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Calculation of Commercial Lines Premiums During Mandatory Closures Due to COVID-19

Businessowners Policies

While the DFR recognizes that many Businessowner Package Policies are not audited, there remains a provision in the policy that it can be audited by the insurance carrier if the premium is designated as an advance premium as shown in the Declarations page of the policy. If so, the insurance carrier will compute the final premium due when they determine the actual exposures. Therefore, if a business was forced to close or had less business due to COVID-19 mitigation actions, their gross income could be less than originally reported to the insurance carrier.

Insureds with a Businessowner policy may want to contact their agent or company to determine if their reported income should be adjusted for the current or renewal policy term.

Commercial Package Policies

Many Commercial Package policies contain a provision that the premium shown on the Declaration page is an advance premium and only a deposit. Therefore, the policy will be audited at the close of each audit period and the company will compute the earned premium for that period based on the exposures such as gross sales or payroll depending on the basis for the premium charged.

Insureds with a Commercial Package policy may want to contact their agent or company to determine if their reported income should be adjusted for the current or renewal policy term.

Premiums Due During the Coronavirus Emergency

DFR encourages insurance carriers to be flexible with premium payment plans and premium deposit requirements for businesses that are temporarily closed due to COVID-19 mitigation actions. If carriers can delay/reduce premium payments, this action may assist insureds in keeping their policy active during their temporary shutdown. Further, DFR suggests that whenever possible, insureds keep their policies active as there are risks that all businesses encounter even if they are not open for business such as property damage from a peril and premises liability exposures. Contact Pat Murray 802-828-5795 for more information.

