get lower premiums. This, of course, is a different problem but still a problem today. Hopefully we can get the Commissioner involved and he will have his Representative take our recommendations to NCCI.

Dean

The IRS's 20-Factor Analysis

Determining the level of control you have over your workers is the key to resolving the issue of whether your workers are employees, for whom you have payroll tax obligations, or independent contractors, for whom you do not. When IRS auditors analyze this issue, they work through a list of 20 different factors before concluding whether a sufficient level of control is present to create an employer-employee relationship. You should go through this same exercise before you try to claim that someone who does work for you is an independent contractor and not your employee.

As you work through the list, keep in mind that the importance of each factor will vary depending on the type of work being done and the circumstances of your own particular case. Because this is a rather subjective analysis, your goal should be to honestly assess how great a risk you'll be taking if you plan to treat a worker as an independent contractor. In close cases, talk to your tax professional or request an [IRS determination](#) of the worker's status. That being said, here are the 20 factors:

Instructions. Workers who must comply with your instructions as to when, where, and how they work are more likely to be employees than independent contractors.

Training. The more training your workers receive from you, the more likely it is that they're employees. The underlying concept here is that independent contractors are supposed to know how to do their work and, thus, shouldn't require training from the purchasers of their services.

Integration. The more important that your workers' services are to your business's success or continuation, the more likely it is that they're employees.

Services rendered personally. Workers who must personally perform the services for which you're paying are more likely employees. In contrast, independent contractors usually have the right to substitute other people's services for their own in fulfilling their contracts.

Hiring assistants. Workers who are not in charge of hiring, supervising, and paying their own assistants are more likely employees.

Continuing relationship. Workers who perform work for you for significant periods of time or at recurring intervals are more likely employees.

Set hours of work. Workers for whom you establish set hours of work are more likely employees. In contrast, independent contractors generally can set their own work hours.

Full time required. Workers whom you require to work or be available full time are likely to be employees. In contrast, independent contractors generally can work whenever and for whomever they choose.

Work done on premises. Workers who work at your premises or at a place you designate are more likely employees. In contrast, independent contractors usually have their own place of business where they can do their work for you.

Order or sequence set. Workers for whom you set the order or sequence in which they perform their services are more likely employees.

Reports. Workers whom you require to submit regular reports are more likely employees.

Payment method. Workers whom you pay by the hour, week, or month are more likely employees. In contrast, independent contractors are usually paid by the job.

Expenses. Workers whose business and travel expenses you pay are more likely employees. In contrast, independent contractors are usually expected to cover their own overhead expenses.

Tools and materials. Workers whose tools, materials, and other equipment you furnish are more likely employees.

Investment. The greater your workers' investment in the facilities and equipment they use in performing their services, the more likely it is that they're independent contractors.

Profit or loss. The greater the risk that your workers can either make a profit or suffer a loss in rendering their services, the more likely it is that they're independent contractors.

Works for more than one person at a time. The more businesses for which your workers perform services at the same time, the more likely it is that they're independent contractors.

Services available to general public. Workers who hold their services out to the general public (for example, through business cards, advertisements, and other promotional items) are more likely independent contractors.

Right to fire. Workers whom you can fire at any time are more likely employees. In contrast, your right to terminate an independent contractor is generally limited by specific contractual terms.

Right to quit. Workers who can quit at any time without incurring any liability to you are more likely employees. In contrast, independent contractors generally can't walk away in the middle of a project without running the risk of being held financially accountable for their failure to complete the project.

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HOW THE WORKERS' COMPENSATION LAW APPLIES TO EMPLOYERS

PURPOSE

The Workers' Compensation Act defines the responsibility of the employer to provide prompt medical and disability benefits for injuries sustained on the job by workers, resulting in partial or total incapacity or death. In return, the employer is shielded from tort liability for these injuries.

EMPLOYER

Every employer, individual, firm, association, or corporation, regularly employing three or more persons, part-time or full-time, shall provide workers' compensation insurance coverage. Exempted officers of corporations or exempted members of limited liability companies shall not reduce the number of employees for this purpose.

EMPLOYEE

"Employee" or "worker" shall include every person, including minors, working full-time or part-time under a contract of hire, written or implied.

CORPORATE OFFICERS/LIMITED LIABILITY COMPANY MEMBERS

Corporate officers and limited liability company members are considered employees of the company. Any officer or member of a limited liability company (maximum of 5) may exempt themselves from coverage by filing a Form WC-10 with their insurance company. The exemptions shall not decrease the number of employees for purposes of determining the employer's obligations under the Workers' Compensation Act.

PARTNER/SOLE PROPRIETOR

A partner or sole proprietor is not an employee of the business unless he/she wishes to be included as an employee in the coverage provided and so advises his or her insurance company on Form WC-10.

CONTRACTOR

A contractor who sublets any part of his or her contract work to a subcontractor may be liable for coverage for the employees of the subcontractor if the subcontractor has not obtained workers' compensation insurance coverage.

COVERAGE

Every employer subject to the workers' compensation law must insure payment of benefits to injured workers by securing a policy of insurance or by qualifying as a self-insurer. Employers desiring insurance should contact an insurance agency representing a company licensed to write workers' compensation insurance in this state.

RATES

Employers having questions regarding insurance rates or premiums should contact the State Insurance Commissioner, 2 Martin Luther King, Jr. Drive, S.W., Suite 704, West Tower, Atlanta, GA 30334. The telephone number is (404) 656-2056.

SELF-INSURANCE

Employers desiring to be self-insured must file an application with the Board and include three years audited financial statements and a \$500.00 application fee made payable to the Georgia Self-Insurers Guaranty Trust Fund. If the application is approved by both the Board and the Trust Fund, a surety bond or letter of credit will be required. The amount of security that is required is determined after a thorough review of the application and financial statements.

LIABILITY

An employer failing to provide coverage as required by law shall be held responsible for compensable injuries in the same manner as an employer having coverage. In addition, the Board may assess attorneys' fees, civil penalties and a 10% increase in compensation to the employee.

CIVIL PENALTIES

Any person who willfully fails to file any form or report required by the Board, fails to follow any order of the Board, or violates any rule or regulation of the Board shall be assessed a civil penalty of not less than \$100.00 or more than \$1,000.00 per violation.

Any person who knowingly and intentionally makes any false or misleading statement for the purpose of obtaining or denying benefits or payment under the law may be assessed a civil penalty of not less than \$1,000.00 or more than \$10,000.00 per violation.

The Board may assess a civil penalty of not less than \$500.00 or more than \$5,000.00 per occurrence for violation of an employer's duty to provide coverage under the Workers' Compensation Act.

CRIMINAL PROVISION

Employers refusing or willfully neglecting to secure insurance coverage as required by law shall be guilty of a misdemeanor and upon conviction thereof shall be punishable by a fine of not less than \$1,000.00 or more than \$10,000.00 or imprisonment not to exceed 12 months, or both.

ENFORCEMENT UNIT

An Enforcement unit has been established at the Board. The number to call to report fraud including failure to secure workers' compensation coverage is (404) 657-7285.

Source: www.sbwc.georgia.gov

Frequently Asked Questions (FAQ) about Workers' Compensation Insurance

FAQ 1. How many employees must I have in order to be required to provide workers' compensation insurance?

A: If you regularly employ three or more persons in your Georgia business, you are required to provide the benefits.

FAQ 2. Does this include part-time employees?

A: Yes, as long as they are regular.

FAQ 3. What do you mean by "regular" part-time employee?

A: A regular part-time employee works regularly on a part-time basis. Such as Employees who only work on weekends.

FAQ 4. If my business is incorporated, am I or my fellow officers considered to be employees of the business?

A: Yes. The corporation is considered to be the employer and all officers are considered to be employees of the business.

FAQ 5. Can officers waive coverage on themselves?

A: Yes. As many as five officers may waive coverage on themselves. Each such officer must complete and sign a form WC-10 and file it with their insurance carrier.

FAQ 6. If one or more officers waive coverage, does this exempt them from being counted in the "three or more employees" rule? (See FAQ 1)

A: No. Officer exemptions do not reduce the number of employees of the corporation.

FAQ 7. What if I am operating my business as a sole proprietorship or partnership?

A: The Georgia Law considers sole proprietors and partners to be employers not employees, just the opposite of corporations. However, they can elect to be covered as an employee by advising their insurance carrier in writing.

FAQ 8. How can I learn more about the law regarding Workers' Compensation in Georgia?

A: Consider purchasing Georgia Workers' Compensation Laws, Rules and Regulations Annotated. This book costs \$33 and can be ordered from Lexis-Nexis. For details, you may call them at 1-800-833-9844.

FAQ 9. Who can I talk to at the State Board of Workers' Compensation about insurance?

A: Ron Simpson is the insurance consultant at the Georgia State Board of Workers' Compensation. His number is (404) 656-0861.

FAQ 10. How can I contact the Georgia Workers' Compensation Assigned Risk Plan?

A. The Georgia Workers' Compensation Assigned Risk Plan is administered by the National Council on Compensation Insurance (NCCI). Their toll-free telephone number is 1-800-622-4123. Their web site is www.ncci.com.

Source: www.sbwc.georgia.gov

Rob Hatfield commented on FAQ #1: "Three or more employees is what the client wants to hear but ... the employer is still responsible for three or less. The hospital does not care and will report the client. Then your client gets the pleasure to pay a \$2500 fine plus all the medical & loss of wages and legal expenses."



WC Fraud Stories from around the USA

A North Dakota man was ordered to pay over \$40,000 in back premium and penalties after pleading guilty to a charge of failure to secure workers' comp coverage for his employees.

An injured worker contacted the Special Investigative Unit (SIU) that his employer had asked him not to file a WC claim and to lie to the treating doctor regarding the nature and cause of his workplace injury.

The worker had escaped with his life when a 12-foot trench caved in but was denied his request for an ambulance to the hospital. Instead the employer instructed him to change his story before transporting him in a pickup truck.

The employer has been ordered to pay the past WC premium on his employees and fined triple that amount to the tune of \$40,000. The injured employee still has the right to pursue a civil remedy against his former employer.

The owner of a Florida drywall and plastering company has been ordered to pay \$110,000 after entering a no contest plea to two counts of underreporting his payroll by at least \$800,000 to avoid \$140,000 in WC premiums.

A Massachusetts man must serve two years in prison, pay \$38,265 in restitution and forfeit \$767,870 after pleading guilty in a fraud scheme involving a temporary employment agency.

He deposited \$767,870 from their clients for their employees' work, but paid the employees in cash without withholding or deducting taxes and Social Security in addition to defrauding two WC companies.

A Florida owner of a towing company with local government contracts has been charged with failure to provide WC for his employees. He allegedly provided a fraudulent certificate of insurance for his employees, including at least 20 drivers to the local government.

If convicted, the employer faces up to 10 years in prison.

The four officers of former Miami-based Aires Insurance Company have been charged with diverting more than \$60 million before it was forced into liquidation in 2002. Aires wrote personal and commercial auto and property coverage, as well as workers' comp and had about 70,000 policyholders.

Charges against Aires owner Marcos Fraynd and sons Paul, who served as president, and Saul, who served as secretary and Fanny Fraynd range from racketeering, grand theft and the filing of false and misleading financial statements.

Investigators for Florida's WC Board recently made a sweep of construction sites across the state to verify that employers are complying with state workers' comp insurance laws.

They made random contact with 900 businesses, including subcontractors, and issued more than 75 Stop Work Orders (SWO). Under a SWO, a business must immediately cease all business operations or face a penalty of \$1,000 per day of violation and possible criminal charges. The SWO is lifted once proper coverage is in place and a civil penalty of 1½ times the WC premiums avoided is paid.

One residential construction site was using 11 employees but only 4 were covered by WC.

Two subcontractors at a beachfront condo construction site was shut down after it was discovered that the employees were classified as janitorial workers yet observed performing construction-related tasks.

A carpentry subcontractor with five employees had no coverage and the general contractor was also cited for failing to ensure that all subcontractors covered their employees.

The owner of an Indian Harbor, Florida Construction Company has been charged with workers' compensation fraud after jeopardizing the coverage of at least one employee. Investigators say the owner submitted falsified workers' comp insurance certificates to at least two general contractors in order to secure a contract for services. On at least one job site, one of his employees was injured and did not receive benefits until the general contractor's workers' comp carrier paid more than \$30,000 in medical payments and attorney's fees.

The owner was previously arrested on similar charges in December 2003. This case is currently pending trial. If convicted on all charges, he faces up to 20 years in prison.

Under Florida law, employers in construction-related industries, who have one or more employees, must maintain workers' comp coverage for their employees.

North Carolina DOI Commissioner Jim Long issued a cease & desist order along with two fines totaling \$390,000 against Utah-based American Benefits and Insurance Services, Inc. and its president for allegedly providing workers' comp coverage for at least 39 North Carolina employers without first complying with NC licensure laws.

The employers have reported \$70,000 in unpaid claims with more expected.

A former workers' compensation claims adjuster and all eight of her alleged accomplices must now face felony grand theft charges after an investigation by the California Department of Insurance (CDI) Investigation Division revealed a \$318,250 fraudulent check scheme.

According to CDI investigators, Linda Anne Wiser, 53, of Glendale, issued 125 fraudulent claims checks to her friends and associates over a one-year period while working as a claims adjuster at Chubb Insurance Company in Los Angeles. Evidence obtained from search warrants shows that most of the checks were cashed and/or deposited into bank accounts held by the alleged accomplices, and that Wiser received "kickbacks" for her role in the scheme.

A New York agent has been charged with 43 counts of issuing fraudulent certificates of insurance, two counts of insurance fraud, four counts of petty larceny and one count of falsifying business records.

In some cases, he is alleged to have taken WC premium payments without placing coverage but simply issued false certificates in many others. He faces up to seven years in prison if convicted.

Georgia agents don't have to look very far to find WC Fraud. Either Atlanta's a dangerous place to work or city employees are soaking taxpayers through bogus WC claims.

Atlanta's lost time rate for WC claims is 11 times greater than the norm. On average, the city loses 11.3 workdays per employee. The norm is one.

One reason may be Atlanta's generous WC policy that encourages workers to stay home up to six months with full pay before reduced compensation kicks in. A recent study documented 1,329 employees who each have filed between five and nine WC claims and two dozen who each have filed claims more than 20 times. The number of repeat filers for WC shows employees take advantage of the city's six-month full-pay deal.

We've got multiple markets for your customers!



Appalachian Underwriters, Inc. offers a national wholesale outlet for agents looking to bring their clients a broad selection of quality products. Our "one-stop" approach affords you the convenience of dealing with one sales and administration staff, while gaining access to a wide range of high quality companies. Moreover, there are No fees and No volume commitments to become appointed with us.

Commercial Specialty Lines

Our commercial specialty lines division has a specialized market for **Residential** and **Commercial General Contractors**. Here are a few highlights that our general contractors liability program offers:

- **Admitted ISO Coverage Form**
- **New Ventures Eligible**
- **Commercial Auto Coverage Available**
- **We have an exclusive market for DUMP TRUCKS!**
- **Claims Made Forms Available**
- **\$1,500 Minimum Premium**
- **On-Line Rating @ www.appund.com/GC**

We have markets for your Restaurants, Bars, and Taverns (GL, Property, and Liquor Liability!). Also, Commercial Auto, Convenience Stores, Child Care Operations, Habitational, Commercial Umbrellas, and Vacant land...

Workers' Compensation

Workers' Compensation is the staple of our business and what the company was founded on. We offer;

- **High Experience Modifications**
- **New Ventures Eligible**
- **Flexible Direct Bill Payment Options**
- **Markets for Hard-To-Place Risks**
- **Low Down-Payments**
- **On-Line Rating @ www.appund.com**

Need help with a Case? Fax an app to us @ 1-888-871-7644, then call 1-888-376-9633 to discuss the quote!

Personal Lines

Personal Lines is a rapidly expanding division for Appalachian Underwriters. We offer;

- **An Exclusive Rehabilitative Homeowners Program**
- **Umbrella and Comprehensive Personal Liability**
- **Mono-Line Homeowners (Including Coastal!)**
- **On-Line Rating @ www.appund.com**

Need standard markets? Check out our web site for further details about "**Direct Select**"



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ACORD™ COMMERCIAL INSURANCE APPLICATION				DATE			
APPLICANT INFORMATION SECTION							
PRODUCER PHONE (A/C, No, Ext): FAX NUMBER		CARRIER	NAIC CODE:	UNDERWRITER			
POLICIES OR PROGRAM REQUESTED							
MANDATORY SECTION		INDICATE SECTIONS ATTACHED		EQUIPMENT FLOATER	GARAGE AND DEALERS		
		PROPERTY		INSTALLATION/BUILDERS RISK	VEHICLE SCHEDULE		
		GLASS AND SIGN		ELECTRONIC DATA PROC	BOILER & MACHINERY		
		ACCOUNTS RECEIVABLE/ VALUABLE PAPERS		COMMERCIAL GENERAL LIABILITY	WORKERS COMPENSATION		
		CRIME/MISCELLANEOUS CRIME		BUSINESS AUTO	UMBRELLA		
TRANSPORTATION/ MOTOR TRUCK CARGO		TRUCKERS/MOTOR CARRIER					
CODE:	SUB CODE:						
AGENCY CUSTOMER ID							
STATUS OF SUBMISSION			PACKAGE POLICY INFORMATION				
<input type="checkbox"/> QUOTE <input type="checkbox"/> ISSUE POLICY BOUND (Give Date and/or Attach Copy): DATE TIME AM PM			ENTER THIS INFORMATION WHEN COMMON DATES AND TERMS APPLY TO SEVERAL LINES, OR FOR MONOLINE POLICIES. PROPOSED EFF DATE PROPOSED EXP DATE BILLING PLAN PAYMENT PLAN AUDIT				
APPLICANT INFORMATION							
NAME (First Named Insured & Other Named Insureds)		FEIN OR SOC SEC # (of First Named Insured): PHONE (A/C, No, Ext):		MAILING ADDRESS INCL ZIP+4 (of First Named Insured)			
INDIVIDUAL		CORPORATION	SUBCHAPTER "S" CORPORATION	NOT FOR PROFIT ORG	CR BUREAU NAME		
PARTNERSHIP		JOINT VENTURE	LIMITED CORPORATION	ID NUMBER			
INSPECTION CONTACT		PHONE (A/C, No, Ext):	ACCOUNTING RECORDS CONTACT		PHONE (A/C, No, Ext):		
PREMISES INFORMATION							
LOC #	BLD #	STREET, CITY, COUNTY, STATE, ZIP+4		CITY LIMITS	INTEREST	YR BUILT	PART OCCUPIED
				INSIDE	OWNER		
				OUTSIDE	TENANT		
				INSIDE	OWNER		
				OUTSIDE	TENANT		
				INSIDE	OWNER		
				OUTSIDE	TENANT		
NATURE OF BUSINESS/DESCRIPTION OF OPERATIONS BY PREMISE(S)							
GENERAL INFORMATION							
EXPLAIN ALL "YES" RESPONSES		YES	NO	EXPLAIN ALL "YES" RESPONSES		YES	NO
1. IS THE APPLICANT A SUBSIDIARY OF ANOTHER ENTITY OR DOES THE APPLICANT HAVE ANY SUBSIDIARIES?				7. ANY PAST LOSSES OR CLAIMS RELATING TO SEXUAL ABUSE OR MOLESTATION ALLEGATIONS, DISCRIMINATION OR NEGLIGENT HIRING?			
2. IS A FORMAL SAFETY PROGRAM IN OPERATION?				8. DURING THE LAST TEN YEARS, HAS ANY APPLICANT BEEN CONVICTED OF ANY DEGREE OF THE CRIME OF ARSON? (In RI, this question must be answered by any applicant for property insurance. Failure to disclose the existence of an arson conviction is a misdemeanor punishable by a sentence of up to one year of imprisonment).			
3. ANY EXPOSURE TO FLAMMABLES, EXPLOSIVES, CHEMICALS?				9. ANY UNCORRECTED FIRE CODE VIOLATIONS?			
4. ANY CATASTROPHE EXPOSURE?				10. ANY BANKRUPTCIES, TAX OR CREDIT LIENS AGAINST THE APPLICANT IN THE PAST 5 YEARS?			
5. ANY OTHER INSURANCE WITH THIS COMPANY OR BEING SUBMITTED?				REMARKS			
6. ANY POLICY OR COVERAGE DECLINED, CANCELLED OR NON-RENEWED DURING THE PRIOR 3 YEARS? NOT APPLICABLE IN MO				ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR ANOTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SUBJECTS THE PERSON TO CRIMINAL AND (IN: SUBSTANTIAL) CIVIL PENALTIES. (NOT APPLICABLE IN CO, HI, NE, OH, OK, OR; IN ME AND VA, INSURANCE BENEFITS MAY ALSO BE DENIED)			
APPLICANT'S SIGNATURE		PRODUCER'S SIGNATURE					

NOTE: HELPFUL FOR PROCESSING TO PROPER DEPARTMENT. SAVES ½ DAY IN REACHING UNDERWRITER.

REMEMBER: NO QUOTES FORM ACORDS THIS CLASS. SEE OUR WEBSITE, ABOVE.

1

1

1

COMPLETE NAME INCLUDING ANY D/B/A

2

2

IF DIFFERENT THAN PREMISES INFORMATION (#5, BELOW)

3

3

DO NOT OVERLOOK! IF "NEW VENTURE" SHOW "NEW"

4

4

4

4

4

INCOMPLETE INSPECTIONS CREATE CANCELLATIONS!

5

5

CRITICAL TO PROPER RATING AND UNDERWRITING

6

6

LACK OF COMPLETE DESCRIPTION WILL CAUSE RETURN OF APPLICATION, CREATING 2% LESS COMMISSION—OR DECLINATION OF RISK

7

7

ALL QUESTIONS MUST BE ANSWERED

8

8

8

SIGNATURES ARE REQUIRED TO BIND COVERAGE!

2% LESS MAY APPLY TO RETURNED APPLICATIONS.

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PRIOR CARRIER INFORMATION

LINE	CATEGORY	CARRIER				POLICY NUMBER				POLICY TYPE				CLAIMS MADE				OCCURRENCE			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
		CARRIER				POLICY NUMBER				POLICY TYPE				CLAIMS MADE				OCCURRENCE			
		EFF-EXP DATE				LIMITS				RETRO DATE											
GENERAL LIABILITY		GENERAL AGGREGATE				PROPERTY OCCURRENCE															
		PRODUCTS COMP OP AGGREGATE				DAMAGE AGGREGATE															
		PERSONAL & ADV INJ				EACH OCCURRENCE															
		FIRE DAMAGE																			
		MEDICAL EXPENSE																			
		BODILY INJURY				EA PERSON															
						EA ACCIDENT															
		PROPERTY DAMAGE																			
		COMBINED SINGLE LIMIT																			
		MODIFICATION FACTOR																			
	TOTAL PREMIUM																				
AUTOMOBILITY		CARRIER				POLICY NUMBER				POLICY TYPE				EFF-EXP DATE				COMBINED SINGLE LIMIT			
PROPERTY		CARRIER				POLICY NUMBER				POLICY TYPE				EFF-EXP DATE				BUILDING AMT			
																		PERS PROP AMT			

1 HIGH PERCENT OF RETURN APPLICATIONS

LOSS HISTORY

ENTER ALL CLAIMS OR LOSSES (REGARDLESS OF FAULT AND WHETHER OR NOT INSURED) OR OCCURRENCES THAT MAY GIVE RISE TO CLAIMS FOR THE PRIOR 5 YEARS (3 YEARS IN KS & NY)

DATE OF OCCURRENCE	LINE	TYPE/DESCRIPTION OF OCCURRENCE OR CLAIM	DATE OF CLAIM	AMOUNT PAID	AMOUNT RESERVED	CLAIM STATUS	CHK HERE IF NONE	SEE ATTACHED LOSS SUMMARY

2 ONE OR THE OTHER MUST BE CHECKED. LOSS RUNS WITH EXPLANATION OF LOSSES MUST BE READABLE

REMARKS NOTE: FIDELITY REQUIRES A FIVE-YEAR LOSS HISTORY

2

NOTICE OF INSURANCE INFORMATION PRACTICES
 PERSONAL INFORMATION ABOUT YOU, INCLUDING INFORMATION FROM A CREDIT REPORT, MAY BE COLLECTED FROM PERSONS OTHER THAN YOU. SUCH INFORMATION AS WELL AS OTHER PERSONAL AND PRIVILEGED INFORMATION COLLECTED BY US OR OUR AGENTS MAY IN CERTAIN CIRCUMSTANCES BE DISCLOSED TO THIRD PARTIES. YOU HAVE THE RIGHT TO REVIEW YOUR PERSONAL INFORMATION IN OUR FILES AND CAN REQUEST CORRECTION OF ANY INACCURACIES. A MORE DETAILED DESCRIPTION OF YOUR RIGHTS AND OUR PRACTICES REGARDING SUCH INFORMATION IS AVAILABLE UPON REQUEST. CONTACT YOUR AGENT OR BROKER FOR INSTRUCTION ON HOW TO SUBMIT A REQUEST TO US.

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CONTRACTORS 1 & 2

EXPLAIN ALL "YES" RESPONSES (For past or present operations)		YES	NO	EXPLAIN ALL "YES" RESPONSES (For past or present operations)		YES	NO
1. DOES APPLICANT DRAW PLANS, DESIGNS, OR SPECIFICATIONS FOR OTHERS?				4. DO YOUR SUBCONTRACTORS CARRY COVERAGES OR LIMITS LESS THAN YOURS?			
2. DO ANY OPERATIONS INCLUDE BLASTING OR UTILIZE OR STORE EXPLOSIVE MATERIAL?				5. ARE SUBCONTRACTORS ALLOWED TO WORK WITHOUT PROVIDING YOU WITH A CERTIFICATE OF INSURANCE?			
3. DO ANY OPERATIONS INCLUDE EXCAVATION, TUNNELING, UNDERGROUND WORK OR EARTH MOVING?				6. DOES APPLICANT LEASE EQUIPMENT TO OTHERS WITH OR WITHOUT OPERATORS?			
REMARKS/DESCRIBE THE TYPE OF WORK SUBCONTRACTED:		# PAID TO SUB-CONTRACTORS:		% OF WORK SUBCONTRACTED:		# FULL-TIME STAFF:	

ANSWER ALL 6 QUESTIONS FOR ALL CONTRACTORS

1 VERY IMPORTANT FOR ALL CONTRACTORS

PRODUCTS/COMPLETED OPERATIONS 2

PRODUCTS	ANNUAL GROSS SALES	# OF UNITS	TIME IN MARKET	EXPECTED LIFE	INTENDED USE	PRINCIPAL COMPONENTS

EXPLAIN ALL "YES" RESPONSES (For any past or present product or operation)		YES	NO	EXPLAIN ALL "YES" RESPONSES (For any past or present product or operation)		YES	NO
1. DOES APPLICANT INSTALL, SERVICE OR DEMONSTRATE PRODUCTS?				6. PRODUCTS RECALLED, DISCONTINUED, CHANGED?			
2. FOREIGN PRODUCTS SOLD, DISTRIBUTED, USED AS COMPONENTS?				7. PRODUCTS OF OTHERS SOLD OR RE-PACKAGED UNDER APPLICANT LABEL?			
3. RESEARCH AND DEVELOPMENT CONDUCTED OR NEW PRODUCTS PLANNED?				8. PRODUCTS UNDER LABEL OF OTHERS?			
4. GUARANTEES, WARRANTIES, HOLD HARMLESS AGREEMENTS?				9. VENDORS COVERAGE REQUIRED?			
5. PRODUCTS RELATED TO AIRCRAFT/SPACE INDUSTRY? PLEASE ATTACH LITERATURE, BROCHURES, LABELS, WARNINGS, ETC				10. DOES ANY NAMED INSURED SELL TO OTHER NAMED INSUREDS?			

2 COMPLETE ALL ITEMS, ESPECIALLY ANNUAL GROSS SALES

ANSWER ALL 10 QUESTIONS WHERE SALES ARE INVOLVED

ADDITIONAL INTEREST/CERTIFICATE RECIPIENT 3

ACORD 45 attached for additional names

INTEREST	RANK:	NAME AND ADDRESS	REFERENCE #:	CERTIFICATE REQUIRED	INTEREST IN ITEM NUMBER
<input type="checkbox"/> ADDITIONAL INSURED					
<input type="checkbox"/> LOSS PAYEE					
<input type="checkbox"/> MORTGAGEE					
<input type="checkbox"/> LIENHOLDER					
<input type="checkbox"/> EMPLOYEE AS LESSOR					
ITEM DESCRIPTION:					

3 COMPLETE OR SHOW "NA" IN NAME AREA

GENERAL INFORMATION 4

EXPLAIN ALL "YES" RESPONSES (For all past or present operations)		YES	NO	EXPLAIN ALL "YES" RESPONSES (For all past or present operations)		YES	NO
1. ANY MEDICAL FACILITIES PROVIDED OR MEDICAL PROFESSIONALS EMPLOYED OR CONTRACTED?				12. ANY STRUCTURAL ALTERATIONS CONTEMPLATED?			
2. ANY EXPOSURE TO RADIOACTIVE/NUCLEAR MATERIALS?				13. ANY DEMOLITION EXPOSURE CONTEMPLATED?			
3. DO/HAVE PAST, PRESENT OR DISCONTINUED OPERATIONS INVOLVE(D) STORING, TREATING, DISCHARGING, APPLYING, DISPOSING, OR TRANSPORTING OF HAZARDOUS MATERIAL? (e.g. landfills, wastes, fuel tanks, etc)				14. HAS APPLICANT BEEN ACTIVE IN OR IS CURRENTLY ACTIVE IN JOINT VENTURES?			
4. ANY OPERATIONS SOLD, ACQUIRED, OR DISCONTINUED IN LAST 5 YEARS?				15. DO YOU LEASE EMPLOYEES TO OR FROM OTHER EMPLOYERS?			
5. MACHINERY OR EQUIPMENT LOANED OR RENTED TO OTHERS?				16. IS THERE A LABOR INTERCHANGE WITH ANY OTHER BUSINESS OR SUBSIDIARIES?			
6. ANY WATERCRAFT, DOCKS, FLOATS OWNED, HIRED OR LEASED?				17. ARE DAY CARE FACILITIES OPERATED OR CONTROLLED?			
7. ANY PARKING FACILITIES OWNED/RENTED?				18. HAVE ANY CRIMES OCCURRED OR BEEN ATTEMPTED ON YOUR PREMISES WITHIN THE LAST THREE YEARS?			
8. IS A FEE CHARGED FOR PARKING?				19. IS THERE A FORMAL, WRITTEN SAFETY AND SECURITY POLICY IN EFFECT?			
9. RECREATION FACILITIES PROVIDED?				20. DOES THE BUSINESSES' PROMOTIONAL LITERATURE MAKE ANY REPRESENTATIONS ABOUT THE SAFETY OR SECURITY OF THE PREMISES?			
10. IS THERE A SWIMMING POOL ON THE PREMISES?							
11. SPORTING OR SOCIAL EVENTS SPONSORED?							
REMARKS							
ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR ANOTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SUBJECTS THE PERSON TO CRIMINAL AND (NY: SUBSTANTIAL) CIVIL PENALTIES. (NOT APPLICABLE IN CO, HI, NE, OH, OK, OR; IN DC, LA, ME AND VA, INSURANCE BENEFITS MAY ALSO BE DENIED)							

4 PLEASE ANSWER ALL QUESTIONS

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PLEASE DO NOT CALL WITH ANSWERS TO THESE QUESTIONS—RE-FAX CORRECTED PAGE

ACORD™ PROPERTY SECTION				DATE	
PRODUCER (PHONE (A/C, No, Ext.:		APPLICANT (First (Named Insured)			
EFFECTIVE DATE		EXPIRATION DATE	DIRECT BILL	PAYMENT PLAN	AUDIT
CODE:		SUB CODE:	FOR COMPANY USE ONLY		
AGENCY CUSTOMER ID:					
PREMISES INFORMATION		PREMISES #:	BUILDING #:	STREET ADDRESS:	
SUBJECT OF INSURANCE	AMOUNT	COINS %	VALUATION	CAUSES OF LOSS	INFLATION GUARD %
DEDUCTIBLE	FORMS AND CONDITIONS TO APPLY				
ADDITIONAL INFORMATION - BUSINESS INCOME/EXTRA EXPENSE					
TYPE OF BUSINESS		ORDINARY PAYROLL	POWER/HEAT	EXT PERIOD	TUTORING
NON MFG	EXCL	INCL	\$	DEF	DAYS
MFG	90 DAYS	ELEC MEDIA	\$	MO PERIOD	\$
MINING	180 DAYS	ORD OR LAW	\$	DAYS	LIMIT
% COINS	\$	DAYS	MAX PERIOD	DAYS	
NAME AND ADDRESS(ES) FOR OFF PREM POWER OR DEPEND PROP				EXTRA EXPENSE	DAYS PERIOD REST
				LIMIT LOSS PAY	% % % %
ADDITIONAL COVERAGES, OPTIONS, RESTRICTIONS, ENDORSEMENTS AND RATING INFORMATION					
CONSTRUCTION TYPE					
DISTANCE TO HYDRANT	FIRE STAT	FIRE DISTRICT/CODE NUMBER		PROT CL	# STORIES
FT	MI				
BLDG CODE GRADE	TAX CODE	ROOF TYPE	OTHER OCCUPANCIES		
WIRING, YR:	PLUMBING, YR:	WIND CLASS	HEATING BOILER ON PREMISES?	YES	NO
SEE 5B	HEATING, YR:	RESISTIVE	SEMI-RESISTIVE	OTHER	IF YES, IS INSURANCE PLACED ELSEWHERE?
RIGHT EXPOSURE & DISTANCE	LEFT EXPOSURE & DISTANCE		REAR EXPOSURE & DISTANCE		
BUNGALAR ALARM TYPE	CERTIFICATE #	EXPIRATION DATE	EXTENT	GRADE	CENTRAL STATION WITH KEYS
SEE 5C	BUNGALAR ALARM INSTALLED AND SERVICED BY	# GUARDS/WATCHMEN	CENTRAL STATION	CLOCK HOURLY	LOCAL GONG
PREMISES FIRE PROTECTION (Sprinklers, Standpipes, QChemical Systems)		% SPRNK	FIRE ALARM MANUFACTURER		
ADDITIONAL INTERESTS					
RANK:	NAME AND ADDRESS		EVIDENCE CERTIF. CATE	RANK:	NAME AND ADDRESS
INTEREST	LOSS PAYEE	MORTGAGEE	LOSS PAYEE	MORTGAGEE	LOSS PAYEE
SEE 10					
VALUE REPORTING INFORMATION					
REPORTING FORM: PROVIDE AVERAGE VALUES FOR PAST 12 MONTHS		PREMISES/BUILDING	ANY OTHER LOCATION DECLARED AT INCEPTION	ANY OTHER LOCATION ACQUIRED AFTER INCEPTION	PREMISES NOT OWNED OR ACQUIRED LIMIT
SUBJECT OF INSURANCE					

- 1 BUILDING, CONTENTS, PROPERTY OF OTHERS
- 2 DOLLAR AMOUNT OF COVERAGE DESIRED
- 3 80% OR 90%, ONLY
- 4 ACTUAL CASH VALUE (ACV) OR REPLACEMENT (RC) NO RC ON CONTENTS
- 5 A) BASIC, BROAD, OR SPECIAL PERILS
B) NO SPECIAL PERILS ON BUILDING IF BUILDING NOT UPDATED IN PAST 18 YEARS.
C) NO SPECIAL PERILS ON CONTENTS IF NO CENTRAL ALARM
- 6 REQUESTED DEDUCTIBLE
- 7 COMPLETE ENTIRE SECTION IF THESE COVERAGES ARE DESIRED
- 8 QUOTES NOT GIVEN WITHOUT EACH ITEM COMPLETED MUST RE-FAX ENTIRE PAGE WITH CORRECTIONS.
- 9 THE MOST OVERLOOKED ITEM! FIRE EXTINGUISHERS? SMOKE ALARMS? ???
- 10 PLEASE COMPLETE
- 11 NOT WRITTEN

2% LESS MAY APPLY TO RETURNED APPLICATIONS.

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ACORDTM UMBRELLA SECTION				DATE		
PRODUCER PHONE (A/C, No. Ext.)		APPLICANT (First Named Insured) MANDATORY				
MANDATORY		EFFECTIVE DATE	EXPIRATION DATE	DIRECT BILL	PAYMENT PLAN	
CODE: SUBCODE:		FOR COMPANY USE ONLY				
AGENCY CUSTOMER ID:		AGENCY BILL				
POLICY INFORMATION						
TRANSACTION TYPE		LIMIT OF LIABILITY		RETAINED LIMIT		
NEW	PROPOSED RETROACTIVE DATE	\$	EACH OCCURRENCE	\$		
RENEWAL		\$				
EXPIRING POL #:		CURRENT RETROACTIVE DATE:		FIRST DOLLAR DEFENSE		
				YES NO		
PRIMARY LOCATION & SUBSIDIARIES (ACORD 125)						
#	NAME AND LOCATION OF PRIMARY AND ALL SUBSIDIARY COMPANIES (Describe Operations)			ANNUAL PAYROLL	ANN GROSS SALES	
					FOREIGN GROSS SALES # EMPL	
UNDERLYING INSURANCE						
LIST ALL LIABILITY/COMPENSATION POLICIES IN FORCE TO APPLY AS UNDERLYING INSURANCE						
TYPE	CARRIER/POLICY NUMBER	POLICY EFF DATE	POLICY EXP DATE	LIMITS	ANNUAL RENEWAL PREMIUM	
AUTOMOBILE LIABILITY				CSL \$	\$	
				BI \$	\$	
				PD \$	\$	
GENERAL LIABILITY POLICY TYPE				EACH OCCURRENCE \$	PREMOPS	
				GENERAL AGGR \$	\$	
				PROD & COMP OPS AGGREGATE \$	PRODUCTS	
				PERSONAL & ADV INJURY \$	\$	
				FIRE DAMAGE \$	OTHER	
				MEDICAL EXPENSE \$	\$	
EMPLOYERS LIABILITY				EACH ACCIDENT \$		
				DISEASE POLICY LIMIT \$	\$	
				DISEASE EACH EMPLOYEE \$		
UNDERLYING GENERAL LIABILITY INFORMATION (Explain all "YES" responses)						
1	ARE DEFENSE COSTS:	WITHIN AGGREGATE LIMITS?	A SEPARATE LIMIT?	UNLIMITED?		
2	INDICATE THE EDITION DATE OF THE ISO SIMPLIFIED FORM OR SIMILAR FILING FOR THE UNDERLYING COVERAGE:					
3	HAS ANY PRODUCT, WORK, ACCIDENT, OR LOCATION BEEN EXCLUDED, UNINSURED OR SELF INSURED FROM ANY PREVIOUS COVERAGE?				YES	NO
4	FOR CLAIMS MADE, INDICATE RETROACTIVE DATE OF CURRENT UNDERLYING POLICY:					
5	FOR CLAIMS MADE, INDICATE ENTRY DATE INTO UNINTERRUPTED CLAIMS MADE COVERAGE:					
6	FOR CLAIMS MADE, WAS "TAIL" COVERAGE PURCHASED FOR ANY PREVIOUS PRIMARY OR EXCESS POLICY?				YES, EFF. DATE:	NO
CHECK ALL COVERAGES IN UNDERLYING POLICIES. ALSO CHECK IF ANY EXPOSURES ARE PRESENT FOR EACH COVERAGE. PROVIDE AN EXPLANATION. EXPLAIN IF DIFFERENT LIMITS, EXTENSIONS, OR EXCLUSIONS. EXPLAIN ANY SPECIAL COVERAGES BEYOND STANDARD FORM. EXPLAIN ALL EXPOSURES						
CHECK IF APPROPRIATE		COVERAGE	EXPOSURE	COVERAGE	EXPOSURE	
<input type="checkbox"/>	ANY AUTO (SYMBOL 1)	CARE, CUSTODY, CONTROL		PROFESSIONAL LIABILITY (E&O)		
<input type="checkbox"/>	CGL - CLAIMS MADE	EMPLOYEE BENEFIT LIABILITY		VENDORS LIABILITY		
<input type="checkbox"/>	CGL - OCCURRENCE	FOREIGN LIABILITY/TRAVEL		WATERCRAFT LIABILITY		
<input type="checkbox"/>	AIRCRAFT LIABILITY	GARAGEKEEPERS LIABILITY				
<input type="checkbox"/>	AIRCRAFT PASSENGER LIABILITY	INCIDENTAL MEDICAL MALPRACTICE				
<input type="checkbox"/>	ADDITIONAL INTERESTS	LIQUOR LIABILITY				
<input type="checkbox"/>		POLLUTION LIABILITY				
UNDERLYING INSURANCE COVERAGE INFORMATION (INCLUDE ALL RESTRICTIONS; E.G. LASER ENDORSEMENTS, DISCRIMINATION, SUBROGATION WAIVERS, OR EXTENSIONS OF COVERAGE - ATTACH SEPARATE SHEET IF NECESSARY)						
PREVIOUS EXPERIENCE: (GIVE DETAILS OF ALL LIABILITY CLAIMS EXCEEDING \$10,000 OR OCCURRENCES THAT MAY GIVE RISE TO CLAIMS, DURING THE PAST 5 YEARS, WHETHER INSURED OR NOT. SPECIFY DATE, COVERAGE, DESCRIPTION, AMOUNT PAID, AMOUNT OUTSTANDING)						
<input type="checkbox"/> NO SUCH CLAIMS						

**NOTE: ACORD 125 MUST BE INCLUDED
 ALLOW 7-10 DAYS FOR QUOTES**

1 DO NOT EXPECT A QUOTE IF BLANK!

**2 ALL TO BE COMPLETED FOR UMBRELLA
 B) IF EXCESS GENERAL LIABILITY COMPLETE G/L INFO ONLY**

3 CANNOT QUOTE IF PREMIUMS ARE NOT SHOWN

4 SUBMISSION RETURNED IF INCOMPLETE

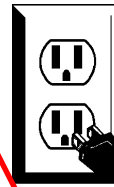
5 SUBMISSION RETURNED IF INCOMPLETE

6 SUBMISSION RETURNED IF INCOMPLETE

7 SUBMISSION RETURNED IF INCOMPLETE

2% LESS MAY APPLY TO RETURNED APPLICATIONS.

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CARE, CUSTODY, CONTROL								
LOC	PROPERTY TYPE	VALUE	A*	B*	C*	D*	SQ FT OF BLDG OCC	OCCUPANCY / DESCRIPTION OF PERSONAL PROPERTY
	REAL							
	PERSONAL							
	REAL							
	PERSONAL							
	REAL							
	PERSONAL							

*APPLICANT: [A] IS HELD HARMLESS IN THE LEASE, [B] HAS A WAIVER OF SUBROGATION, [C] IS A NAMED INSURED IN THE FIRE POLICY, [D] OTHER (specify)

ADDITIONAL EXPOSURES		YES	NO	EXPLAIN ALL "YES" RESPONSES, PROVIDE OTHER INFORMATION REQUIRED		YES	NO
ADVERTISERS LIABILITY				POLLUTION LIABILITY EPA#:			
1. MEDIA USED: ANNUAL COST: \$				20. DO CURRENT OR PAST PRODUCTS, OR THEIR COMPONENTS, CONTAIN HAZARDOUS MATERIALS THAT MAY REQUIRE SPECIAL DISPOSAL METHODS?			
2. ARE SERVICES OF AN ADVERTISING AGENCY USED?				21. INDICATE THE COVERAGES CARRIED: <input type="checkbox"/> GL WITH STANDARD ISO POLLUTION EXCLUSION <input type="checkbox"/> GL WITH STANDARD SUDDEN & ACCIDENTAL ONLY <input type="checkbox"/> GL WITH POLLUTION COVERAGE ENDORSEMENT SEPARATE POLLUTION COVERAGE			
3. ANY COVERAGE PROVIDED UNDER AGENCY'S POLICY?							
AIRCRAFT LIABILITY				PRODUCT LIABILITY			
4. DOES APPLICANT OWN/LEASE/OPERATE AIRCRAFT?				22. ARE MISSILES, ENGINES, GUIDANCE SYSTEMS, FRAMES OR ANY OTHER PRODUCT USED / INSTALLED IN AIRCRAFT?			
AUTO LIABILITY				23. ARE FOREIGN PRODUCTS DISTRIBUTED IN U.S.?			
5. ARE EXPLOSIVES, CAUSTICS, FLAMMABLES OR OTHER DANGEROUS CARGO HAULED?				24. ARE U.S. PRODUCTS SOLD/DISTRIB'D IN FOREIGN COUNTRIES?			
6. ARE PASSENGERS CARRIED FOR A FEE?				25. PRODUCT LIABILITY LOSS IN PAST 3 YEARS? (SPECIFY)			
7. ANY UNITS NOT INSURED BY UNDERLYING POLICIES?				26. GROSS SALES FROM EACH OF LAST 3 YEARS:			
8. ARE ANY VEHICLES LEASED OR RENTED TO OTHERS?				\$ \$ \$			
9. ARE HIRED AND NON/OWNED COVERAGES PROVIDED?				PROTECTIVE LIABILITY			
CONTRACTORS LIABILITY				27. DESCRIBE INDEPENDENT CONTRACTORS (ATTACH SEPARATE SHEETS):			
10. IS BRIDGE, DAM, OR MARINE WORK PERFORMED?				28. DOES APPLICANT OWN OR LEASE WATERCRAFT? # OWNED LENGTH HORSEPOWER			
11. DESCRIBE TYPICAL JOBS PERFORMED (ATTACH SEPARATE SHEETS):							
12. DESCRIBE AGREEMENT (ATTACH SEPARATE SHEETS):				WATERCRAFT LIABILITY			
13. DOES APPLICANT OWN, RENT, OR OTHERWISE USE CRANES?				29. DOES APPLICANT OWN OR LEASE WATERCRAFT?			
14. DO SUBCONTRACTORS CARRY COVERAGES OR LIMITS LESS THAN APPLICANT?				# OWNED LENGTH HORSEPOWER			
EMPLOYERS LIABILITY				APARTMENTS / CONDOMINIUMS / HOTELS / MOTELS			
15. IS APPLICANT SELF-INSURED IN ANY STATE?				17. IS A HOSPITAL OR FIRST AID FACILITY MAINTAINED?			
16. SUBJECT TO: <input type="checkbox"/> JONES ACT <input type="checkbox"/> FELA <input type="checkbox"/> STOP GAP				18. ARE COVERAGES PROVIDED FOR DOCTORS / NURSES?			
OTHER:				19. INDICATE # OF DOCTORS: NURSES: BEDS:			
INCIDENTAL MALPRACTICE LIABILITY				APARTMENTS / CONDOMINIUMS / HOTELS / MOTELS			
17. IS A HOSPITAL OR FIRST AID FACILITY MAINTAINED?				# STORIES # UNITS # SWIMMING POOLS # DIVING BOARDS			
18. ARE COVERAGES PROVIDED FOR DOCTORS / NURSES?							
19. INDICATE # OF DOCTORS: NURSES: BEDS:							

COMPLETE ALL SECTIONS APPLICABLE TO RISK

REMARKS	VEHICLES							
	TYPE	# OWNED	# NON-OWNED	# LEASED	PROPERTY HAULED	0-50 MI	50-200 MI	OVER 200 MI
	PRIVATE PASSENGER							
	TRUCKS	LIGHT						
		MEDIUM						
		HEAVY						
	TRUCKS/TRACTORS	EX. HEAVY						
		HEAVY						
	BUSES							

APPLICABLE ONLY IN LOUISIANA, NEW MEXICO, OHIO, TENNESSEE AND VERMONT:

I ACKNOWLEDGE THAT UNINSURED MOTORISTS (UM) COVERAGE HAS BEEN EXPLAINED TO ME, AND I HAVE BEEN OFFERED THE OPTION OF SELECTING UM LIMITS EQUAL TO MY LIABILITY LIMITS, UM LIMITS LOWER THAN MY LIABILITY LIMITS, OR TO REJECT UM COVERAGE ENTIRELY.

1. I SELECT UM LIMITS INDICATED IN THIS APPLICATION. _____ (INITIALS) OR 2. I REJECT UM COVERAGE IN ITS ENTIRETY. _____ (INITIALS)

<p>IMPORTANT THE STATEMENTS (ANSWERS) GIVEN ABOVE ARE TRUE AND ACCURATE. THE APPLICANT HAS NOT WILLFULLY CONCEALED OR MISREPRESENTED ANY MATERIAL FACT OR CIRCUMSTANCE CONCERNING THIS APPLICATION. THIS APPLICATION DOES NOT CONSTITUTE A BINDER.</p>	<p>APPLICANT'S SIGNATURE</p>	<p>DATE</p>
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