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Client: AbuvMedia

Re: Marketing –Website Copy –**LIABILITY INSURANCE ARTICLE****Scope of Work**

AbuvMedia has contracted with Galvin and Associates to write an article on Liability Insurance.
Word Count 4320

COPY

LIABILITY INSURANCE**INTRO**

Picture this: Your daughter is having her 8th birthday party with school friends. Everyone is having fun until one child flips off the trampoline and winds up with a broken arm. The irate parents blame you and their lawyer sues you for a \$1200 medical bill. You can:

- 1) Pay the bill and complain
- 2) Call your insurance company.

Accidents happen. Liability insurance covers accidents, damages and harm on the job, on the road, and at home, with policies available for each category. You can also obtain coverage for claims against your company or professional role. ⁹⁶

Do You Need Liability Insurance?

With liability insurance, both you and the injured party are protected from unforeseen events that result in harm to body, property, business or reputation. There are different categories of liability insurance, including auto, homeowner, professional and business coverage. The amount you pay for liability insurance will vary according to the type of insurance, the amount of coverage you seek, the number and dollar value of claims you make during the time you have the policy, and market rate variables. Generally speaking, you are insured only for incidents covered by your policy and only those incidents that occur and are reported during the time you have your policy. ¹¹²

Person & Role	Risk & Coverage	Liability Insurance Type
Automobile owner	Personal injury and/or property damage to others	Automobile liability insurance
Homeowner	Guest(s) injured on homeowner's property	Homeowner's umbrella policy liability insurance
Professional (lawyer, doctor, etc.)	Client is harmed from a service or advice that you provide and for which you are held legally liable	Professional liability insurance
Business	Customer, vendor or employee suffers bodily injury/medical expenses, property damage, legal costs and judgments, or personal injury claims such as libel and slander	General business liability insurance

Manufacturer	Consumer is harmed by use of a product	Product liability insurance
Computer/Cyber	Consumer or business is harmed by damage or loss caused by computer hardware, systems or data	Computer liability insurance
Maritime	Customer suffers loss or damage to ships, cargos or terminals	Maritime liability insurance
Event organizer	Participant or guest harmed at a special event	Special event insurance

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Types of Liability Insurance

Liability insurance is big business, particularly in the U.S. The insurance industry generated \$160 billion in premiums from non-life insurance policies in 2013, a figure that reflects revenues from auto, homeowner, professional and business liability insurance.

[https://en.wikipedia.org/wiki/Liability_insurance]

As a result, there are many providers for each type of liability insurance. In this competitive environment, policies can differ not only in rates, but also in the specifics of what a policy covers – and what it does not cover. Generally speaking, you are insured only for incidents covered by your policy and only those incidents that occur and are reported during the time you have your policy. Liability insurance is not designed to pay for damages caused intentionally. ¹¹⁹

Automotive Liability Insurance

INTRO

Most people who have a driver's license are familiar with automotive liability insurance – it is mandatory in every state in the U.S. This insurance provides financial protection for a driver who harms someone else, or his or her property, while driving a vehicle. States vary in the dollar value of mandatory coverage, and individual policyholders can purchase coverage beyond the mandatory requirement.

Automotive liability insurance covers injury or damages to third parties and their property, not to the driver or the driver's property, which is a separate insurance policy. ⁸⁹

WHAT IS COVERED

What Automotive Liability Insurance Covers

Automotive liability insurance helps pay for damage to another person's property or person when you are found to be at fault in an accident. Your automotive liability policy will break out your coverage into separate categories, each with a dollar-value limit:

Property Damage Liability: Damage to another person's property that is deemed your fault. The policyholder purchases a policy with a maximum limit on how much the insurance company will pay for property damages.

Bodily Injury Liability/per person injured: Injury to another party that requires medical attention and is determined to be your fault. The policyholder purchases a policy with a maximum limit on how much the insurance company will pay for bodily injury, defined as an amount per person.

Bodily Injury Liability/per accident: The policyholder purchases a policy with a maximum limit on how much the insurance company will pay in total for bodily injury to one or more persons.

As an example, you have an automotive liability insurance policy that has \$50,000 in property damage, \$50,000 per person in bodily injury per person, and a cap on bodily injury of \$100,000. You exit a highway ramp and hit a car with a driver and one passenger that is backing out of a driveway. You are at fault. The other party's car has \$14,000 in damages, well under your \$50,000 limit, so you are covered for Property Damage Liability. Both passengers are injured, resulting in one set of medical bills at \$12,000 and the second at \$28,000. Since each injury is under your \$50,000 and their combined medical bills are under \$100,000, you are covered for both Bodily Injury Liability/per person and Bodily Injury Liability/per accident. ²⁸²

WHAT IS NOT COVERED

What Automotive Liability Insurance Does Not Cover

Costs over your caps: Automotive liability insurance helps pay for damages to another person's property or person in an accident that is your fault, but only up to the dollar limit you purchase. If you primarily drive locally on surface streets, the minimum amount required by law may be sufficient. However, if you are a regular highway driver and are at fault in an accident, the potential costs in property damage and bodily injury of a higher-speed accident, particularly one in which there is damage to a newer car and there are multiple people injured, can exceed the amount of coverage you purchased. In that case, you may be personally liable for payment of the amounts over your coverage limit.

Costs to you and your property: Automotive liability insurance helps pay for damages to another person's property or person – but not yours. You will need a separate insurance policy to cover the costs of your vehicle and yourself. An automotive insurance policy to cover damage to your vehicle and property is called 'Collision Coverage'. A policy to cover injury to yourself and/or your passengers is called 'Medical Payments Coverage' or 'Personal Injury Protection'. You can also purchase a Comprehensive policy, which adds coverage for theft, vandalism and damage caused by weather or fire. ²²⁰

COSTS - AUTOMOTIVE

What Automotive Liability Insurance Costs

Automotive liability insurance rates are based on your vehicle, your age, the area in which you live and work, how you use the vehicle (business, pleasure,



commuting), your driving record (number of citations and tickets you've received) and your total annual mileage.

The following examples are based on a 2014 Toyota Corolla S/LE sedan in the San Francisco Bay Area, commuting 20,000 miles a year, with a clean driving record. The results are from an online search and the companies differ in terms as well as price. The amount you will pay for an auto liability insurance policy will be based on the your specific situation.

Esurance (Allstate) - **\$64** per month

Property damage limit: \$50,000, with a \$500 deductible

Bodily injury limit: \$15,000 per person, \$30,000 per incident

Uninsured motorist bodily injury limit: \$15,000 per person, \$30,000 per incident

Medical payments coverage: None

Travelers - **\$121** per month

Property damage limit: \$10,000

Bodily injury limit: \$25,000 per person, \$50,000 per incident

Uninsured motorist bodily injury limit: \$25,000 per person, \$50,000 per incident

Medical payments coverage: None

State Farm - \$51 per month

Property damage limit: \$5,000

Bodily injury limit: \$15,000 per person, \$30,000 per incident

Uninsured motorist bodily injury limit: None

Medical payments coverage: None ²¹¹

Homeowners Liability Insurance

INTRO

Homeowners Liability Insurance provides financial protection for property damage or bodily injury that others suffer on or in connection with your property. Homeowners liability insurance has two parts: Personal Liability coverage and Medical Payments coverage. Your insurance policy outlines what is covered, what is not covered (exclusions), and what you must do to initiate a claim. ⁵⁶

WHAT IS COVERED

What Homeowners Liability Insurance Covers

Personal Liability coverage: A policy that pays for damages to people injured by you or on your property. Most policies include you, members of your household and household employees. The policy comes into effect if you or one of your insured housemates is found responsible for another party's injury, or damage to his/her property. Your personal liability coverage is in effect whether you or your insured housemates are home or away. Your policy may also include legal representation, so that the insurance company pays for your legal defense in a lawsuit.

Examples of personal liability coverage incidents: your family dog bites a guest; you trim your tree and a limb smashes your neighbor's car; someone slips on the patio and winds up in the emergency room.

Medical Payments coverage: A policy that pays medical expenses of someone injured on or in connection with your property. The coverage typically covers ambulance and emergency transport, hospital charges, surgical and medical bills, X-rays and diagnostics, dental and nursing services, for a period of up to three years. Your medical payments coverage generally covers injuries that take place away from your property, as long as you, your pet, a housemate or household employee caused the injury. ²⁰⁷

WHAT IS NOT COVERED

What Automotive Liability Insurance Does Not Cover

Homeowners personal liability insurance covers incidents in which you are determined to be careless or negligent – you are not covered for injuries or damages that are intentional. Your policy will likely also include a list of circumstances that are not covered, called 'exclusions.' Typical exclusions include injuries and/or damages that are caused by your car, or that are related to your profession, including a home office. Your insurance company will require written notice of any incident, as well as any summonses, notices, or documentation related to the incident.

Medical payments coverage doesn't apply to your own medical expenses and the medical expenses of your household residents, except for your household employees. Your policy may include exclusions from coverage for certain medical procedures; check your policy carefully. ¹³³

COSTS - HOMEOWNERS

What Homeowners Liability Insurance Costs

Homeowners liability insurance rates are based on the size of your home, its age, the area in which you live, whether you have safety measures in place (fire & burglar alarms, safe appliances, LEEDs certification, etc.) and any history of property loss or damage.

The following examples are based on a 931 square foot, 1939 single-family home in the San Francisco Bay Area. The results are from an online search and the companies differ in terms as well as price. The amount you will pay for a homeowners liability insurance policy will differ, based on your specific information.

If you need more protection than your homeowners liability policy provides, you can opt for a "Personal Umbrella" liability policy that has a higher liability limit. Most insurance companies that sell homeowners liability also offer personal umbrella liability policies.



Farmers - \$68 per month

Personal liability coverage: \$100,000

Medical payments: \$1,000

Dwelling: \$267,000

Garage/separate structures: \$26,700

Loss of Use: \$106,800

Deductible: \$2500 for incidents of theft, wind or hail (“All Perils”)

Nationwide - \$65 per month

Personal liability coverage: \$100,000

Medical payments: \$1,000

Dwelling: \$279,000

Garage/separate structures: \$27,900

Loss of Use: 12-month maximum

Personal Property: \$195,300

Deductible: \$1,000 per incident, \$1,500 for wind or hail (“All Perils”)

Wells Fargo - \$55 per month

Personal liability coverage: \$100,000

Medical payments: \$1,000

Dwelling: \$185,000

Deductible: \$500 per incident for theft, wind or hail (“All Perils”) 236

Professional Liability Insurance

INTRO

Professional Liability Insurance provides financial protection for professionals and companies that provide advice and services, and are sued in a civil lawsuit with claims of damages or negligence. In most cases, the professional or company is protecting itself financially from a claim of failure to perform, an error or omission in performance, damage to the brand (advertising harm), or financial harm as a result of a product or service. Professional liability insurance typically includes coverage for legal defense, including cases that are deemed in court to be groundless.

Most medical practitioners, lawyers and their firms are required by law to carry professional liability insurance. Sometimes companies require professional liability insurance as a condition of a contract between the company and those who provide advice, services or products.

In the medical field, professional liability insurance is ‘Malpractice Insurance’. The term ‘Errors & Admissions’ insurance is used in many professions, including insurance, law, financial services, accounting, construction and real estate.

Professional liability insurance is separate from general liability insurance, which covers personal and bodily injury and property damage. 177

WHAT IS COVERED

What Professional Liability Insurance Covers

Professional liability insurance typically covers claims of negligence; misrepresentation of goods or services; inaccurate or harm-causing counsel; and violation of the 'good faith' terms of an agreement or contract. For example, a tax preparation firm or professional would need a liability insurance policy if a client claimed financial harm, alleging their tax returns were improperly prepared. ⁵⁶

WHAT IS NOT COVERED

What Professional Liability Insurance Does Not Cover

Professional liability insurance policies often differ in what is and what is not covered. Generally, policies restrict coverage to claims made during the policy period, what is called a 'claims-made' basis. If a policyholder drops coverage, even for a limited period of time, any acts that originated under the initial coverage period are invalidated. Insurance companies may offer a 'tail' provision, for an additional premium, that provides coverage specifically for events that occurred during the regular policy period but are not reported until after the policy terminates.

Professional liability insurance does not include coverage for criminal prosecution, nor does it cover defamation claims like libel and slander, breach of contract or warranty, employer liability or personal injury. In most cases, professional liability insurance does not cover data breaches and other technology issues. ¹³²

Source: https://en.wikipedia.org/wiki/Professional_liability_insurance

COSTS - PROFESSIONAL

What Professional Liability Insurance Costs

Professional liability insurance rates are based on your profession, the state in which you work/are headquartered, and the specific areas of coverage you choose. Your choices will likely include: claims of negligence, alleged damages and legal defense costs.

The following examples are based on a marketing consulting company in the San Francisco Bay Area. These E&O policies, which includes legal defense, cover negligence, damages, brand damage/libel & slander, copyright infringement and punitive damages caused by officers, staff or temporary or contract employees. The quotes do not include general business liability insurance.

GEICO - \$51 per month

Negligence: \$250,000

Punitive damages: \$250,000

Copyright infringement: \$200,000

Aggregate limit: \$1,000,000

Deductible: \$500 per incident

Progressive - \$50 per month

Negligence: \$250,000



Punitive damages: \$250,000
Copyright infringement: \$200,000
Aggregate limit: \$1,000,000
Deductible: \$500 per incident

Insureon - \$62 per month
Negligence: \$250,000
Punitive damages: \$250,000
Copyright infringement: \$200,000
Aggregate limit: \$1,000,000
Deductible: \$500 per incident

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Business Liability Insurance

INTRO

Business Liability Insurance provides financial protection in the event of a lawsuit or third-party claim of physical injury or property damages caused by you, your employees or your business operations. Business liability insurance is also called 'Business General Liability' (GL) or 'Commercial General Liability' (CGL) insurance.

In some industries, like construction, business contracts often require liability insurance coverage. Businesses in these higher-risk categories may choose to add vendors and subcontractors to their liability policy for the duration of a contract. ⁸⁰

WHAT IS COVERED

What Business Liability Insurance Covers

Business liability insurance typically covers claims of physical injury, including medical bills; damages to property; and harm from false or misleading advertising. Business liability insurance covers the cost of legal defense and, if a firm is successfully sued, any settlement or award like compensatory damages, nonmonetary losses and punitive damages.

<https://www.sba.gov/blogs/general-business-liability-insurance-how-it-works-and-what-coverage-right-you>

Even as a corporation or an LLC, a business owner may be financially liable for claims.

If a business already has professional liability or business owner insurance, the business should structure its business liability insurance policy to avoid costly duplications. ⁹⁵

<http://www.investopedia.com/terms/b/business-liability-insurance.asp>

WHAT IS NOT COVERED

What Business Liability Insurance Does Not Cover

General business liability insurance does not cover property, workers' compensation or state disability, which are separate types of insurance coverage that may be required by state or federal law. Certain types of businesses may be

legally or contractually required to purchase specialized forms of business liability coverage, such as those that serve alcohol (alcohol liability insurance), work with or produce toxic materials (environmental and pollution liability insurance) or manufacture products (product liability insurance).

Optional Business Liability Insurance	Coverage	Businesses that Should Consider this Insurance
Errors and Omissions (E&O)	Negligent acts, errors and/or omissions in performance, losses sustained due to counsel and advice. May include coverage for legal costs for a suit eventually deemed groundless	Retailers, product or services companies, and any business that retains consumer credit/debit card information
Employment Practices (EPLI)	Illegal discrimination, wrongful termination, sexual harassment, and employment-related allegations. Policies may include benefits mismanagement, including health insurance	Any business with employees
Not-for-Profit	A form of Employment Practices insurance specifically for officers and directors of nonprofits	Nonprofit organizations
Technology/Cyber	Legal fees, court-ordered judgments or settlements, and other court-mandated costs related to a data breach or harm from use of computer equipment or services	Any business that uses computers as an essential part of their services or product offerings
Liquor liability	Bodily injury and/or damage to property as a consequence of intoxicated patrons	Bars, restaurants, nightclubs, liquor stores and other businesses that serve or sell liquor
Product liability	Bodily injury and/or damage to property as a result of defects in a product a business makes, sells or distributes	Manufacturing companies
Environmental Impairment	Bodily injury and/or damage to property caused by pollution, including expenses of remediation to remove, dispose and monitor the pollutant(s)	Real estate developers, construction companies, energy and chemical firms
Pollution	Similar to Environmental Impairment, this policy covers costs of remediation on a non-admitted basis	Manufacturers, mining and energy companies, chemical and pharmaceutical firms, golf courses
Special events	Bodily injury and/or damage to property as a result of actions take by staff or vendors at an event; often a one-day or short-term policy	Special event management firms, caterers, event venues

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COSTS - BUSINESS

What Professional Liability Insurance Costs

Business liability insurance rates are based on the type of business, the state (settlements are much higher in some states than others), the specific areas of coverage you choose and the financial caps on coverage. For businesses that



have higher-risk operations, insurance companies typically offer ‘Excess’ or ‘Umbrella’ policies that provide higher financial caps, for an additional premium.

The following examples are based on a real estate agency in the San Francisco Bay Area. These policies include legal defense and cover claims of bodily injury and medical expenses, damage to someone else’s property, libel and slander, copyright infringement and punitive damages based on actions by officers, staff or temporary or contract employees.

HISCOX - \$29 per month
Occurrence limit: \$1,000,000
Deductible: \$0

Nationwide - \$32 per month
Occurrence limit: \$1,000,000
Deductible: \$500

GEICO/HISCOX - \$30 per month
Occurrence limit: \$1,000,000
Deductible: \$0

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A Tricky Decision for Businesses: Occurrence vs. Claims-Made Policies

Businesses purchase liability insurance to provide financial protection against lawsuits. Most insurance companies offer policies on an “Occurrence” basis, meaning they agree to cover claims made and/or reported during the time in which an insurance policy is in effect. Policies that are based on occurrences limited to the policy period are called “claims-made” policies.

However, a business may face a lawsuit concerning an incident that occurred prior to the policy period. If the business has a policy on an occurrence basis, the insurance company is not required to cover the claim. A second possible scenario is that an incident occurs wherein a customer is injured or property is damaged, but the injured party does not choose to file a lawsuit – not yet. The fact of the incident creates a business risk that the injured party may file a lawsuit sometime in the future, at a time when the business may or may not have liability insurance. These are called “long tail” claims, in insurance jargon.

As a result, many businesses now routinely report incidents to their insurance carrier as potential claims, even if the incident has not generated a lawsuit. The upside of this practice is that it protects the business from lawsuits at a future date, since the potential claim has been registered with the insurance carrier. The downside of this practice is that it can increase the business’s insurance premium.

A second problem with reporting a potential claim arises when a business seeks to change its insurance provider. Once the business makes a change, the original provider will no longer be required to cover the claim; and the new provider will likely be reluctant to cover claims from a prior period. If it does, the new carrier is likely to charge a premium price for the coverage.

One potential strategy for businesses facing high liability insurance costs is to negotiate a policy with a deductible, which can lead to a lower insurance premium. This approach is called Self-Insured Retention (SIR). With SIR, the business pays out-of-pocket for smaller claims, and retains the insurance company for larger claims. ³⁵⁸

https://en.wikipedia.org/wiki/Liability_insurance

Where to Buy Liability Insurance

There are more than 2,700 liability insurance providers in the U.S. – but 25 insurance companies provide more than 50 percent of all the business. Most people are familiar with the biggest brands, which include Allstate, State Farm, GEICO, Nationwide, Progressive, Liberty Mutual and Prudential.

The large number of providers is explained by the industry practice of independent insurance agencies that represent multiple insurance providers, and a newer phenomenon of online services ('aggregators') that offer quick quotes. These independent companies get a 'trade discount' from the large insurance companies and thus are able to provide competitive prices.

For any type of liability insurance –auto, homeowner, professional, and business– a consumer can get a quote within a matter of minutes, or with independent agents, within a day. The more pressing need for the purchaser is to carefully assess the value of one's possessions, the cost to replace it, and the likelihood of an incident that puts those possessions at risk. With that information in hand, you will be able to get an insurance policy that best suits your needs. ¹⁸¹

Reader Resources

Automotive Liability insurance

[A Beginner's guide to buying car insurance](#)

{CBS logo} The ABC's of car insurance, with key insurance terms defined.

[Shopping for Automobile Insurance](#)

{Illinois icon/logo} Published by the Illinois Dept. of Insurance, but offers information and advice applicable to automobile owners in every state.

[10 Things You Should Know About Buying Auto Insurance](#)[10 Things You Should Know About Buying Auto Insurance](#)

National Association of Insurance Commissioners tells you where and how to shop for auto liability insurance, including smart tips about discounts and optional coverage.

Homeowners Liability Insurance

[The Basics of Buying Homeowners Insurance](#)

{Kiplinger logo} How homeowners liability insurance works, what to include in a policy, and how to get a good deal.

[Tips for Buying Homeowners Insurance](#)

{Bankrate logo} Smart advice of what to look for in a homeowners policy, and what may not be included unless you ask for it.

[12 Ways to Lower Your Homeowners Insurance Costs](#)

{Ill Icon/logo} The price you pay for your homeowners insurance can vary by hundreds of dollars. Learn 12 things to consider when buying homeowners insurance.

Professional Liability Insurance

[Decision-Making Tips for Buying Professional Insurance](#)

{AIA Trust logo} What to look for in a professional liability policy and what coverage differences there are with different carriers, complete with a comparison guide.

[Medical Liability Insurance Shopping Guide](#)

{Texas icon/logo} Published by the Texas Dept. of Insurance, but offers helpful shopping advice for medical professionals in all states.

[Guide to Purchasing Lawyer's Professional Liability Insurance](#)

The Virginia State Bar Association's tips on how to compare policies, what are must-haves and what are options are pricey.

Business Liability Insurance

[How to Buy the Right Business Insurance](#)

{Inc. magazine logo} A soup-to-nuts look at the need for business liability insurance, with info on buying employment practice liability, property insurance, workers' comp and other coverage.

[Five Tips for Buying Business Insurance](#)

{SBA icon/logo} Steps to assess what types of insurance are best for a business, and how to secure coverage to provide adequate protection and minimize risks.

[4 Key Tips When Buying Business Insurance](#)

{The Self Employed logo} For the self-employed, risk has a personal financial dimension. This is a guide to making sure you are properly covered.

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Fun Facts About Liability Insurance

1.5 million damaged deer: Collisions between deer and automobiles each year, which results in more than \$1 billion in vehicle damage. Source: Insurance Institute for Highway Safety

1 out of 3 dog bites: Dog bites account for more than one-third of all homeowner insurance liability claim dollars. Source: Insurance Information Institute

1 out of 800 relatives: 1 out of 800 homeowner liability insurance claims are a family member or relative claim against another family member. Source: Insurance Information Institute

Good ol' Ben: In 1752, Ben Franklin started the first modern insurance company in the U.S., called the "Philadelphia Contributorship for the Insurance of Houses from Loss by Fire." The company is still in operation today. Source: Business Insurers of the Carolinas

Billions for a Big Blow: One of the largest insurance payouts in history followed the eruption of a volcano in Iceland, leading to a payout of \$3.4 billion. Source: Business Insurers of the Carolinas

Saving Private Spielberg: American film director Steven Spielberg is insured for \$1.2 billion. Source: Kafolat Insurance

Pop the Question and Save: Married drivers have fewer accidents, so pay lower car insurance premiums. Source: CheapInsurance.com
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Sources:

<https://www.trustedchoice.com/business-insurance/compare-coverage/cost/>

<http://www.iii.org/insurance-topics/features/facts-and-statistics>

<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1255954/>

<http://www.calbar.ca.gov/Attorneys/MemberServices/LawOfficeManagement/InsurancePrograms.aspx>

<https://www.sba.gov/blogs/general-business-liability-insurance-how-it-works-and-what-coverage-right-you>

https://en.wikipedia.org/wiki/Liability_insurance

https://en.wikipedia.org/wiki/Professional_liability_insurance

<http://www.investopedia.com/terms/b/business-liability-insurance.asp>
