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Commercial General Liability Insurance Part I

by Charles H. Cox

Commercial General Liability (CGL) insurance is one of the most important insurance coverages for business owners. The Insurance Services Office (ISO) CGL policy provides protection for bodily injury and property damage claims arising out of the insured's premises, as well as operations conducted on or away from the insured's premises. It protects the insured for bodily injury and property damage claims arising from the insured's products sold or distributed, as well as completed operations of the insured. The policy protects the insured for claims involving bodily injury or property damage arising from liability of a third party assumed under a contract. The CGL protects the insured from bodily injury and property damage claims arising from operations of independent contractors for which the insured may become vicariously liable. The policy also covers personal injury (libel, slander, etc.) and advertising injury liability. In addition, medical payments coverage is provided; although this coverage is typically excluded for ice arenas.

The occurrence form of coverage will cover bodily injury claims arising from an occurrence that happened during the policy period regardless of when the actual claim is brought; whereas the claims-made form coverage will cover bodily injury claims that are first made against the insured during the policy period, regardless of when the injury occurred. Dealing with the concept of occurrence versus claims-made coverage is beyond the scope of this article. Nevertheless, for most business entities (and certainly for all ice arenas), the occurrence form of coverage is preferred and will be the form of coverage on which the discussions in this article are based.

There are several limits that apply in a CGL policy. One policy limit (typically $1,000,000) applies to each occurrence with respect to bodily injury and property damage claims. Another limit (typically $1,000,000) applies to Personal Injury and Advertising Injury claims. In addition, there are two separate aggregate limits (establishing the most that can be paid during the policy's term). There is a General Aggregate limit (most often set at twice the per occurrence limit) and the Products-Completed Operations Limit (that caps the amount that is paid for products and completed operations claims in one policy year). When provided, Medical Payments coverage is typically written with a limit of $5,000 for any one person. In addition, the standard policy provides a limit of at least $50,000 for fire damage caused to real property that is rented to the insured or temporarily occupied by the insured with permission of the owner.

The CGL policy pays on behalf of the insured for (1) damages for which the insured is legally liable, subject, of course, to policy's limits; (2) the costs of defense and investigation, which are paid in addition to the policy limits; and (3) certain supplementary payments (e.g., expenses incurred by the insured while assisting the insurance company in the investigation of suits, pre- and post-judgment interest, costs taxed against the insured in a suit, etc.).

The CGL policy, unless restricted by endorsement, is quite broad in scope. Of particular note is the fact that it covers all declared operations and locations of the insured that exist on the effective date of the policy, as well as any new operations and locations that come into existence during the policy period.

The policy covers the entity itself (the Named Insured) as well as members, partners, and their spouses (in the case of a partnership or joint venture); members and managers (in the case of a limited liability company) and executive officers, directors and stockholders (in the case of other organizations). A CGL policy can also be written for an individual, in which case it also covers the

individual's spouse, but only with respect to the conduct of a business of which the Named Insured individual is the sole owner.

The CGL also covers the Named Insured's employees (but only for acts within the scope of their employment by or while performing duties related to the conduct of the Named Insured's business) and volunteer workers (while performing duties related to the conduct of the Named Insured's business).

There are several exceptions (exclusions) applicable to the coverage afforded to employees and volunteers, one of which may be an issue with ice arenas that employ any type of health care professionals. No employees or volunteer workers are insureds for bodily injury arising out of their providing or failing to provide professional health care services. In the absence of any other exclusion to the contrary, however, the Named Insured is covered for those professional health care services.

The fact that this exception to coverage for employees and volunteer workers is not found in the exclusions section of the CGL policy underscores the need to look at the entire insurance contract in order to have a true grasp of the coverage that is afforded. There are some other hidden coverage gaps, limitations or problem areas, beyond the exclusions themselves, that will be addressed in part two of this article on the CGL policy.

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