

Property protection

Covering the property of others when you have care, custody and control

When you take custody or possession of someone's property you can create a bailment situation.

Companies who perform operations such as warehousing, storage, transportation, construction, auto repair, dry cleaning amongst others could all have care custody and control exposures. But when property of others is damaged while in your possession, standard insurance policies may limit or exclude coverage.

With the acceptance of someone else's property comes the duty to exercise proper care in protection of that property from damage. The company or individual in possession of the property (the bailee) is responsible for their negligence to exercise proper care.

"What is considered proper care will vary widely depending on the type of property in question," says Kevin Forbes, sales executive at ECBM. "Whether you are garaging or parking automobiles, warehousing or transporting temperature controlled food, or are a contractor with a piece of leased construction equipment, the degree of care required to protect each piece of property will be different."

Smart Business spoke with Forbes about how your company can mitigate this care, custody and control exposure.

Does a commercial general liability policy provide protection?

The standard commercial general liability policy has an exclusion for property in the named insured's care, custody and control. Even though the policy covers damage to other's property, this exclusion removes coverage for any property that can be defined to be in the named insured's possession and/or control. The policy is not meant to cover 'your work' and often

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property of others in your care is being worked upon as part of business operations.

The exclusion removes coverage from your liability policy, but there are other policies designed to specifically protect the insured for this exposure.

How would a company go about getting the right protection?

Depending on the type of operations, there are various policies that will cover the exposure. A warehouse legal liability policy covers the exposure of holding other's people property and goods for storage under some form of warehouse receipt.

In some instances, where a warehouse receipt might not be used when storing other's property, there are alternate ways to properly cover this exposure other than the warehouse legal liability policy. If you have an automobile repair business, a garagekeepers policy is designed to cover the exposure of having someone else's automobile in your possession. A builder's risk policy is how a contractor covers the property that they are performing work on.

Always do a thorough review of your operations with your insurance broker or individual placing your policies.

How does ownership know which one is right for its organization?

An analysis of the goods in question that is

in their care, custody and control must be done. Review the contract or agreement that the goods are being held under. Federal and state laws and regulations, as well as various industry standards will also outline the extent of each bailee's liability. But the right insurance and risk management professional should be your guide through the process.

Is there anything else you'd like to share with business owners?

Understanding your exposure is the first step in making sure your business is protected. Know the dollar amounts your business is exposed to — warehouse operators review the values under agreement by location, auto repair shops know the value of vehicles on their lot and motor carriers understand the values in each loaded trailer.

In many instances, the best way to limit your exposure is through the contract or agreement used in your business. When storing goods, a warehouse receipt can reduce one's liability significantly compared to that of a true bailee. Your contract also limits amounts paid should damage occur to any property. The motor carrier's contract with a shipper can limit or increase the amount they are liable for in the event of a loss. These are just some examples, but each industry has their own risk management practices that can help reduce the exposure your company faces. ●