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# The **A**DVISOR

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## Not So Fast General Liability -

Many Exclusions Make It Not So "General"

- by *Brian Pilarski,*  
*Commercial Insurance Agent*

Purchasing a General Liability policy often elicits a "catch-all" insurance feeling in many businesses. Many companies advertise the existence of a general liability insurance policy as a way to provide assurance to their customer base. Businesses routinely request a copy of insurance from their vendors, service providers and contractors before they finalize purchase agreements. Payment terms are often not completed until a valid certificate of general liability is provided to the party paying for the work.

With so much emphasis on a general liability policy, it must be a great policy, right? The general liability policy covers most of the stuff we do for our clients, right? To cite an often-used line by ESPN's personality and prior coach Lee Corso, "Not So Fast!"

A general liability policy, to summarize simply, covers the legal responsibility a company (or person acting on behalf of a business) would incur to a third party for bodily injury or property damage. The policy will cover many types of injury or damage, including the slander of an individual to the full destruction of someone's property.

*Article continues on page 2; see "NOT SO FAST"*

## Insuring "Toys"

by *Jennifer Hamel,*  
*Personal Lines &  
Small Business Producer*



Summer is the time for relaxing and spending quality time with friends and family. It is an opportunity to play and explore.

We often look forward to spending time on the water. Whether your passion is having fun water skiing behind your speedboat, riding a wave runner, or relaxing during a pontoon ride, each of us puts safety first. We wouldn't think twice about wearing life jackets, watching children as they swim, or putting on sunscreen. Have you also secured your "safety" or insurance/liability on the toys you own? Have you reviewed your policy to ensure you have proper liability protection in place?

### *Why do I need insurance?*

Just like with an automobile, you may cover your specialty product for fire, theft, and collision. Many times it is not the "toy" that you are insuring, but the liability in case there is an incident with it. In addition, this insurance product may protect you in the event you cause damage to another person's property.

*Article continues on page 2; see "INSURING TOYS"*



Many misconceptions exist regarding the true limited scope of the general liability policy. While the policy covers everything except what is specifically excluded, many of the exclusions are the very matters companies believe are “covered” under a general liability policy.

### KEY GENERAL LIABILITY EXCLUSIONS

- **PROPERTY IN YOUR CARE, CUSTODY OR CONTROL:** If you are working on it, transporting it, placing it, it is most likely not covered. You break it, you buy it, often without insurance.
- **CONTRACTUAL LIABILITY:** Agreements that require a business to cover “any and all” events on behalf of a customer are commonplace today. The contract signed by a business does not trigger a liability policy, contractual liability is often excluded.
- **MENTAL ANGUISH:** An endorsed general liability policy would not cover a claim against a business for mental injury (humiliation, discrimination, emotional harm).
- **YOUR WORK:** The work or product finalized is not covered under a general liability policy. Any resulting injury or damage from your work or product is covered, but your work or product is not.
- **FAULTY WORKMANSHIP:** The insurance will not respond to re-work or having to re-do service, product or repair. General liability is not a source of money for warranties or guarantees offered to customers.
- **IMPAIRED PROPERTY:** If you make a widget and the widget is found to be leaking, it is not covered on a liability policy. The costs to repair, replace are not paid for in the general liability insurance.
- **PRODUCT RECALL:** Coverage to remove your product from the market or for your customers is not covered under a general liability policy.



- **INTELLECTUAL PROPERTY INFRINGEMENT:** Infringing on the IP of another company is excluded under an unendorsed general liability policy.
- **EMPLOYMENT RELATED LAWSUITS:** Non-injury matters against a business from employees (or former employees) are excluded, such as wrongful termination, harassment allegations.
- **INTENTIONAL INJURY:** An intentional act by an employee to a third party is generally not covered under a liability policy.

The exclusions outlined are just a few of many critical areas for businesses to better understand. Businesses can purchase additional insurance policies for protection, implement risk mitigation procedures to insulate from instances or avoid certain processes to prevent uninsured losses.

***A full review with your insurance advisor will help identify exposures and solutions to better protect the business.***

### INSURING TOYS (Continued from page 1)

Think you won't need insurance? Here is an example where specialty insurance may be used with a wave runner:

You are riding the wave runner and as you come into dock, you increase your speed by accident. The wave runner crashes into the dock causing damage to the dock and the wave runner. There is also a bystander on the dock who is injured from a fall resulting from the crash. Using this example, an insurance policy may cover the damage to the wave runner, fix the property damage to the dock, and pay for the medical costs for the bystander.

**Specialty products may include:**

- Motorcycles
- Scooters
- Travel Trailers
- Pop-Up Campers
- Off-Road Vehicles
- Golf Carts
- Wave Runners
- Boats
- Snowmobiles
- ATVs
- Motor Homes
- Classic Cars

Your insurance agent is a great resource to help find you the best coverage for your specialty product. Happy summer!

# Fellow Employee Clause: What You Need to Know

by Derek Wesch, AIC, ARM, AIS, AINS

In a perfect world, auto accidents wouldn't occur. Unfortunately, accidents are fairly commonplace. Many companies have employees who drive their personal vehicle, a company car, or a rental while doing business. Occasionally, these employees may transport fellow staff members. To ensure that you aren't unknowingly exposing the driver to liability, a careful review of your business auto policies may be warranted.



Employees who unintentionally injure a fellow employee in a motor vehicle accident *may be left with no insurance protection.*

You are driving to see a client with a fellow employee as a passenger. You rear end another vehicle, causing injuries to your passenger. The injured employee decides to file a lawsuit against you since you caused the injuries.

**A typical business auto insurance policy excludes bodily injury to any fellow employee of any insured that arises in the course of the fellow employee's employment. Therefore, if there is a judgment against you, the business auto insurance policy would not provide coverage.**

**There are other possible fellow employee gaps to be aware of. Here are two examples:**

1. The at-fault employee is driving a company owned vehicle and injures a fellow employee as a passenger. The at-fault employee does not have the proper endorsement on their personal auto insurance policy to cover their liability while driving a non-owned vehicle. The injured employee then sues the driver.
2. Two employees are on a business trip and rent a vehicle. The two employees are involved in an at-fault accident and the fellow employee of the driver is injured and sues the driver.

In all of the examples listed above, the injuries were work related; therefore, the injured employee would be eligible for worker's compensation benefits. However, this does not preclude the injured employee from seeking pain and suffering benefits from the fellow employee responsible for the injuries.

If the business auto and personal auto policy lack the proper endorsements, the at-fault employee may be responsible to pay for the damages they caused themselves. There are endorsements that can be added to the business auto policy to modify or delete, in its entirety, the fellow employee exclusion.

***Brown & Brown of Detroit understands that this coverage gap exists and knows how to help protect you and your employees. Please contact us to learn more.***



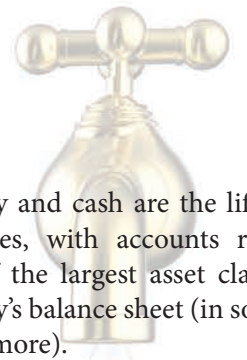
# CREDIT / TRADE INSURANCE

By Brian Pilarski, Commercial Insurance Agent

## Why are most companies in business?

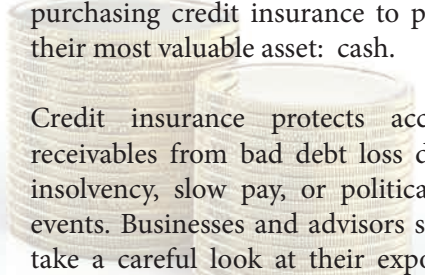
While there are many reasons, one of the top would surely be “to make money or a profit.”

If your company isn't receiving revenue from goods and services, it's likely that the company will cease to exist over time.



Liquidity and cash are the lifeblood of businesses, with accounts receivables some of the largest asset classes on a company's balance sheet (in some cases, 40% or more).

Insurance is traditionally purchased to protect physical assets – buildings, contents, and vehicles. However, protecting the cash flow for a business is a critical element for business continuity. Businesses may consider purchasing credit insurance to protect their most valuable asset: cash.



Credit insurance protects accounts receivables from bad debt loss due to insolvency, slow pay, or political risk events. Businesses and advisors should take a careful look at their exposures and consider using credit insurance to mitigate risk of loss to money owed to the business.

For example, Company ABC manufactures paper. They receive a very large paper order from Company XYZ, who makes and sells greeting cards. Company ABC ships the large paper order to Company XYZ without incident, and sends them an invoice with a due date. The due date comes and goes with no payment. Company ABC sends multiple past-due notices to Company XYZ, with no response. Company ABC then hires a lawyer, who informs them that Company XYZ no longer exists. With reduced cash flow, Company ABC can no longer afford to offer credit to their other customers, which is detrimental to the business.

## Top 10 Reasons to Insure Your Receivables

1. **GROW YOUR SALES** safely and strategically to new and existing customers.
2. **APPROVE CREDIT LIMITS MORE QUICKLY** to capture more revenue opportunities.
3. **MAINTAIN CASH FLOW AND PROFITABILITY** by mitigating your risk of bad debt.
4. **ACCESS BETTER KNOWLEDGE** about your customers and prospects to help avoid losses before they occur.
5. **OBTAIN MORE WORKING CAPITAL** (often at more favorable rates) since insured receivables translate to secure collateral.
6. **OFFER COMPETITIVE TERMS OVERSEAS** so you can sell more to foreign markets.
7. **ENHANCE THE EFFICIENCY OF YOUR IN-HOUSE CREDIT TEAM** by tapping into the deep resources of a leading credit insurer.
8. **MANAGE YOUR A/R CONCENTRATION RISK.**
9. **ENHANCE YOUR CUSTOMER RELATIONSHIPS** and be more competitive by safely raising credit limits or offering better terms.
10. **SLEEP BETTER AT NIGHT** knowing your risks are covered and your payments are guaranteed.

Many organizations can benefit from insuring their credit, especially distributors, wholesalers, manufacturers, exporters, service companies, and companies in growth mode. Numerous carriers offer credit insurance: AIG, ACE, Atradius, CoFas, Euler Hermes, FCIA, QBE, XL, Zurich, and more. An independent insurance agent can discuss your risks and options with you.

*Feel free to contact Brown & Brown of Detroit to learn more.*



*We were pleased to bring you the latest issue of The Advisor. We hope you found this newsletter interesting and informative. If you have any questions or topics that may interest you for our next issue, please contact us at:*

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