



6 Key General Liability Insurance Elements Explained

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People often speak about “General Liability” as if it is one coverage or one thing. **General Liability is really a broad term that refers to a package of coverages and coverage limits.** These coverages and how they work are often misunderstood.

On the most basic level the Commercial General Liability (CGL) policy covers against lawsuits alleging bodily injury, personal injury and property damage due to negligence on the part of the insured. The insured is the entity and/or person shown on the policy along with some other folks such as employees, etc. Rather than diverge into a discussion of “who is an insured” let’s stay on topic and for the purposes of this paper call the insured “You”.

So, in plain English, if you do something wrong that wasn’t intentional and someone is hurt or their property is damaged then your liability policy will kick in. The response to a claim is twofold; the insurance company will step up and defend you as well as pay damages. Now, there are a lot of exclusions and variables to the coverage but, this very simplified definition will help us get started with explaining the 6 key elements of the CGL policy.

Most Commercial General Liability policies may appear something like this when you look at the coverage page:

General Aggregate Limit	\$2,000,000
Product – Completed Operations Limit	\$2,000,000
Personal and Advertising Limit	\$1,000,000
Each Occurrence Limit	\$1,000,000
Fire Damage	\$50,000
Medical Expense	\$5,000

What does this all mean?

- 1) General Aggregate Limit:** This is the most the insurance company will pay in any one policy year for claims arising out of your Operations, Personal or Advertising Injury, Fire Damage and/or Medical Payments. Operations coverage is the basic coverage afforded for Bodily Injury and Property Damage (as explained above) due to your negligence.
- 2) Products & Completed Operations Limit:** This coverage provides protection for those who are contractors (completed operation) or manufacture or sell something (product). For example, if you are an electrician and you fix someone’s lights and consequently their house burns down you could be sued because you were negligent in completing the operations you performed to the lights. Or, if you

manufacture light bulbs or sell them at your store and the light bulbs then cause damage you could be sued because your product caused harm. This is a separate aggregate limit and claims of this nature will not diminish the General Aggregate Limit but is still subject to the Per Occurrence Limit for each claim.

- 3) Personal & Advertising Injury Limit:** In insurance speak, Personal Injury refers to slander, libel, invasion of privacy, and defamation of character. Advertising injury refers to false advertising practices. This coverage provides protection from suits related to any of the above. This is the most the policy will pay for any one claim of this nature.
- 4) Each Occurrence Limit:** This is the maximum that the policy will pay for any one claim arising out of your Operations, Personal or Advertising Injury or Products & Completed Operations. Each claim will reduce the General Aggregate Limit or in the case of Products & Completed Operations each claim will reduce that separate aggregate limit.
- 5) Fire Damage:** This separate limit shows the coverage for fire damage. This coverage is for fire damage to buildings that are leased or rented by you. For example, if you accidentally leave a coffee pot on in your office suite and it starts a fire, this coverage will pay for the repairs to your suite. Claims of this nature will diminish your General Aggregate Limit.
- 6) Medical Payments:** This limit shows the coverage for Medical Payments to third parties. This provides coverage for incidental medical payments to others if they incur minor injuries while on your premises. This coverage will pay regardless of who is responsible for the injury. Claims of this nature will diminish your General Aggregate Limit.

This is only a brief overview of Commercial General Liability. Most policies differ in terms of actual coverage's provided, limits and exclusions however; this should give you a good foundation from which to discuss the coverage with your insurance professional.

If you would like to access additional information or tools please visit our website at www.steelbridgeins.com. Or give us a call any time at 888.647.4777 and one of our specialist will be happy to answer your questions (*no pressure and no obligation – we promise!*).