

Commercial General Liability Insurance (Lecture 9)

Overview of Lecture 9 (chapters 3 and 4 CPCU 4)

I. Policy structure

II. Coverages

- A. Coverage A: BI and PD liability*
- B. Coverage B: Personal injury and Advertising injury liability*
- C. Coverage C: Medical payments*
- D. Supplementary payments-coverages A and B*

III. Who is an insured

IV. Limit of insurance

V. CGL conditions

I. Policy structure

- 1. Common policy declarations**
- 2. Common policy conditions**
- 3. Commercial general liability declarations**
- 4. Commercial general liability coverage forms (includes conditions)**
- 5. CGL endorsements**

II. Coverages

A. Bodily injury and Property Damage Liability (Coverage A)

- 1. insuring agreement**
 - pays damages that the insured is legally obligated to pay because of "bodily injury" or "property damage" to which this insurance applies

- right and duty to defend end when limits are used up in the payment of losses
- BI or PD caused by an occurrence in the "coverage territory"

- worldwide:

- international air or water: traveling between points in U.S. PR or CN

2. Definition of products and completed operations liability

a. three conditions for products liability

- product causing the injury or damage must not be in the named insured's physical possession when the injury or damage occurs

b. three conditions for completed operations liability

- work out of which the injury or damage arises must be completed or abandoned when the injury or damage occurs

3. Coverage A exclusions

a. intentional injury

exception: reasonable force to protect persons or property

b. contractual liability (liability assumed in a contract)

- insured contract:
 - lease of premises

- contract for assumption of tort liability of another party to pay for bodily injury or property damage to a third person or organization (i.e. hold harmless agreements)

- those contracts specifically precluded from contractual coverage as an "insured contract" are professional liability and fire legal liability exposures

c. liquor liability

- only applies to firms in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages

- contractually assumed tort liability is covered (insured contract)

d. workers' compensation

e. employers liability

- BI to employee arising out of and in the course of employment

f. pollution

- any premises where operations in progress and insured brings pollutants

- specifically excludes government ordered clean-up costs

exceptions:

- products and completed operations (provided that the pollutants are not in the nature of waste or brought to the jobsite in connection with the insured's operations

- off-premises operations in progress when pollutant was not brought on to the premises in connection with the operations

g. aircraft, autos and watercraft

exceptions:

- "mobile equipment" is covered

- operation of mobile equipment attached to an auto covered

- watercraft ashore on premises that insured owns

- watercraft that is less than 26 feet long and not owned by insured (not transporting for a fee)

- parking nonowned autos on your premises (valet parking)

(damage to property in your care, custody or control is not covered)

h. mobile equipment

i. war

j. general property damage

- primarily concerned with property damage that occurs while the insured has possession of the damaged property or is working on it

i.

ii. damage to any premises you sell, give away or abandon arising out of those premises (unless it's your work and never occupied or held for rental by you)

iii.

iv.

v. particular part of real property on which you (or subcontractors) are performing operations if the property damage arises out of those operations.

vi.

k. property damage to "your product" (not real property) arising out of it

- any goods, products made, sold, handled, or distributed by you

- "your product" includes warranties and representations, warnings and instructions

- damage to other's property caused by "your product" would be covered

l. property damage to "your work" (completed work) arising out of it

- "your work" includes warranties and representations, warnings and instructions

- damage to other's property caused by "your work" would be covered

exception:

- does not include work performed on your behalf by a subcontractor

m. impaired property (not "your work" or "your product")

exceptions:

- loss of use of other property when sudden and accidental physical injury to your product or your work

n. sistership liability

- damages and expenses arising out of the recall of defective or dangerous products, work, or impaired property

4. fire damage coverage (fire legal liability)

- exclusions (c) through (n) do not apply to damage by fire to premises rented to you
- exclusion (b) applies if assumed landlord's liability (purchase property insurance)

B. Advertising and Personal Injury Liability (Coverage B)

1. insuring agreement

- pays damages because of "personal injury" or "advertising injury"
- personal injury: (other than BI)
- advertising injury: (in course of advertising)

2. exclusions

a. applying to PI and AI

- publication of material if insured had knowledge of falsity

b. applying to AI only

- offense by firms in advertising, publishing or broadcasting business

C. Medical Payments (Coverage C)

1. insuring agreement

- if accident takes place in the coverage territory and during policy period

- medical expenses must be incurred and reported within one year

2. exclusions, bodily injury

- tenant of any insured if the accident occurs in the part of the insured's premises that tenant normally occupies

- covered under workers comp laws (regardless of whether it is the insured's employee)

D. Supplementary Payments (Coverages A and B)

1.

2.

3. reasonable expenses incurred by the insured (up to \$100 a day for time away from work)

4. prejudgment interest and interest from date of award until insurer pays (post judgment)

III. Who is an Insured

A. You

1. individual

2. partnership or joint venture

3. other than partnership or joint venture

B. Employees

- temporary workers (substitute workers or workers to meet seasonal needs) are not

exceptions:

1. liability for injury to fellow employees while in the course of employment (covered under workers compensation)
2. liability arising out of employee providing or failing to provide professional health care services (does not apply to employees not in the health care profession)
3. property damage to property owned by or in the care, custody or control any employee

C. Others

- 1.
2. if you die, legal representatives and those having temporary custody of your property

D. Newly acquired organizations

- coverage afforded for 90 days or the end of the policy period, whichever is earlier
- does not apply to BI or PD that occurred prior to acquisition or formation

IV. Limits of Insurance

A. General aggregate limit is the most insurer will pay for the sum of:

1. Damages under coverage A (Bodily Injury and Property Damage), except damages because of BI or PD included in the products-completed operations hazard
- 2.
- 3.

**B. Products-completed operations aggregate limit
(Coverage A: BI or PD)**

C. Personal and advertising injury sublimit

D. Each occurrence sublimit is the most we will pay for the sum of:

- 1.
- 2.

because of all bodily injury or property damage arising out of any one occurrence.

- E. Fire damage sublimit (under coverage A)
(arising out of any one fire)
- F. Medical expense sublimit is the most we will pay under coverage C for any one person in any one occurrence.
- G. limits apply separately to each consecutive annual period and to any remaining period of less than 12 months.

V. CGL conditions

- A. Bankruptcy of the insured
- B. Notice of occurrence
- C. Notice of claim
- D. Other insurance