

Module 2

Commercial General Liability Insurance, Part I

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**Module 2
Chapter 2**

1

1

Learning Objectives

- ☐ Obj I – Overview of Commercial General Liability Insurance
- ☐ Obj II – Coverage A – Insuring Agreement
- ☐ Obj III – Coverage A – Exclusions
- ☐ Obj IV – Coverage B – Personal and Advertising Injury Liability
- ☐ Obj V – Coverage C – Medical Payments
- ☐ Obj VI – Supplementary Payments

2

2

**Overview of Commercial
General Liability Insurance**

Objective I

3

3

Overview of CGL

- ❑ All businesses face the possibility of liability losses arising out of their premises, operations, products, and other sources.
 - ❑ The ISO Commercial General Liability Coverage Form is widely used.
- ❑ Two broad categories of coverage:
 - ❑ Bodily injury and property damage liability.
 - ❑ Personal and advertising injury liability.

4

4

Bodily Injury and Property Damage

- ❑ The primary type of liability loss covered is Coverage A – Bodily Injury and Property Damage Liability.
 - ❑ Premises and Operations – accident on the premises or arising from ongoing operations.
 - ❑ Products and Completed Operations – accident arising out of products sold or arising out of completed work.
- ❑ Separate premium rates typically apply for each of the two exposures.

5

5

Personal and Advertising Injury

- ❑ Coverage B – Personal and Advertising Injury Liability covers the insured's liability for personal and advertising injury.
 - ❑ Exposure can be omitted if the insured does not want to purchase it.
- ❑ Covered perils include liability for:
 - ❑ False arrest.
 - ❑ Wrongful eviction.
 - ❑ Libel, slander.
 - ❑ Copyright infringement in advertisement.

6

6

Medical Payments

- ❑ Coverage C – Medical Payments pays medical expenses of others in certain circumstances.
 - ❑ Does not require insured to be legally liable.
 - ❑ Technically not liability insurance.
 - ❑ Pays small bodily injury claims without having to establish liability.
- ❑ Medical expenses must result from bodily injury due to an accident on the insured's premises or arising out of the insured's operations.

7

7

Other General Liability Exposures

- ❑ ISO forms covering specific loss exposures:
 - ❑ Owners and Contractors Protective Liability Coverage Form.
 - ❑ Railroad Protective Liability Coverage Form.
 - ❑ Liquor Liability Coverage Form.
 - ❑ Electronic Data liability Coverage Form.
 - ❑ Product Withdrawal Coverage Form.
 - ❑ Various pollution liability coverage forms.

8

8

CGL Declarations

- ❑ The declarations page of the CGL includes:
 - ❑ Insurer's and producer's names.
 - ❑ Insured's name and mailing address.
 - ❑ Policy inception and expiration date.
 - ❑ Promise to provide coverage.
 - ❑ Limit of insurance.
 - ❑ Description of the insured's business.
 - ❑ Rating and premium auditing information.
 - ❑ List of endorsements.

9

9

CGL Coverage Forms

- ISO general liability coverage forms typically contain these major sections:
 - Coverages – insuring agreements.
 - Who Is an Insured.
 - Limits of Insurance.
 - Conditions.
 - Definitions.

10

10

CGL Endorsements

- Many endorsements are available to tailor the general liability coverage forms, which can:
 - Help meet the specialized needs of particular insureds.
 - Make policy comply with state laws.
 - Eliminate exposures that insurers are not willing to insure.

11

11

Practice

- Which two broad categories of loss exposures are covered by a Commercial General Liability (CGL) Coverage Form?
 - A. Medical expenses and contractual liability.
 - B. Advertising injury and copyright infringement.
 - C. Property damage and criminal acts.
 - D. Bodily injury and personal injury.

12

12

Practice

- ❑ Which one of the following would be included in the Commercial General Liability (CGL) Coverage Form Coverage B definition of “personal and advertising injury?”
 - ❑ A. False arrest.
 - ❑ B. Product recall.
 - ❑ C. Liquor liability.
 - ❑ D. Pain and suffering.

13

13

**Coverage A –
Insuring Agreement**

Objective II

14

14

Insuring Agreement

- ❑ The Coverage A insuring agreement contains the insurer’s promise to pay damages and defend the insured.
- ❑ Conditions which must be fulfilled for coverage:
 - ❑ Insured must be legally obligated.
 - ❑ Must be bodily injury or property damage.
 - ❑ Policy must apply.
 - ❑ Occurrence must be in coverage territory.
 - ❑ Loss must occur during the policy period.
 - ❑ Must not be known to the named insured.

15

15

Legally Obligated to Pay Damages

- ❑ The insured must be legally liable for damages before coverage will apply.
 - ❑ Can be determined through court proceeding or by the insurer's claim investigation.
- ❑ Types of damages:
 - ❑ Special damages – medical expenses and loss of earnings.
 - ❑ General damages – pain and suffering.
 - ❑ Punitive damages – punish wrongdoer.

16

16

Bodily Injury and Property Damage

- ❑ Bodily injury includes damages for care, loss of services, or death resulting at any time from the bodily injury.
 - ❑ Includes damages for pain and suffering.
- ❑ Property damage includes:
 - ❑ Physical injury to tangible property, including resulting loss of use of the property.
 - ❑ Loss of use of tangible property that is not physically injured.

17

17

Injury to Which Insurance Applies

- ❑ To be insured, the bodily injury or property damage must be caused by an occurrence.
 - ❑ An accident, including repeated exposure to harmful conditions.
- ❑ Occurrence must generally take place in the U.S., Puerto Rico, and Canada.
 - ❑ Worldwide coverage applies to products made or sold by the named insured in the coverage territory.

18

18

Policy Period

- ❑ Occurrence version of the CGL policy requires that the bodily injury or property damage occur during the policy period.
 - ❑ Policy in effect when injury occurs applies, even if claim is made many years later.
 - ❑ Claims-made version requires claim first be made during the policy period.
- ❑ Coverage is eliminated if injury was known by insured or employees before the policy's inception date.

19

19

Duty to Defend

- ❑ The insuring agreement stipulates the insurer has the right and duty to defend the insured.
 - ❑ Duty to defend is broader than duty to pay damages.
- ❑ Insurer must defend its insured whenever a claimant alleges a wrongful act or omission.
 - ❑ Duty to defend exists even if the allegations are later proven groundless, false, or fraudulent.

20

20

Practice

- ❑ Barry's Builders is a construction company headquartered in Texas. A crane they were using on a construction site in Mexico accidentally dropped a steel beam on a parked car, causing significant damage. Although there were no injuries, the owner of the car sued Barry's Builders, resulting in a judgment against the company. Assuming Barry's Builders is insured under a Commercial General Liability policy, and the accident took place during the policy period, will the policy provide coverage?
 - ❑ A. No, because accidents are not considered "occurrences" under the policy.
 - ❑ B. No, because the accident occurred in Mexico.
 - ❑ C. Yes, because bodily injury and property damage are covered.
 - ❑ D. Yes, because the insured was found legally liable for the damages.

21

21

Coverage A – Exclusions

Objective III

22

22

Exclusions

- Coverage A general exclusions:
 - Expected or Intended Injury – no coverage if insured intentionally injures claimant.
 - Exclusion does not apply to the use of reasonable force to protect property.
 - Contractual Liability – no coverage for liability assumed by the insured under a contract.
 - Liquor Liability – exclusion applies only if the insured is in the alcoholic beverage business.

23

23

Exclusions

- Coverage A general exclusions:
 - Workers Compensation and Employers Liability – eliminates coverage for obligation of the insured under workers compensation, disability benefits, or similar law.
 - Pollution – eliminates coverage for pollution liability claims related to the insured's premises and operations.
 - Can be covered under various environmental policies.

24

24

Exclusions

- ❑ Coverage A general exclusions:
 - ❑ War – eliminates coverage resulting from war and other warlike actions.
 - ❑ Aircraft, Auto, or Watercraft – eliminates coverage for ownership, maintenance, or use of any aircraft, auto, or watercraft, except:
 - ❑ Watercraft ashore on insured's premises.
 - ❑ Non-owned watercraft less than 26 feet.
 - ❑ Certain equipment attached to autos.
 - ❑ Auto valet services.

25

25

Exclusions

- ❑ Coverage A general exclusions:
 - ❑ Mobile Equipment – eliminates coverage for:
 - ❑ Transportation of mobile equipment by an auto owned or operated by an insured.
 - ❑ Use of mobile equipment for racing or demolition contest.

26

26

Exclusions

- ❑ Coverage A general exclusions:
 - ❑ Damage to Property – no coverage for damage to:
 - ❑ Property owned or rented by the insured.
 - ❑ Premises the insured has sold, given away, or abandoned.
 - ❑ Property loaned to the insured.
 - ❑ Property in the care of an insured.
 - ❑ Part of real property on which work is being done by the insured.

27

27

Exclusions

- ❑ Exclusions relating to insured's product or work:
 - ❑ Damage to Your Product – no coverage for any damage to insured's product resulting from a defect in any part of the product.
 - ❑ Damage to Your Work – no coverage for damage to the insured's completed work.
 - ❑ Damage to Impaired Property or Property not Physically Injured.
 - ❑ Recall of Products, Work or Impaired Property.

28

28

Practice

- ❑ Which one of the following statements is correct regarding Commercial General Liability (CGL) Coverage Form Coverage A – Bodily Injury and Property Damage?
 - ❑ A. Coverage for most claims exists for claims in the U.S. and Mexico.
 - ❑ B. The insurer has no duty to defend the insured if the lawsuit is proven to be groundless.
 - ❑ C. Damages for pain and suffering are covered as part of bodily injury.
 - ❑ D. Mobile equipment is almost never covered under the policy.

29

29

Coverage B – Personal and Advertising Injury Liability

Objective IV

30

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Insuring Agreement

- ❑ Coverage B responds to claims for personal and advertising injury.
 - ❑ False arrest, detention, or imprisonment.
 - ❑ Malicious prosecution.
 - ❑ Wrongful eviction.
 - ❑ Slander or libel.
 - ❑ Violation of rights of privacy.
 - ❑ Copyright infringement in advertisement.
- ❑ Injury is not defined in policy, but can include humiliation and mental anguish.

31

31

Insuring Agreement

- ❑ A personal and advertising injury offense must be committed within the CGL coverage territory.
 - ❑ Includes worldwide coverage for offenses taking place through the Internet or similar electronic means of communication.
- ❑ Under the occurrence form, the coverage trigger is an offense committed during policy period.
 - ❑ Policy in effect when the insured committed the offense is the policy that covers damages.

32

32

Exclusions

- ❑ Coverage B general exclusions:
 - ❑ Knowing Violation of Rights of Another – no coverage provided for injury by an insured who had knowledge the act would violate the rights of another person.
 - ❑ Material Published With Knowledge of Falsity – injury arising out of publication of material with knowledge of its falsity is excluded.
 - ❑ Material Published Prior to Policy Period.

33

33

Exclusions

- ❑ Coverage B general exclusions:
 - ❑ Criminal Acts – eliminates coverage for injury arising out of a criminal act committed by or at the direction of the insured.
 - ❑ Contractual Liability – no coverage for injury for which the insured has assumed liability in a contract or agreement.
 - ❑ Breach of Contract – excludes injury arising out of a breach of contract.

34

34

Exclusions

- ❑ Coverage B general exclusions:
 - ❑ Quality or Performance of Goods – Failure to Conform to Statements – eliminates coverage for injury arising out of the failure of goods to conform to quality described in advertisement.
 - ❑ Wrong Description of Prices – eliminates coverage for losses arising out of wrong descriptions of the price of goods.
 - ❑ Infringement of Copyright, Patent, Trademark, or Trade Secret.

35

35

Exclusions

- ❑ Coverage B general exclusions:
 - ❑ Insureds in Media and Internet-Type Business – no coverage for injury committed by an insured whose business is in advertising, broadcasting, publishing, or designing websites.
 - ❑ Electronic Chatrooms or Bulletin Boards – excludes injury arising out of an electronic chatroom or bulletin board the insured owns.

36

36

Exclusions

- Coverage B general exclusions:
 - Unauthorized Use of Another's Name or Product – eliminates coverage for injury arising out of the unauthorized use of another organization's name or product.
 - Pollution – exclusion applies to any injury arising out of threatened discharge of pollutants at any time.
 - War – eliminates coverage for injury arising directly or indirectly out of war.

37

37

Practice

- The Commercial General Liability (CGL) Coverage B – Personal and Advertising Injury Liability excludes coverage for which one of the following?
 - A. Infringing upon another's copyright in the insured's advertisement.
 - B. The use of another's advertising idea in the insured's advertisement.
 - C. Written publication that slanders a person or organization.
 - D. An offense committed by an insured whose business is publishing.

38

38

Coverage C – Medical Payments

Objective V

39

39

Insuring Agreement

- ❑ Coverage C covers medical expenses for bodily injury caused by an accident.
 - ❑ Applies to accidents on the premises.
 - ❑ Applies away from the premises if accident results from the named insured's operations.
- ❑ Accident must occur in the policy's coverage territory and during the coverage period.
 - ❑ Medical expenses must be incurred and reported to the insurer within one year after the date of the accident.

40

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Exclusions

- ❑ Medical payments coverage does not apply to bodily injury to:
 - ❑ Any insured, other than a volunteer worker.
 - ❑ Anyone hired to do work for an insured.
 - ❑ An individual injured on that part of the insured's premises they normally occupy.
 - ❑ A person injured while taking part in any physical exercises or athletic contests.
- ❑ Coverage does not apply to products-completed operations injury.

41

41

Practice

- ❑ Commercial General Liability (CGL) Coverage Form Coverage C – Medical Payments coverage applies to which one of the following categories of persons?
 - ❑ A. An individual injured on that part of the insured's premises that the individual normally occupies.
 - ❑ B. An individual injured while taking part in any physical exercises.
 - ❑ C. An individual hired to do work for an insured.
 - ❑ D. An individual performing volunteer work for the insured.

42

42

Supplementary Payments

Objective VI

43

43

Supplementary Payments

- ❑ Supplementary payments are specific items the insurer will pay in addition to damages.
 - ❑ Payable in addition to limits of insurance.
- ❑ Supplementary payments:
 - ❑ Fees for attorneys, witnesses, police reports.
 - ❑ Bail bonds, up to \$250.
 - ❑ Loss of earnings, up to \$250 per day.
 - ❑ Court costs.
 - ❑ Prejudgment or post-judgment interest.

44

44

Indemnatee Defense Costs

- ❑ Supplementary payments section states the insurer will pay an indemnatee's defense costs in addition to the policy limits.
 - ❑ Indemnatee and insured must both be named as parties in the same suit.
- ❑ Insured must have assumed the obligation to defend the indemnatee.

45

45

Practice

- Stacy is a wholesaler who was insured under a Commercial General Liability (CGL) Coverage Form. She was sued by a former customer, and as a result, was found liable for bodily injury losses sustained by the customer. In addition to the damages awarded, the following supplementary payments were incurred by Stacy:
- Attorney fees - \$15,000
 - Court costs - \$1,500
 - Loss of earnings (missed work for four days while testifying) - \$2,000
- What amount of these supplementary payments will be covered by Stacy's CGL policy?
- A. \$16,500.
 - B. \$17,000.
 - C. \$17,500.
 - D. \$18,500.

46
