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Gary Missigman
B. and D.A. Weisburger, Inc., White Plains, New York

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INSURANCE

Gary Missigman
B. and D.A. Weisburger, Inc.
White Plains, New York

I would like to relate the coverages under your general liability policy to some of the losses that can occur in your business. Specifically, I would like to look at coverages that you should have under your comprehensive general liability policy and how they relate to you on the types of claims that may arise.

First, under the liability policy, you should have complete operations coverage. This coverage comes into play when we are talking in terms of the man leaving a broom behind, leaving a chemical behind, chemicals spilled on the floor, somebody else comes in, trips and falls. This is the type of coverage you need and the reasons why you need it. We feel, for property damage coverage, the most important, without question, is Care, Custody, and Control coverage. Generally speaking, in a liability policy, this is one of the exclusions under the policy. In other words, your liability policy will not cover for property in your care, custody, and control. Our liability policy deletes this exclusion from the policy; so in effect, when you are in someone's home doing the work, that property is deemed to be in your care, custody, and control, and as the person who burned the house down, he is liable for it. If that exclusion has been in the policy, perhaps we would have a problem getting that claim paid. So I would suggest that you check your policy, check with your agent and broker to be sure that you have Care, Custody, and Control coverage.

Contamination and Pollution coverage has come into play, and we have just allowed the companies to write that perhaps within the last five years, or so, except in the state of New York where state law prohibits this particular coverage on a policy. This comes into play if your have contaminated any water, food, or if you're polluting any water. If you are using chemicals and they seep down through the ground into a well, your policy would respond to this property damage. And I might add, that we have had within the past year, one pollution loss where the claim amounted to somewhere around $3800 where a well was polluted.

Product coverage, if you are selling any chemicals over the counter to the general public, should be included in your policy. Your policy should be extended to include what is known as an incidental product coverage. In the event that you do manufacture any chemicals and put a label on them with your name, you definitely should have product coverage.

Non-ownership in a hired car coverage is really an automobile coverage, but it is included to let you know that you can include this coverage under your general liability coverage rather than on your own automobile liability policy. If you have employees who are using their own cars, be they servicemen, salesmen, and so on, and they happen to get into an accident and a suit is going to subrogate against you; you are ultimately responsible for his loss. The employee's losses while he is on the job, and when he is using his own

car, you are responsible for that. We have car coverage featuring this if you are renting any vehicle. You should have coverage for all hired cars. The name insured on the policy is your name, but it does not specifically say anything about Avis leasing or Hertz, or any other leasing company, so you should have this type of protective coverage.

Another important type of coverage is Denfense of Employees coverage. This is positional interest of employees under the liability policy. There have been cases where suit is brought by a customer, against an individual service man, and not necessarily against the company. So in other words, if they are suing your service man, your liability policy will respond to cover him as well as your interest. There have not been a great deal of these claims, but we have seen a few.

Blanket Contractual coverage and the Hold-Harmless agreement is important if you are doing work for a large firm and they ask you to sign a contract for them. If you do not have the blanket contractual coverage, which would cover several of your operations for all contracts which you may enter into, your liability will extend to include that contractual relationship between you and that customer.

The Hold-Harmless feature is that if you sign this contract the particular person that you are doing work for may have a waiver that he may not be responsible for claims arising out of his employees or his property for work beigh done by you. In other words, you are waiving your right to go against him if one of your employees, or one of his employees, is injured on that particular job.

The last area I want to discuss concerning the comprehensive general liability policy is Personal Injury coverage. Many PCO's do not need this coverage, but there is a possibility it may be needed at some time. This coverage protects you from theft arising out of wrongful entry of someone's house, libel, and slander. There have been cases where a person has been sued because of false arrest. There have been cases where an employee has been accused of pilfering money, stealing equipment, and it turns out that the person actually did not, that it was somebody else. He could then sue you, and the personal injury type of losses are very serious types of losses. You are talking thousands of dollars when you are talking a personal injury suit, and this can be coded to the comprehensive general liability policy.

There is not really much that I want to address to the Workman's Compensation insurance other than to be sure, that if you are going into another operation other than overall pest control operation, you should be protected. We have had people that go into rug cleaning, fumigation work, so on, and they feel that their employees have coverage under the workman's compensation policy. Well, this is really not the case. You could have a lot of really serious problems with the insurance company if there is a compensation loss. You should add the particular code to your workman's compenation policy. And the same applies to your liability policy. The overall exterminating classification does not include fumigation work.

Concerning automobile coverage, the only thing I can say for bodily injury and property damage coverage is to be sure that you are carrying sufficient limits. The days when you could carry $10,000 worth of bodily

injury, and $5,000 worth of property damage coverage are, as you all know, long gone. By carrying fairly sufficient amounts your really are protecting the assets of your company or your corporation. Here again we put in non-ownership and hired car coverage just to let you know that you can add it on to your automobile policy as well. Medical premiums and so on are limited to liability for bodily injury and property damage to a third party. Inflation has taken a big bite in medical payments also, and you should carry sufficient limits there also.

I think you are doing your employees a real service if you make sure they have coverage also. If they are using their own vehicles, make sure that they have coverage for their own vehicles. This really alleviates a lot of hassles with them if their car is wrecked while driving on the job and they do not have any coverage. You know the suit ultimately could be brought back to you, but the collision feature of that individual employee's own coverage should get a lot of dollars for the value of his car.

Lastly, I would like to briefly describe the Umbrella policy. The umbrella policy is a million dollars worth of liability coverage that picks up directly over and above your general liability policy, your automobile liability policy, as well as your employer's liability limits under the workman's compensation. Now, for all the coverages that are provided, such as care, custody, and control in a liability policy and your automobile policy, the umbrella picks up directly over and above that. If you have $300,000 worth of primary coverage, with a million dollars on top of that, you could expect to have a million, three hundred thousand. There is one aspect of the umbrella policy which is called a self-insured retention, which is confusing to a lot of people. It is generally $10,000 on a commercial policy. Some people feel that $10,000 is a deductible; it is really not a deductible. The self-insured retention comes into play when there is coverage such as a personal injury in the umbrella that is not provided in the primary policy. The umbrella policy provides much broader coverage than your liability policy does, and that $10,000 acts as a buffer for any client between.

Question: Does Care, Custody, and Control pertain to factories or any other places you are working?

Answer: Yes it does. Any property that you are on, doing your work, it is in your care, custody, and control; not strictly a home.

Question: If you are renting a car on a daily or a weekly basis, can you have this car on ownership coverage? And is there any advantage to paying the extra $2 a day that would give you full coverage?

Answer: That $2 refers only to collision damage waiver, and is not for a third party liability. When you are spending $2, you are eliminating the hundred dollar deductible on the collision damage waiver.

Question: If you have your own car, and also lease cars, does your policy cover both operations of your own car?

Answer: Yes, and more times than not, the leasing company will require their name to be an additional name to be insured under your policy.

Question: Then you would have to submit to them a policy coverage form.

Answer: What we would do is issue a certificate of insurance to them stating that you have the coverage.

Question: What exactly is a certificate of insurance?

Answer: Well, generally speaking a certificate of insurance names those insured on the policy and is used to prove that you have coverage. Sometimes we will take care of this problem; other times if you to be named additional insurer on the policy, there is really no problem. You just let your broker or agent know and you just issue a specific endorsement to the policy naming him as an additional insured. Another problem that you may have is that the person that you are doing work for, may require higher limits for liability than what your present policy may give you. In other words, if you have $300,000 of bodily injury coverage, and the person you are doing your work for may require a million dollars, then you do not have to go out and buy another policy to give you that million dollars. You just let your broker know that you need a million dollars as respects work being done for only this job, and the cost is minimal to do this.

Question: Such a policy specifically omits the property of the insured, is that correct?

Answer: No. He would have coverage in the sense that he would still remain to be a third party. Even though you are naming him as an additional name insured under the policy, he will still be considered a third party in this sense. He would not be a first party. In other words, you are liable for his property, even though his name is on that policy.

Question: Then do you just put a rider on your policy stating that this different company has an additional premium coverage?

Answer: *That is exactly right.*

Question: In all instances, is any employee of the company protected if he is driving a company vehicle on business? Are all people in the business protected?

Answer: Yes. The crucial point here is that they are driving with your permission for business, driving one of your business vehicles. Then you would have the coverage, but if they take somebody else's car, then you really should have non-ownership coverage.

Question: What protection do the employees have if they drive to work and you tell them to take the employer's car?

Answer: If it is the employer's car then you should have the non-ownership coverage.

Question: What if he got in an accident and it turns out he was drunk. Is he still protected?

Answer: The corporation will be protected.

Question: Have you ever had any reason to recommend to a customer or a client that they have their customers sign the waiver of responsibilities letter?

Answer: You really cannot sign away your responsibilities. If you are doing a job and you do damage there, just by signing a piece of paper, that does not necessarily say that you will never be liable for the damage you do. This will not be held up in a court of law, even if you said, “Well, I signed a Hold-harm!ess agreement whereby he told me that whatever I did to this property I couldn't be held liable for it.” I really do not think that this Hold-harmless agreement could be applicable in this instance.

Question: What if an employee is driving a company vehicle home, and this is in the personal interest of the company?

Answer: That particular automobile will be insured under the company policy. In other words, your company would be on the heading; that is the name insured and even though it is an employee taking it home, where he is taking home the truck at night in order to save time, he still has coverage. The employee should be protected by your company's policy.

Question: It would seem to me that if an employee is using his car you should say something to that employee for using that car. From what you have said, it puts his car in a different category than a hired car.

Answer: Exactly right. Now the hired car that I talked about, was just leasing the vehicle from Avis or Hertz or something of that nature.

Question: But you are still not the owner, if it is the employee's car.

Answer: Right. But what I am saying is that your would be doing your employee a service. It is not something that he has to cover, even if he is driving in it for you.

Question: What is the advantage of having an umbrella policy rather than any other coverage?

Answer: The advantages are two really. One is that there is broader coverage in the umbrella; and two, the cost to get a million dollar umbrella, in effect, to have a million dollars, or a million three hundred thousand dollars worth of coverage, you would have to increase you automobile as well as your own general liability policy and in most cases the cost would be prohibitive. Whereas the umbrella policy would give you all these coverages where the price, comparatively speaking, is nominal.

Question: Is there any additional benefit from the umbrella policy?

Answer: Possibly. To give you an example of some of the things, a number of times primary policies do not include personal injury coverage. The umbrella policy does. There are various other coverages within the umbrella policy, so it is a little broader protection.