



COMMERCIAL GENERAL LIABILITY INSURANCE (CGL) AN OVERVIEW

13-02-2020

- **Case scenarios**
- **Fundamentals of liability**
- **Commercial General Liability Policy (CGL) – Salient features**

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Incident

- Person went for smoking in balcony and fell off from 4th Floor to 2nd Floor.

Cause

- No safety instructions were mentioned in the Balcony and height of wall was not appropriate to contain the plaintiff.

Compensation

- INR 5 Crores (Defense Cost)



Incident

- Person's leg got stuck in the Lift door

Cause

- Malfunctioning of Lift Door. Defect in the Sensor of the Lift Door

Compensation

- INR 1.2 crore (Medical Expenses and consequential loss)



Case Study 3 –Bodily Injury due to Completed Operations Exposure

Incident

- Injuries and damage to properties to 3rd parties due to boiler explosion

Cause

- Defect in the boiler

Compensation

- INR 2.15 Crore (Medical Expenses and consequential Loss)



Case Study 4 – Property Damage resulting out of Insured's Operations

Incident

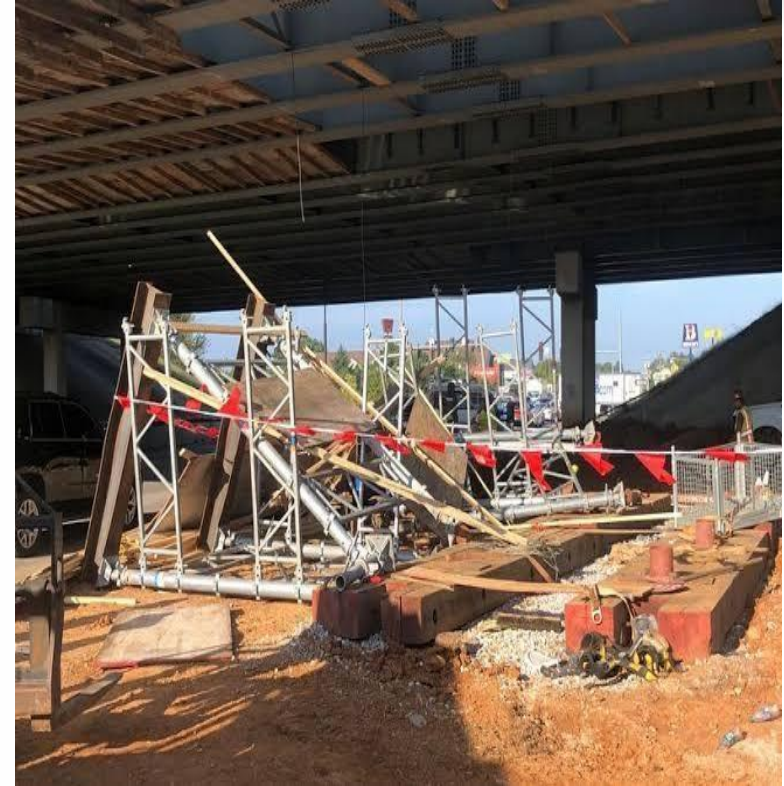
- Property damage to the 3rd Party property, due to the Insured's Operations

Cause

- Loss, destruction and damage to Third Party Property due to collapse/breakdown of structure being erected

Compensation

- INR 4 Crores



Case Study 5 – Property Damage resulting out of Insured's Products and Completed Operations

Incident

- Leakage of water tank lead to damage to downstream plant of the insured's customer

Cause

- The water tank supplied by the insured to de-salination plant leaked due to defects in workmanship

Compensation

- INR 2.9 Crores



Case Study 6 – Property Damage resulting out of Insured's Products and Completed Operations

Incident

- 2 persons died due to exposure to chemicals supplied by the Indian manufacturer

Cause

- Inadequate warnings on the insured's product

Compensation

- USD1.5mio



Oxidizers - Can burn without air, or can intensify fire in combustible materials.



Explosives - May explode if exposed to fire, heat, shock, friction.



Corrosives - May cause skin burns and permanent eye damage.



Gases Under Pressure - Gas released may be very cold. Gas container may explode if heated.



Flammable if exposed to ignition sources, sparks, heat. Some substances may give off flammable gases.



Toxic to aquatic organisms and may cause long lasting effects in the environment.



Toxic material which may cause life threatening effects even in small amounts and with short exposure.



May cause serious and prolonged health effects on short or long term exposure.



Irritant - May cause irritation (redness, rash) or less serious toxicity.

Case Study 7– Damage to Third Party Property

Incident

- Damage to Third Party's work-in progress(Property) due to use of Insured's Product

Cause

- Chemical (Insured's Product)that was used by the Third Party for their manufacturing operation was mislabeled by the Insured.

Compensation

- USD 500,000



Incident

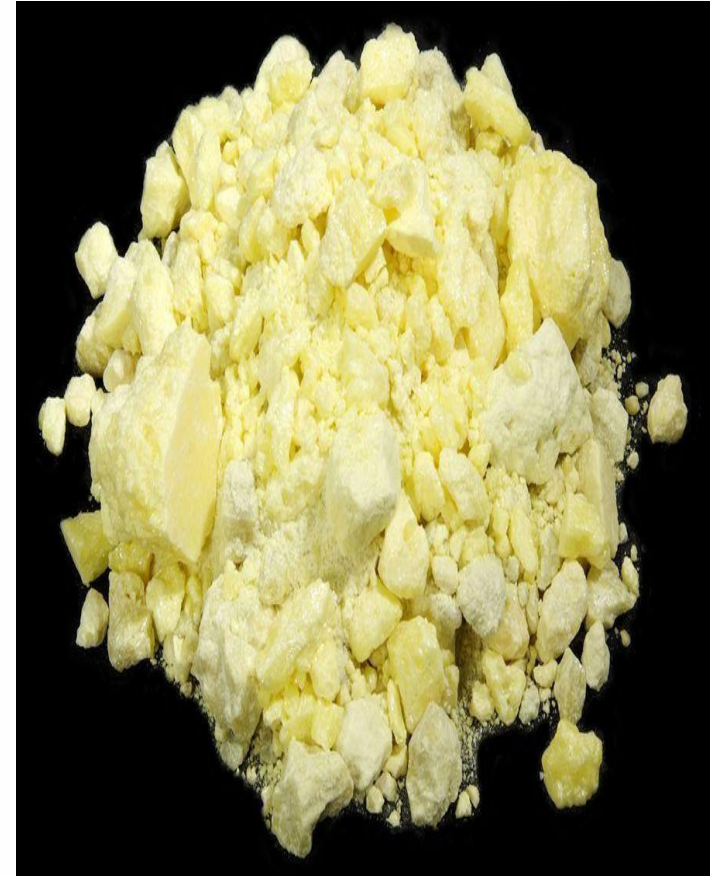
- Formation of Lumps in Third Party Property(Liquid) due to use of Insured's Product

Cause

- Chemical (Insured's Product)that was used by the Third Party as an ingredient to their property was of substandard quality.

Compensation

- USD 100,000



- **Case scenarios**
- **Fundamentals of liability**
- **Commercial General Liability Policy (CGL)–
Salient features**

Fundamentals of Liability

- Every person in the conduct of his affairs owes to every other person a duty of reasonable care.
 - Liability arises if there is a failure in this duty and the failure results in some kind of damage or loss.
- Tort
 - a wrong that involves a breach of a civil duty (other than a contractual duty) owed to someone else.



Judge Blackburn J



Lord Cairns LC

Civil Liability

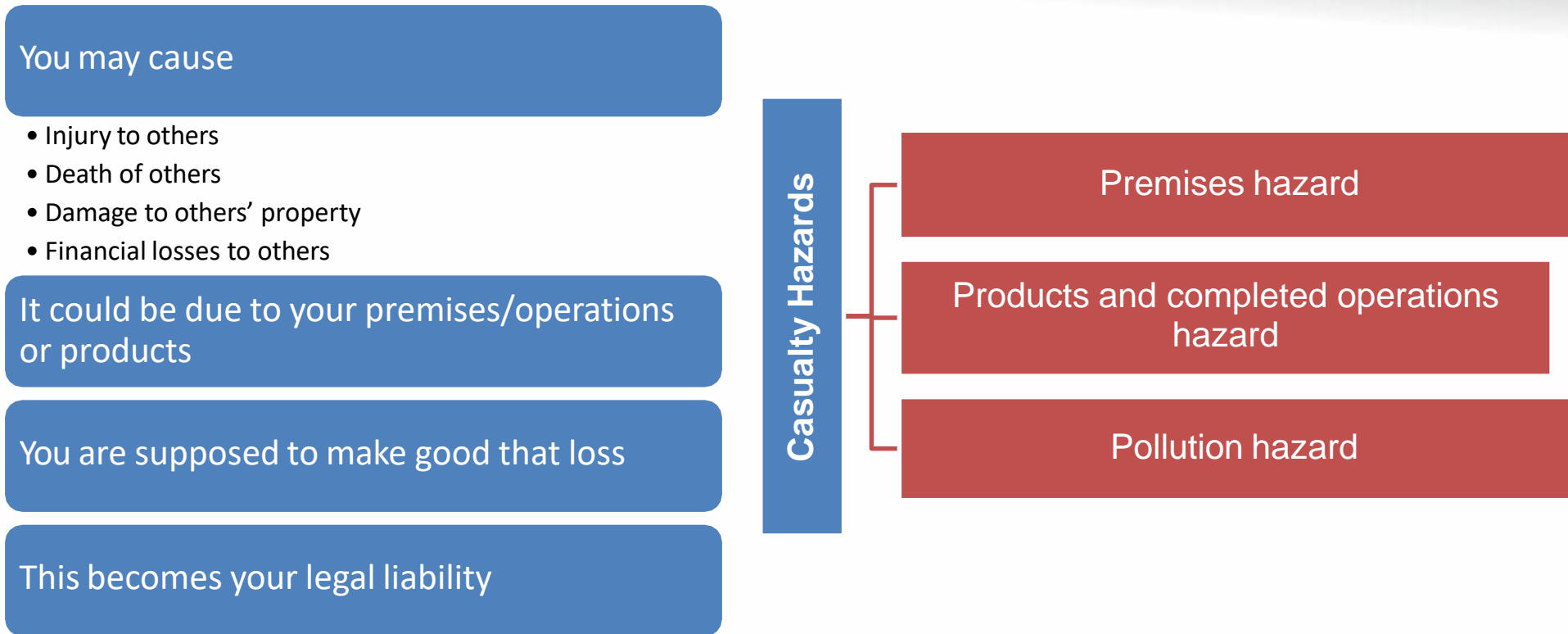
*One Party Against Another Party,
resulting in damages or
compensation to be paid out*

Legal
Liability

Criminal Liability

*It is enforced by the State, resulting
in punishment in the form of fine or
imprisonment or both*

Fundamentals of Liability



Liability insurance policies protect the insured against compensation demand on account of harm to others, also take care of legal defense costs

- **Case scenarios**
- **Fundamentals of liability**
- **Commercial General Liability Policy (CGL) – Salient features**

What is CGL

CGL covers insured's liability on account of 3rd party injury/death/damage due to their operations or products

General Aggregate Limit

Product & Completed
Operations Limit

Type of Form

Premises
Liability

Operations
Liability

72 Hours
Sudden and
Accidental
Pollution
Coverage
and other
extensions

Product
Liability

Completed
Operations
Liability

Occurrence
based

Claims
Made

General Aggregate and Products & Completed Operation

Premises & Operations Liability

- The bodily injury and property damage should:
 - arise out of **ownership, maintenance or use of the premises** shown in the Schedule and operations necessary or incidental to those premises; or
 - occur **away from premises you own** or rent and arising out of your work.

Products & Completed Operations

- Your product means:
 - Any goods or products, other than real property, **manufactured, sold, handled, distributed** or disposed of by you; others trading under your name;
 - **Containers (other than vehicles), materials, parts or equipment furnished in connection** with such goods or products.
- Your product includes:
 - Warranties or representations made at any time with respect to the fitness, **quality**, durability, performance or use of your product; and the providing of or failure to provide warnings or instructions.
- **Your work** means:
 - Work or **operations performed by you** or **on your behalf**; and
 - Materials, parts or equipment furnished in connection with such work or operations.
- **Your work** includes:
 - Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of your work; and the providing of or failure to provide warnings or instructions.

Coverage Sections and Explanation



**Coverage A -
Bodily Injury &
Property Damage
Liability**

**Coverage B -
Personal &
Advertising Injury
Liability**

**Coverage C -
Medical Payments**

**Supplementary
Payments**

Bodily Injury & Property Damage

Bodily injury

- Bodily injury, **sickness or disease** sustained by a person, including death resulting from any of these at any time.
- Damages because of bodily injury include damages claimed by any person or organization **for care,** loss of services, or death resulting at any time from the bodily injury.

Property damage :

- Physical injury to tangible property, including all **resulting loss of use** of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or
- Loss of use of **tangible property that is not physically injured.** All such loss of use shall be deemed to occur at the time of the occurrence that caused it.

Personal and advertising injury means arising out of one or more of the following offenses:

- False arrest, detention or imprisonment;
- Malicious prosecution;
- Wrongful eviction of or wrongful entry into
- Defamation, libel or slander
- Oral or written publication that violates person's right of privacy;
- The use of another's advertising idea in advertisement; or
- Infringing upon another's copyright, trade dress or slogan in advertisement.

Medical Expenses Cover under CGL

Medical expenses are payable for bodily injury caused by an accident:

- On premises you own or rent;
- On ways next to premises you own or rent; or
- Because of your operations provided that
 - The accident takes place in the coverage territory and during the policy period;
 - The expenses are incurred and reported within thirty days of the date of the accident; and
 - The injured person submits to examination.

Payments made regardless of fault. Policy deductible doesn't apply to it.

These payments include reasonable expenses for:

- First aid administered at the time of an accident;
- Necessary medical, surgical, x-ray and dental services, including prosthetic devices; and
- Necessary ambulance, hospital, professional nursing and funeral services.

Supplementary Payments

It comprises of following:

- ✓ All expenses incurred by insurer
- ✓ Cost of surety bonds to release attachments
- ✓ Reasonable expenses incurred by insured including upto \$250 per day for loss of earnings
- ✓ Costs decreed against insured in the suit
- ✓ Pre-judgment interest
- ✓ Post-judgment interest

This doesn't reduce limits of insurance.

Key Exclusions

Intended Injury

Contractual Liability

Workmen's Compensation Liability

Employer's Liability

Pollution Liability (72 hours Sudden and Accidental Pollution carve Back)

Aircraft, Automobile or Watercraft Liability

Damage To Insured's Property or Products

Recall Of Products, Impaired Property

Fines, penalties, punitive, exemplary damages

Deliberate, willful or intentional non-compliance of any statutory provision

War

Optional Extensions

Sudden and Accidental Pollution Coverage (72hrs)

Non-Owned and Hired Automobile Liability Coverage (NOHAL)

Terrorism Legal Liability Coverage

Personal Property under Care custody & control

Valet Parking

Transportation Extension

Additional Insured- Wherever required by written contract

Accurate risk managers & Insurance brokers Pvt Ltd.

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