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General Liability Insurance for Businesses

Understanding Your Coverage Needs

We are a society that well understands the potential for financial gain if we are injured in an accident. That is why general liability insurance for businesses is protection bought to defend against the potential for third-party lawsuits. Even as advanced as we've become in our world, there are still no ways to guarantee every business operation ends with perfect outcomes. Bodily injuries, property damage, and even death can arise when accidents occur. Most businesses operate in a safe and efficient manner but we can't prevent every accident or loss as much as we try. Businesses big and small buy and maintain commercial general liability insurance (CGL) to provide financial backing for losses that occur in the course of operating the business.

General liability insurance will pay losses up to the limits purchased when the loss is covered by the policy. General liability insurance also pays for a defense against the allegations of negligence. A vigorous and effective defense of allegations after a loss help

mitigate the cost of the loss. A good defense also helps the business avoid financial ruin and protect against any damage to the reputation arising out of the events of the loss. General liability insurance is included with every Business Owner Policy (BOP) but can be purchased without property or allied lines when these risks are not present. Monoline general liability insurance provides the same broad protection regardless of whether it is packaged with other coverage or not. If it were packaged together with other coverage it would be referred to as a Commercial Package Policy (CPP). Liability is usually determined by a court of law but may also be assessed by mutual agreement between the involved parties and settled out of court.

General liability insurance coverage actually provides a broad range of protection including protection against bodily injury, damage to property, personal injury and claims other than bodily injury losses, advertising injuries, product liability, and claims that arise from completed operations. I'll cover other important details in the following topic areas:

General Liability Insurance - Who Needs it?

All businesses who do business with other businesses, the government or with the general public have potential liability and should buy general liability insurance. For the smallest of businesses, the premium for one year is as little as \$400. This cost is less than two hours of legal defense if you have a loss. If you have a loss and lawyers are involved, you can be sure that more than two hours of legal advice will be needed. General liability insurance is designed to safeguard your livelihood and preserve your ability to continue in business whether you are a contractor or retailer of clothing.

What Does General Liability Insurance Cover?

In addition to paying the financial cost of compensating for a claim of bodily injury, personal injury, or property damage, general liability insurance pays for the cost of investigating claims, the cost of defending against the allegations which includes attorney fees, witness fees, court costs, court bonds, and other expenses required to defend you in mitigating the loss. It may also cover the immediate medical expenses of attending to and caring for a person injured in your business or as a result of your business operations. These benefits are paid within the limits of coverage you purchase. General liability insurance coverage may not have adequate coverage limits for the loss that occurred. When your policy provides coverage for a loss a defense is owed up to the time that the limit of insurance is paid. At that point Umbrella liability (if purchased) may pick up and continue the defense. If there is no additional coverage beyond the general liability insurance, your insurance carrier will stop paying for the defense of the

claims. It will then be your responsibility to pay all loss costs above and beyond the coverage you have purchased.

Unless specifically excluded, most general liability insurance policies also include coverage for injuries caused by products and completed operations liability. Injuries or property damage caused by a product or completed operation are covered up to the occurrence and aggregate limits of the policy just like any other triggers of loss for most businesses.

Here is a simple outline of what is covered by the typical commercial general liability insurance policy:

- **Bodily injury or property damage** – The policy helps protect against certain claims businesses for claims alleging financial loss due to property damage or bodily injury arising out of your business operations or products.
- **Reputational harm** – Also referred to as personal injury, the policy helps protect against most claims of false arrest, malicious prosecution, libel, slander, wrongful eviction, and violation of the right of privacy arising out of your business operations.
- **Advertising Injury** – Policy coverage helps protect against claims your business against the claims of others that claim you infringed on their copyrights when advertising goods, products, or services in your advertising messaging.
- **Medical payments** – This coverage helps protect against certain claims and the immediate medical costs to an injured person if this person is injured on the business premises or business operations and needs medical treatment. Medical payments are intended as goodwill and usually are not considered an admission of responsibility.
- **Damage to premises rented to you** – Under Care, Custody and Control exclusions in the general liability insurance policy, the part of property you occupy is excluded from liability coverage. This coverage section helps protect against certain claims that may arise for damage you may be responsible for to those parts of the buildings you occupy. When damage occurs to the premises you rent due to fire, lightning or explosion, this extension of coverage is available to compensate for liability to the portion of the structure you occupy. When your negligence causes damage to the parts of the building you don't occupy, general liability insurance limits may apply to pay that portion of a loss as a property damage liability claim.

Available Limits of Liability - Typically, coverage on a general liability insurance policy is not issued for less than a single limit of \$100,000 per occurrence. Annual aggregate limits (limits for all losses in a policy year) are normally doubled. Some carriers will triple the annual aggregate limits. Most general liability policies available today can be purchased up to a maximum of \$1,000,000 per occurrence. Some carriers will write the occurrence limits at up to \$2,000,000. Typical medical payments coverage

is available in amounts of \$1,000 per person, up to \$5,000. Some carriers will extend these limits to \$10,000 and even \$25,000 in some instances. Advertising injury is typically limited to the occurrence limit annually. Some special endorsements may include their own limits or specify limitation other than these general rules. One other point about limits of coverage. While most liability is provided to the client without deductible, it is not uncommon for a small deductible up to \$1,000 to apply to property damage liability claims for tradesmen. Typical deductibles as \$500 or less.

What may be covered I didn't know about?

Advertising injury coverage is a part of the commercial general liability insurance policy. This is when your marketing violates a copyright, trademark, or mimics the themes and ideas of another business. While copying someone might be flattery in some circles, in business it often results in advertising injury to the other business. Your general liability insurance may defend you in these events.

Your general liability insurance coverage may also pay for events where you serve alcohol and alcohol is implicated in injuries to a guest. If you are not in the business of serving alcohol, such as a bar, tavern, restaurant, or a business that manufactures or distributes alcohol, the host liquor liability coverage in the commercial general liability insurance policy will protect you when someone is injured because you served them alcohol. These are two examples of how your policy defends your financial bottom line in ways that may not be a part of your normal business operations.

Types of general liability claims normally not covered?

Professional Liability – Sometimes known as Errors & Omissions, engineers, architects, doctors, real estate, insurance agents, computer software writers, accountants, and others need advance coverage for their work. These are businesses that may give advice and provide evaluation that is in itself a distinct and separate type of liability that is not covered by the general liability policy. These and other professions where evaluation and judgement, advanced knowledge, and skill are required to provide service should purchase professional liability insurance separately. Professional liability insurance is needed in addition to general liability insurance.

Injuries to Employees - Every state in the USA has a requirement for the employer to maintain protection for injuries and loss of wages to employees in the conduct of their work for the employer. Known as Workers Compensation insurance coverage, it may be available from a commercial insurance company or a state operated fund. Ohio is one of five states that require workers' compensation to be purchased from a single source or

monopolistic state fund. Commercial insurance carriers are not a source for this coverage in Ohio.

However, in monopolistic states like Ohio, your general liability insurance may be asked to provide coverage for the tort of negligence when an employee is injured. The employer has liability for the worker and a similar liability under traditional tort laws. Known as "dual capacity", the tort of negligence is not covered by the state-provided workers compensation fund. In instances where employer negligence is also indicated, the defense for claims of "dual capacity" by the employee is provided by a properly endorsed general liability insurance policy that provides "stop gap" defense against the claims of negligence when an employee is injured. An example of when "dual capacity" may occur is when a safeguard is removed from machinery that is being used by an employee and they are injured by the equipment. If the removal of the safeguard is not a willful act of the employee, the employer may be most responsible for the injury in the eyes of a court of law. Stop Gap liability may then provide a defense and compensation for injuries when an employer is deemed to be negligent in an employee injury.

Cyber Liability - Cyber liability including breach of security and theft of confidential customer records from a business, is not typically covered without additional endorsement on a general liability insurance policy. It may be a part of the professional liability coverage maintained by certain types of computer services professionals and businesses but ask to make sure. These days the ability to demonstrate a deliberate and well-conceived plan to defend against computer intrusions is a minimum expectation,

Liquor Liability - Unless your business is involved with the retail sale of alcohol, or is a manufacturer or distributor of alcohol, the coverage is not included in general liability insurance policies. If you are in an alcohol related business, you must specifically add coverage to have protection under a general liability insurance policy. Coverage is added by endorsement and works to amend and liberalize coverage to fit your business needs.

Contract Liability - Most general liability insurance policies cover liability that arises from the insured client entering into simple contractual agreements. However, care should be taken not to assume responsibility for losses that might not ordinarily be the responsibility of the insured client. Most policies refuse to accept responsibility for paying or defending against losses when a client assumes liability without the permission and consent of the insurance carrier before the loss occurs.

Auto Liability - General Liability insurance is not a replacement for the purchase of a business auto insurance policy. The general liability insurance policy does not cover losses arising out of the operation of automobiles except in two narrow and specific ways, and then only when properly endorsed. If the general liability insurance policy has

been endorsed with Hired Auto Liability, and Employers Non-Ownership liability coverage, the limits of the general liability insurance policy will step up and provide protection for the business in specific ways related to the use of autos by employees in the conduct of the businesses operations. These two endorsements provide protection only after the primary policies covering the auto of an employee have first provided coverage and exhausted their limits. If the business owns vehicles a separate Business Auto Insurance Policy should be purchased.

Intentional Acts - The definition of a covered event used by most general liability insurance policies has been written to describe covered losses as "sudden and accidental events, neither intended or expected on the part of the insured" and where bodily injury or property damage has occurred. There is no coverage for any loss that is expected or intended. These are viewed as intentional acts and intentional acts violate one of the most fundamental and basic concepts in insurance and that is that covered losses are sudden, accidental, and unexpected. Anything to the contrary violates the principle of indemnity that underlies the entire concept of insurance.

Punitive Damages - The concept of insurance is based upon the [principle of indemnity](#). In other words, the idea of insurance as a mechanism of defending against the cost of risk, is to return a person suffering a loss back to the point of beginning as if no loss had actually occurred, as best as is possible. Being rewarded in excess of actual loss for any injuries or damage that occurs is foreign to this concept of indemnity. When a court judges an event causing liability was egregious and excessive they may attempt to impose a penalty that is in excess of actual damages. These "punitive" damages are rarely covered within the coverage of general liability insurance policies. Punishment for certain losses should not be borne by insurance but be a tax or cost to the offending business and their assets.

Your Work - General liability insurance coverage is not designed to provide maintenance or warranty protection to your work. As a result, losses due to failed workmanship is a common exclusion. Any warranty for the work you do or the products you install is not covered in the typical general liability insurance policy, written or unwritten. Here is a simple way to understand the workmanship exclusion within the commercial general liability insurance policy. If a water heater is installed and later blows up causing damage to a home, the damage to the home may be covered but the damage to the water heater and the immediate plumbing is not since this is your work.

General Liability Insurance Summary

Commercial General Liability Insurance coverage is an essential part of protecting the financial viability of all businesses who work with other business, the government, or

the general public. Most of us buy insurance to accomplish this protection. Larger businesses may fund losses from business receipts on policies with huge deductibles. That said, they still understand the exposures to loss that may impact them and buy insurance or maintain complicated risk management arrangements nevertheless.

General Liability Insurance helps protect your business from property damage claims, bodily injury claims, and/or personal and advertising injury claims that could put your business's assets at risk. More and more businesses are being sued today and it isn't unheard of that businesses are sued even when they did nothing at all wrong.

I have almost four decades of experience working with business clients. Call me at Insurance Associates Agency Inc. today for your Ohio or Michigan general liability insurance needs! You can reach me at (513) 779-7920 or toll free at (800) 823-9643 or just use the [contact form](#) at www.insurmart.com to reach Terry McCarthy for personal attention on your personal or business insurance needs. Better yet, stop by our offices at 8114 Paul Manors Dr., West Chester, OH 45069. I'm here to help you and I am looking forward to your call or visit.

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