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I. Commercial General Liability

A. Commercial Package Policy (CPP)

Like a Homeowners' Policy, the Commercial Package Policy (CPP) combines two or more coverages into one policy. The first named insured chooses which coverages their business needs. The CPP is for business use, specifically larger businesses. The property portion covers the businesses property, the casualty or liability portion pays to a **third party** in the event of a loss the insured is **legally liable** for.

The advantage to packaging a policy is that it reduces repetitive information, eliminates coverage gaps, and can produce savings in premiums. There are fewer policies to buy and maintain. *Packaging reduces the chance of delay in a loss settlement due to disputes between different insurers.*

- **For example**, a loss involving loading of automobiles sometimes falls in a "gray area" between auto liability and general liability. If one insurer provides both coverages, payment of a claim will not be delayed as it might be if each coverage were written by a separate insurer and each insurer felt the claim was covered under the other's policy.

B. Commercial Package Policy Components

- i. Common Declarations
- ii. Common Conditions
- iii. Two or more Coverage Parts
- iv. Interline endorsements

A CPP might also contain interline endorsements or endorsements that may be used with more than one line of insurance or more than one Coverage Part. They are prepared to eliminate redundancy and to minimize the number of endorsements in the Commercial Package Policy. Most often they cover general items such as cancelation, renewal, etc.

C. Coverage Parts are commercial coverages which can be purchased separately but together they make up the CPP. The Coverage Parts which we will be covering include:

- i. Commercial Property
- ii. Farm (Property)
- iii. Commercial Marine (Property)

- iv. **Equipment Breakdown (Property)**
- v. **Commercial Crime (Casualty)**
- vi. **Commercial Auto (Casualty)**
- vii. **Commercial General Liability – CGL (Casualty)**

D. Commercial Policy Components

1. Declarations

This is not the entire policy but a quick overview of the it: the who, what, where, and when of the policy

- Policy number and policy period – the policy period is generally 1 year and starts and ends at 12:01 A.M.
- Identity of the insurer and producer
- Name and mailing address of the **first named insured**
- Description of the covered business – this is a few words, *e.g., convenience store or school*
- List of the coverage parts purchased and the premiums for each part
- Total of all combined premiums
- List of forms applicable to each coverage part
- Countersignature and the date of the signature

When the property or casualty policy is issued, the **licensed producer** must **countersign** the policy. This will verify that a licensed producer sold the insurance and that he is licensed in the state in which the insurance was written.

2. Common Conditions

- i. **Cancellation...** The (first) named insured or policyholder may cancel the policy at any time by giving written notice or returning the policy to the insurance company.

If the insurance company cancels coverage, notice must be sent to the (First) Named Insured, producer of record, and any mortgage company. A minimum **10-day notice** in writing is required for cancellation due to non-payment of premium, whereas a minimum **30-day written** notice is required to cancel for other reasons.

- If the notice of cancellation is mailed, the insurer is not required to prove that the insured actually received the notice. It is only required to prove that the notice was mailed to the (First) Named Insured at the mailing address on the policy.
- ii. **The Changes** condition states that changes can be requested only by the (First) Named Insured and must be made by a written endorsement issued by the insurance company.
 - iii. **Examination** of your books and records is allowed for up to 3 years.
 - iv. **Premiums** are the responsibility of the **(First) Named Insured**.
 - v. **Inspection and surveys...** The insurer may inspect or survey the insured premises at any time, report its findings, and make recommendations for changes. ***This inspection will relate only to insurability, premiums, and to verify that any warranties are being met by the (First) Named Insured.***
 - vi. **"Your" rights and duties** under this policy **may not** be transferred to another party but remain the rights and duties of the First Named Insured. The clause also provides for automatic transfer of coverage upon the death of a (First) Named Insured to the named insured's legal representatives.
- 3. Interline Endorsements** are endorsements to make the 2 or more parts of a Commercial Package Policy work smoothly together. They have to do with items such as start and end dates, so the entire policy ends and renews at the same time and on the same day.

E. Commercial General Liability Coverages

The most widely used method of financing the liability losses of a business is the purchase of CGL insurance policy. The CGL coverage form has **separate limits of insurance**. The main two are:

- General Aggregate (for other than products and completed operations)
- Products and Completed Operations Aggregate

The aggregate is the total amount to be paid out for the term – usually 1 year – of the policy. Sublimits of each the following are also in the policy, paying per occurrence until the aggregate is reached:

- Personal Injury and Advertising Injury
- Each occurrence
- Fire damage
- Medical expense

The **Insuring Agreement** states that the insurer agrees to pay all sums for bodily injury or property damage for which the insured is legally responsible to which this insurance applies. (Legally liable does not always mean ‘in court.’)

The insurer has the right and **duty to defend** the insured in any suit, but it may, at its discretion, investigate an **occurrence** and settle any claim or suit that may result. **Coverage applies if the incident causing injury or damage is in the covered territory and during the policy period.**

A. Coverage “A” - Bodily Injury and Property Damage are (always) to a third party if the insured is found to be legally liable.

a) Bodily Injury is bodily harm including required care, lost wages, lost services (landscaper, housekeeper, nurse, daycare while at the doctor, etc.), and death that results.

b) Property damage is damage to the property of others including loss of use of that property.

Casualty Insurance may be written on a specific, scheduled, or blanket basis. The **limit of liability** means the maximum amount that the insurer is responsible to pay under an insurance contract. These limits are paid out on a first-come first-served basis and may include:

i. (Combined) Single Limit (CSL) - one figure shows the maximum the company will pay for all Bodily Injury (BI) and Property Damage (PD) liability arising from one occurrence, e.g., \$400,000. This pays on a first claimed first paid basis until the limits of the policy are met.

OR

ii. Split Limit - three figures show the maximum the company will pay for liability resulting from one occurrence, with *sub limits*.

For example, 100/300/100 means there is a \$100,000 Bodily Injury coverage limit for each person, a \$300,000 Bodily Injury total for all parties combined coverage limit for the accident, and a \$100,000 Property Damage coverage limit.

- Any number of persons can be paid up to a maximum of not more than \$100,000 per person or \$300,000 for all persons combined.
- Any set of numbers may be used; 25/50/10, 300/500/100, etc.
- This pays on a first claimed first paid basis until the sub limits are met.

\$100,000 /	\$300,000 /	\$100,000
Maximum <u>per person</u> for Bodily Injury (BI)	Maximum to <u>all persons</u> for Bodily Injury (BI)	Maximum for <u>all</u> Property Damage (PD)

iii. Occurrence Limit is the maximum amount available per occurrence regardless of the how many people are injured, or the amount of property damaged. Single limit and Split limit are per occurrence, not per claim. Remember an occurrence is an accident, which also includes continuous or repeated exposure to

the same harmful condition.

- iv. **Per Claim** is generally for commercial coverage and there will be a deductible for each claimant as opposed to one deductible for the entire occurrence.
- v. **Aggregate Limit** is the maximum amount available for the policy period. A policy may have a CSL of \$300,000 and a million-dollar aggregate. Commercial policies have two separate aggregates; 'Premises and Operations' is one limit and 'Products and Completed Operations' is the other.

c) **Supplemental Payments: Coverage A includes Duty to Defend.** WE (the carrier) will have the right and duty to defend the insured against any 'suit' seeking those damages. WE may at our discretion investigate any 'occurrence' and settle any claim or "suit" that may result... Once a settlement has been paid and the limits of the policy are reached, the duty to defend stops.

These moneys spent for supplemental costs **do not affect the liability limit** for the judgement except for contractual liability. They are paid in addition to and have no limits as to the total paid out. They include:

- ⊙ WE will pay all expenses WE incur.
- ⊙ WE May (not must) cover up to \$250 for bail bonds resulting from traffic violations or accidents out of use of any vehicle to which the BI applies.
- ⊙ WE May (not must) cover bonds to release attachments, only for bond amounts within the limit of insurance.
- ⊙ We will pay all reasonable expenses incurred at OUR request to assist in the investigation of the claim including up to \$250 per day in lost wages.
- ⊙ All courts costs taxed against the insured in the suit, not including attorneys' costs.
- ⊙ Prejudgment interest.
- ⊙ Post judgement interest.

d) **Exclusions**-for Coverage A

- This insurance does not apply to BI or PD expected or intended from the standpoint of the insured*
 - *exception to the exclusion is BI resulting from the use of *reasonable force* to protect persons or property. The bodily injury must have been prompted by a threat of harm and must have resulted from the exercise of *reasonable force*.
- railroad protective exclusion
- professional liability
- liquor liability
- workers compensation
- employer's liability
- pollution
- aircraft, auto, watercraft
- mobile equipment
- war
- property in your care, custody, or control
- damage to your product

- damage to your work
- recalls
- Personal Injury and Advertising Injury
- electronic data
- distribution of materials in violation of statutes, *e.g.*, *TCPA (telephone consumer protection act)* or *CAN SPAM act*.

2. Coverage “B” Personal and Advertising Injury

The **Insuring Agreement** states that the insurer agrees to pay all sums for the insured is legally obligated to pay as damages because of ‘personal and advertising injury’ to which the insurance applies. **Coverage applies if the incident causing injury or damage is in the covered territory and during the policy period.**

The amount WE will pay is limited to the amount listed in the policy under coverages A, B or C combined and this duty to defend ends when those limits have been paid out. (Remember the occurrence limit, there can be BI and PD and PI and AI from the same occurrence.)

- a) **Personal Injury** is injury to a person, other than bodily injury. Examples are slander, libel, invasion of privacy, false arrest, malicious prosecution, wrongful entry, or wrongful eviction.
- ✓ **Employment Practices Liability Insurance (EPLI)** provides **personal injury protection** for an employer against claims made by employees, former employees, or potential employees. It covers discrimination (age, sex, race, disability, etc.), wrongful termination, sexual harassment, and other employment-related allegations which **are usually excluded from Personal Injury, Coverage “B”**.

b) **Advertising Injury** is personal injury caused by advertising, which includes slander, libel, and invasion of privacy, and such things as copyright infringement, or stealing someone's advertising idea.

c) **Supplemental Payments: Coverage B also includes Duty to Defend.** WE (the carrier) will have the right and duty to defend the insured against any ‘suit’ seeking those damages to which this insurance applies. WE may at our discretion investigate any ‘occurrence’ and settle any claim or “suit” that may result...

Once a settlement has been paid and the limits of the policy are reached, the duty to defend may stop.

These moneys spent for supplemental costs do not affect the liability limit for the judgement except for contractual liability. **They are paid in addition to and have no limits as to the total paid out.**

d) Exclusions for Coverage B

- Knowing violation of Rights of Another
- Material published with knowledge of falsity
- Material published prior to policy period
- Criminal Acts
- Contractual Liability
- Breach of Contract
- Quality of Performance of goods, failure to perform to statements
- Wrong description of Prices
- INFRINGEMENT OF COPYRIGHT, PATENT, TRADEMARK OR TRADE SECRET
- Insureds in Media and Internet type businesses
- Electronic chatrooms or bulletin boards
- Unauthorized use of another's name or product
- Pollution
- Pollution related
- War
- Distribution of material in violation of statutes

3. **Coverage "C," Medical Payments**, covers medical expenses ***without regard to fault*** when an accident arises out of the insured's operations or on the insured's premises.

- The coverage applies to: ***reasonable expenses for first aid administered*** at the time of the accident, necessary medical, surgical, x-ray and dental services resulting from the accidental injuries; necessary ambulance, hospital, and professional nursing services; and funeral services if death results from the injuries.
- The accident must occur during the policy period and expenses must be reported within **one year** from the date of the accident.
- ***Injuries to an insured or a tenant of the insured or employee of the insured are NOT covered.***

F. Elements of Commercial General Liability

1. Commercial General Liability Conditions

- i. **Concealment, misrepresentation, or fraud** related to this policy will result the policy being void.
- ii. **Transfer of Right of Recovery Against Others to Us**; if WE paid for a loss and someone else is

liable, we have the right to subrogate and be reimbursed for the amount paid out.

- iii. **Bankruptcy** of the insured will not relieve the insurer of any obligations due.
- iv. **Duties in the event of an occurrence** notify the insurer immediately.
- v. **Legal action against US** is allowed if all the other conditions were met.
- vi. **Other Insurance** explains how WE pay for this loss if it covered by another insurance coverage. Primary or excess, pro-rata, or contributions by equal shares.
- vii. **Premium Audit** is due at the end of the policy period to assure that all the premiums are computed with the insurers rates and rules and the insured must maintain the records as deemed necessary to compute the premium. Many CGL policies are issued with an estimated premium based on sales, receipts, customer count, etc. The audit is done to calculate the actual premium.
- viii. **Separation of the insured** a.k.a. severability, means the insurance applies separately to each person insured subject to the policy limits and the limits are not increased if two or more insureds are named in the suit.
- ix. **Representations** are statements on an application represented to be true to the best of the knowledge and belief of the applicant. All statements on an application are considered representations unless signed as a warranty.
- x. **Nonrenewal** requires a 30-day notice to the named insured, mortgagee and a 5-day notice to the producer.
- xi. **Right to Claim Information** available under a claims made form, the insured has a right to request company records of claims and payments made for the past 3 years.

2. Definitions *(Should be reviewed but not memorized by students.)*

- i. **Advertisement** - a notice that is broadcast or published to the general public or specific market segments about your goods, products, or services for the purpose of attracting customers or supporters.
- ii. **Auto** - a land motor vehicle, trailer, or semi-trailer designed for travel on public roads, including any attached machinery or equipment. This does not include *mobile equipment*.
- iii. **Bodily Injury** - bodily injury, disability, sickness, or disease sustained by a person, including death resulting from any of these at any time.
- iv. **Claimant** - an individual who files a claim.
- v. **Coverage Territory** - where the policy coverage is, policy specific, may be anywhere in the world with the exception of any country or jurisdiction which is subject to trade or other economic sanctions or embargo by the United States of America.

- vi. **Covered Auto** - only those *autos* to which *underlying insurance* applies.
- vii. **Employee** - includes a *leased worker*, but does not include a *temporary worker*.
- viii. **Exclusions** There are 14 exclusions a through n applicable to coverage A. These are perils, conditions, or property that are not covered under this policy.
- ix. **Executive Officer** - a person holding any of the officer positions created by your charter, constitution, by-laws, or any other similar governing document.
- x. **Impaired Property** - tangible property, other than *your product* or *your work*, that cannot be used or is less useful because it incorporates *your product* or *your work* that is known or thought to be defective, deficient, inadequate, or dangerous; or you have failed to fulfill the terms of a contract or agreement; if such property can be restored to use by the repair, replacement, adjustment, or removal of *your product* or *your work*, or your fulfilling the terms of the contract or agreement.
- xi. **Intentional acts** BI or PD expected or intended by the insured is excluded. The exception to this exclusion is the use of reasonable force to protect persons or property.
- xii. **Leased Worker** - a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business.
- xiii. **Loading or Unloading** - the handing of property: after it is moved from the place where it is accepted for movement into or onto, while it is in or on, or while it is being moved from an aircraft, watercraft, or *auto* to the place where it is finally delivered. This does not include the movement of property by means of a mechanical device, other than a hand truck, which is not attached to the aircraft, watercraft, or *auto*.
- xiv. **Mobile Equipment** - means any of the following types of land vehicles, including any attached machinery or equipment: **Bulldozers, farm machinery, forklifts, and other vehicles designed for use principally off public roads. Vehicles maintained for use solely on or next to premises you own or rent. Vehicles that travel on crawler treads. Vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted: power cranes, shovels, loaders, diggers, or drills; or road construction or resurfacing equipment such as graders, scrapers, or rollers.**

Vehicles not described above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types: air compressors, pumps, and generators, including spraying, welding, building cleaning, geophysical exploration, lighting, and well servicing equipment; or cherry pickers and similar devices used to raise or lower workers. Self-propelled vehicles with the listed equipment permanently attached are not *mobile equipment* but will be considered *autos*.
- xv. **Pollutants** - any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acid, alkalis, chemicals, and waste. Waste includes materials to be recycled, reconditioned, or reclaimed.
- xvi. **Pollution Cost or Expense** - any loss, cost, or expense arising out of any: request, demand, order,

or statutory or regulatory requirement that any insured or others test or, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants; or claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of *pollutants*.

- xvii. Property Damage** - physical injury to tangible property, including all resulting loss of use of that property.
- xviii. Retained Limit** - the available limits of *underlying insurance* scheduled in the declarations or the *self-insured retention*, whichever applies.
- xix. Self-Insured Retention** - the dollar amount listed in the declarations that will be paid by the insured before this insurance becomes applicable only with respect to *occurrences* or offenses which would have been covered by *underlying insurance* but for the exhaustion of applicable limits. (Deductible)
- xx. Suit** - a civil proceeding in which damages because of *bodily injury, property damage, or personal and advertising injury* to which this insurance applies are alleged. *Suit* includes an arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent or the *underlying insurer's* consent.
- xxi. Temporary Worker** - a person who is furnished to you to substitute for a permanent *employee* on leave or to meet seasonal or short-term workload conditions.
- xxii. Ultimate Net Loss** - the total sum, after reduction for recoveries or salvages collectible, that the insured becomes legally obligated to pay as damages by reason of settlement or judgements or any arbitration or other alternate dispute method entered into with our consent or the *underlying insurer's* consent.
- xxiii. Underlying Insurance** - any policies of insurance listed in the declarations under the schedule of *underlying insurance*.
- xxiv. Underlying Insurer** - any insurer who provides any policy of insurance listed in the schedule of *underlying insurance*.
- xxv. Volunteer Worker** - a person who is not your *employee*, and who donates his or her work and acts at the direction of and within the scope of duties determined by you, and is not paid.
- xxvi. Your Product** - any goods or products, other than real property, manufactured, sold, handled, distributed, or disposed of by you, others trading under your name, or a person or organization whose business or assets you have acquired; and containers (other than vehicles), materials, parts, or equipment furnished in connection with such goods or products.
- xxvii. Your Work** - work or operations performed by you or on your behalf; and materials, parts, or equipment furnished in connection with such work or operations.

3. Exclusions are items that are not covered. Many of these may be added on to the policy by endorsement. If the item is excluded the duty to defend does not exist. Endorsements of extra forms are added only when a business needs the so an insured does not pay for coverage they will not need or use. Some endorsements for excluded items are:

- Professional liability, a nurse at your private school gives first aid and is sued, the school is covered, the nurse as a professional is not
- Professional services; architects engineers, etc.
- Liquor liability
- Terrorist acts (TRIA)

G. Occurrence versus Claims-Made

The CGL Offers Two Coverage Forms: Occurrence Form and Claims Made Form:

The **Occurrence Form** covers bodily injury and property damage liability from **occurrences during the policy period**, even if the claim is filed after the policy period ends. **A claim made today for injury that occurred twenty years ago could be covered under an occurrence policy that was in effect twenty years ago.** In recent years, many such long-tail claims have been made for latent injury caused by exposure to asbestos, lead-based paints, or breast implants.

- A problem posed for insurers by these long-tail claims is that their ultimate cost cannot be accurately predicted when the insurer develops the premium for the policy. The insurer may not realize that the insured's product can cause latent injury, and the unanticipated claims, made many years in the future, may be subject to liberalized laws or inflated monetary values.
- Another provision known as continuous injury provision (or Montrose provision named after the court case) triggers all policies during a series of years if the damage was continuous over those years.

H. Claims-Made Features

Claims Made Form provides coverage for bodily injury and property damage **that occurs after the retroactive date and before the policy expiration date.** Also, **the claim must be reported before the policy expiration date** (or before the expiration date of the Extended Reporting Period, if applicable).

- The **Claims Made Coverage Form** was developed to address the problem above that exists with an occurrence form. Instead of covering injury that occurs during its policy period without regard to when the claim is made, a claims-made policy covers only **claims first made against the insured during its policy period.** Generally professional liability and errors and omissions are Claims made Form policies.
- An additional requirement is that the injury or damage for which the claim is made **must not have occurred before the policy's retroactive date**, if any, or after the end of the policy period.

1. Trigger

- **Benefit Trigger** is a term often use in insurance. It refers to conditions to be met before benefits are paid out. Bodily Injury to a customer at your business is a Benefit Trigger. The claim for BI and or PD must be made against an insured during the policy period or the extended reporting period.
- Additionally, the claim must be made after the retroactive date.

2. Retroactive Date

- **Retroactive Date** - The **retroactive date** is the date coverage started, not necessarily the same as the policy period start date or even the first application with that company.
- *E.g., If Producer Pat has Errors & Omissions insurance purchased from Company A in 1986. Producer Pat changes the insurance company offering the E & O twice over the next number of years but continues to carry E & O throughout their career. Yesterday they were informed of a claim against them by an insured. The event happened in 1987 yet the claim has just been filed now. The company carrying the E & O **now** is the company that will handle the claim as long as the original retroactive date has been kept.*
 - If a new date was on the declarations page for the latest company, there would be no coverage.
 - Or it may exclude coverage for earlier occurrences, usually because other insurance applies (usually occurs when the insured switches from an Occurrence form to a Claims Made form). If there is a retroactive date listed on the declaration, that **retroactive date** is the date that coverage begins. Losses that occurred before the listed retroactive date are NOT covered by the policy.
 - **Prior Acts Claims Made Form Coverage (No Retroactive Date)** A type of claims-made liability policy that **does not contain a retroactive date** and therefore covers claims arising from acts that took place at any time **prior to the inception** date of the policy—regardless of how far in the past. **Full Prior Acts Coverage** is most likely to be granted when an applicant already has coverage in place at the time they submit an application. On the other hand, underwriters generally do not provide full prior acts coverage to insureds that have not previously purchased liability insurance. This is because underwriters sometimes believe that an applicant's desire to buy coverage at this juncture may be motivated by the applicant's intention to report a claim under the new policy.

Commercial General Liability Coverage Forms-Coverage A- Claims Made Forms

Claims which trickle in after the end of a policy period create an exposure known as a Claims Tail. Tail Coverage is automatically built into the insuring agreement of occurrence forms. This is not the case with claims-made forms; the forms would be unacceptable if they left the insured exposed to serious insurance gaps that could not be covered. The **extended reporting periods** were designed to take care of certain gaps in coverage.

- Extended Reporting Period (ERP), is a period of time following the expiration of a claims-made policy during which claims filed will be covered if the occurrence took place before the policy expired. **An ERP is used when a claims-made policy is being replaced by an occurrence policy.** *It can also be used if you retire. It protects you and your assets against claims made years later.*

The types of ERPs include:

- a) A **Basic ERP, (a.k.a. mini-tail)** begins automatically when the policy period ends and is activated when there is an interruption in claims-made coverage, that is, when the policy is canceled or non-renewed, or is replaced with an occurrence policy. Coverage is triggered for occurrences arising after the retroactive date but before the policy expiration, **if reported within 60 days following the expiration.**
- b) A **Five-Year Basic ERP, (a.k.a. midi-tail)** is also automatic and provided free of charge and covers only claims arising from occurrences reported by the insured before the mini-tail expires.
- c) A **Supplemental ERP (a.k.a. maxi-tail)** covers all claims not covered by the basic ERPs, as long as the occurrence took place before the policy expired. **Additional premium is charged for this ERP;** however, ISO manual rules limit the additional premium to 200% of the annual premium of the CGL coverage part. Unlike the two basic ERPs, coverage of the Supplemental ERP Endorsement is reinstated back to the original policy limits. (See aggregate limits discussed later in this section.)
- © In effect, an **ERP** is the transitional opposite of the retroactive date. **The retroactive date** is really when coverage begins. The extended reporting period preserves coverage for a given policy period and maintains it for future claims arising out of that period because other insurance will not apply.

	Mini-Tail (Basic ERP)	Midi-Tail (Basic 5-Year ERP)	Maxi-Tail (Supplemental ERP)
Automatic	Yes	Yes	Right to Purchase
Cost	Included	Included	Premium up to 200%
New Aggregates	No	No	Yes
Time Limitation	60 Days to report	Five Years to file	None

I. Commercial General Liability Exposures

Coverage "A," BI and PD, covers the Premises and Operations, Products and Completed Operations, Contractual Liability, and Independent Contractors. The **insuring agreement** states that the insurer agrees to pay all sums up to the limits of insurance written that the insured becomes legally obligated to pay as damages, because of bodily injury or property damage to which the insurance applies. It **includes duty to defend**.

i. Who is an Insured

- In a sole proprietorship, you and your spouse ***while conducting business***.
- In a partnership, any members, partners, or spouses, all ***while conducting business***.
- In a corporation, you, your executive officers, directors, and stockholders with respect to their liability as officers, directors, and stockholders.
- ***Employees and anyone else while representing the insured business.***
- **First Named Insured**: Some commercial policies use the term ***first named insured***. In the commercial field, it is possible to have many named insureds on the same policy. By making the "first named insured" and the insurer the primary parties responsible for carrying out contractual duties, the process of meeting policy obligations has been simplified. For example, the insurer may satisfy its obligation by sending a cancellation notice to the "first" named insured rather than all the named insureds.

Premises is at the office or store.

Ms. A pops into the contractors' office to look at deck designs. She slips and falls while there. Premises coverage will pay if necessary.

Operations is on a jobsite.

Ms. A is steps on a nail at the jobsite while the deck is being built. Operations coverage will pay for this injury if medical assistance is necessary.

Products are the products made, sold, or given out by the insured.

Mr. A becomes ill after eating at a restaurant. Products coverage will pay for this liability.

Completed Operations is when the job offsite is completed.

Mr. A steps on a nail after the deck is completed and the workers are gone. Completed Operations portion of the policy will cover this loss.

1. **Premises and Operations** is one aggregate amount that covers the legal liability that results from the exposures generated by a business that has a “premises” exposure, such as Costco, or a business that has mainly an “operations” exposure, such as an electrical contractor working off of the premises.

Premises example: heavy boxes at Costco fall off a shelf and onto a customer.

Operations example: an electrical fire that results from activity at a job site where an insured is working as an electrical contractor when the insured negligently leaves electrical wires exposed.

2. **Products and Completed Operations**, a separate aggregate, is separate from the premises and operations coverage but in reality extends that coverage. Under products and completed operations coverage, control of the product must be relinquished and it must be off the business premises (*the product does not have to be manufactured or sold by the insured to be protected under this coverage*). In the case of the *operation*, the work must be completed, and the worksite abandoned before it is considered a *completed operations*.

Product Example: a tool breaks and causes injury, or a Coke bottle explodes and injures a customer.

Completed Operations example: an electrical fire that results from activity at a job site where an insured is done working as an electrical contractor when the insured negligently leaves electrical wires exposed, except that the job would have to be completed and no further work required.

3. **Contractual Liability** is another coverage **included in the current CGL policy**. All "**insured contracts**" are covered for only coverage 'A,' Bodily Injury and Property Damage here, coverage 'B' Personal Injury and Advertising Injury are not covered. *Insured contracts* include any contract that is a necessary part of the business. The coverage includes contracts such as leases**, easements, railroad sidetrack agreements, and elevator maintenance agreements.

**Leasing an office in a multi-tenant building may require the tenant to indemnify the landlord if someone is accidentally injured as a result of the tenants use of the building and the injured person sues the landlord.

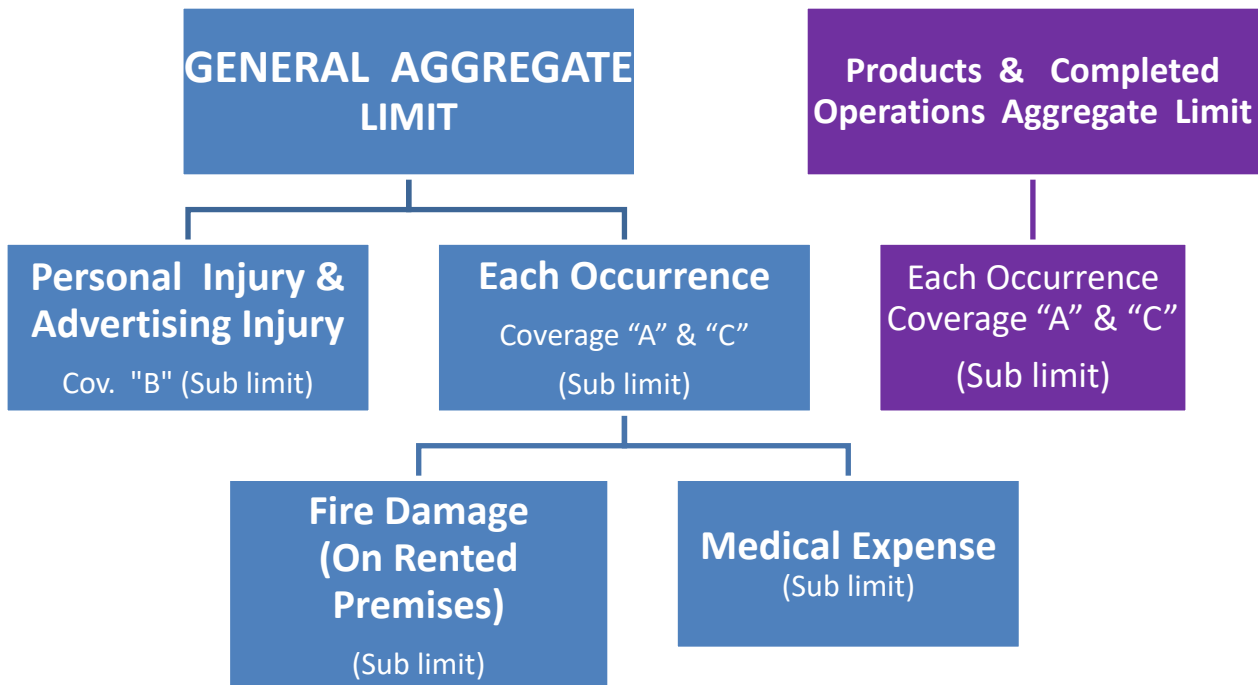
Contractual Liability is specifically meant for liability which is picked-up under a contract by signing a Hold Harmless Agreement. A **Hold Harmless Agreement** is one whereby one party assumes the liability inherent in a situation, thereby relieving the other party of responsibility. Contractual Liability has absolutely nothing to do with the doctrine of “Breach of Contract” (usually protected or covered using bonds).

LIMITS: The Commercial General Liability provisions below **come with the CGL policy**; however, they may be removed by endorsement:

1. The **General Aggregate Limit** is the most the insurer will pay for the sum of Coverage A, B, and C, other than for damages from the products and completed operations hazard.
2. There is a separate **Products and Completed Operations Aggregate Limit**. Amounts paid for this hazard do not apply toward the General Aggregate Limit. Once amounts paid for the products and completed operations hazards reach the limit, there is no more coverage, even if claims paid have not yet reached the General Aggregate Limit.
3. The **Personal Injury and Advertising Injury Limit** is the most the insurer will pay under Coverage “B,” even if the General Aggregate Limit has not yet been reached. Once the General Aggregate is reached, no more coverage is available.
4. The **Each Occurrence Limit** is the most the insurer will pay for the sum of Coverage A and C for damages arising out of any one occurrence. This limit is subject to either the General Aggregate or the Products and Completed Operations limits.
5. The **Medical Expense Limit** (Coverage “C”) is the most the insurer will pay for a third party’s bodily injuries (on a **no-fault basis**), but is subject to the Occurrence Limit.

4. The **Fire Damage (On Rented Premises) Limit** is the most the insurer will pay for property damage liability on rented premises as the result of any one fire, subject to the Occurrence Limit.

ILLUSTRATION OF THE CGL LIMITS



The “each occurrence” limit is shown separately for the general aggregate limit **and** the products and completed operations aggregate limit. While the general aggregate limit and the products and completed operations limit can be different in amount, the ‘each occurrence’ limit is usually the same amount for both coverages.

Commercial General Liability Example

Al's Boat Company purchases a Commercial Package Policy from you, with CGL coverage. The Policy Period is 1/1/14 to 12/31/2014.

CGL Policy Limits Purchased

1. General Aggregate	\$ 300,000
2. Products & Comp. Operations (this is also an aggregate limit)	\$ 200,000
3. Personal Injury & Advertising	\$ 40,000
4. Each Occurrence Limit (each aggregate)	\$ 100,000
5. Medical Expense Limit	\$ 10,000
6. Fire Damage Limit	\$ 50,000

The following claims happened in 2014:	Claim Amount Paid by Ins. Co.	Accumulation of Claim Payments
In January, Al's fire damage causes \$112,000 to 3rd party. Al loses suit.	\$ 50,000	\$ 50,000
In March, Al's advertising injury owes \$55,000.	\$ 40,000	\$ 90,000
In April, customer "A" was injured in Al's office incurs \$10,000 in medical expense. "A" sues & wins a judgment of \$95,000 for those injuries.	\$100,000	\$190,000
In May, CO. X sues Al's and wins \$135,000 for property damage.	\$100,000	\$290,000
In July, CO. Y sues Al's and wins BI claim for \$25,000 (remember the policy's General Aggregate Limit).	\$ 10,000	\$300,000
In Sept., customer Z sues Al's when injured by equipment made by Al's, \$150,000 judgment (remember there are two separate aggregate limits). Products & Comp. has its own aggregate of \$200,000.	\$100,000	\$400,000
Al's policy renews in 2015 and is quickly sued for Bodily Injury (BI) of \$25,000.	\$ 25,000	\$ 25,000

J. Hired Automobiles or Non-owned Autos coverage pays excess to a driver's policy and can be in addition to or instead of a commercial auto policy. Commercial auto policies focus on vehicles that you own and can cover liability, UIM, damage to an auto, medical (if the owner is injured. A worker will be covered under workers compensation). HNOA covers liability only for hired and non-owned autos used in the business. A hired auto is one rented or leased for less than 6 months Non-Owned auto liability pays as excess to that and can be part of the CGL and the business owner will not need a Commercial auto policy. If the 'driver' is on a bike, the CGL picks up the liability. If my employee is picking up supplies in their car and has an accident, their personal auto policy covers the businesses vicarious liability.