

In The News

Commercial General Liability Insurance Guide: Everything You Need to Know

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CO - U.S. Chamber of Commerce

Shareholder Mike Huddleston was featured in a recent article by the CO - U.S. Chamber of Commerce. The article discusses the importance of commercial general liability insurance for businesses small and large, covering instances that relate to property damage, bodily injury, and legal advertising discrepancies.

"Because the coverage is so broad, CGL policies often provide for defense costs and attorney's fees, even if some of the claims aren't covered. We all know attorney's fees for defending a case are a potentially crippling expense. So, the CGL offers very good practical attorney's fee coverage, too," said Michael Huddleston, attorney at Munsch Hardt. "

The full article can also be viewed below or by clicking [here](#).

Commercial general liability insurance is a necessity for businesses small and large, covering instances that relate to property damage, bodily injury, and legal advertising discrepancies.

It's a rainy, cold morning, but the weather doesn't prevent your regulars from buying their favorite coffee and pastries inside your convenience store. You try to frequently mop the floor dry, which is continually slick from the heavy foot traffic, but a customer slips, falls and breaks her arm.

Before long, she's filed a costly injury claim against your establishment. Fortunately, you've got commercial general liability (CGL) insurance, and the claim doesn't cost you a dime.

Even if your business isn't one that requires interaction with clients, it doesn't mean you can get by without a CGL policy. In fact, many small business owners underestimate or don't fully understand CGL insurance, which can be detrimental to a company's survival. **[For a full list of all insurance types your business needs check out our business insurance guide.]**

The basics of CGL insurance coverage

CGL insurance covers several types of incidents, which is why businesses of all types and sizes should seriously consider enrolling in coverage.

Bodily injuries and property damage. First, it protects you from claims involving bodily injury or property damage incurred by a third party (i.e., a client, visitor or bystander in the area) who is not associated or affiliated with you or your company.

For example, say you have a tree-trimming business. You're hired by a homeowner to remove some overgrown branches. One of the large limbs falls, damaging your customer's roof. Your CGL insurance will cover that cost.

Personal and advertising injury. CGL insurance also safeguards against personal injury (i.e., slander, libel, copyright infringement, wrongful eviction and advertising infringement) and advertising injury (such as losses and reputation damage suffered by a competitor that you criticize in an advertisement).

Suppose a rival company sues you, claiming that you stole its idea for a new product or service you recently rolled out. The case goes to court and you're found innocent, but the legal costs involved are steep.

Attorney fees. CGL will also cover your legal fees. "Because the coverage is so broad, CGL policies often provide for defense costs and attorney's fees, even if some of the claims aren't covered. We all know attorney's fees for defending a case are a potentially crippling expense. So, the CGL offers very good practical attorney's fee coverage, too," said Michael Huddleston, attorney at Munsch Hardt.

How much does CGL insurance cost?

CGL coverage is more affordable than many business owners assume. Premiums typically average less than \$800 a year, and only around 13% of small businesses pay over \$1,000 annually.

"You need to price your products or services high enough to cover the cost of insurance. Remember that it gives customers peace of mind if a loss happens, and it enhances your business' reputation if you market and announce that you are properly insured," said Julie Jakubek, owner of an Allstate agency.

That's why she recommends at least \$1 million in liability coverage — which is the standard in the insurance industry, yet doesn't cost much more than \$300,000 of liability coverage. "If your sales are over \$500,000, then higher coverage amounts should be purchased," Jakubek said. "If you need more, a separate business umbrella policy will provide extra liability coverage over the main policy."

While CGL coverage can be purchased alone, note that it's often bundled into a business owners policy (BOP), which usually includes business personal property, business interruption, and liability coverage in one policy that may be collectively more affordable than purchasing these coverages separately.

While the law does not require business owners to buy CGL insurance, many clients and vendors may stipulate in their contracts with you that you have this coverage in place.

The cost of not having CGL insurance

Jesse Zook, small business owner of MaidPro Southeast Pennsylvania, explains the moral of the story.

"Not having appropriate general liability coverage exposes your business to catastrophic losses that can potentially end your business. Sure, your firm may be protected from personal financial losses by virtue of the fact that your incorporation limits liability, but your investment in the business and company assets are still at risk," said Zook.

If you're a startup or small company, you may think you don't have much to lose and the cost isn't worth it. "However, the cost of CGL insurance scales with the size of your business and will likely be inexpensive for an early-stage company," Zook added.

Don't expect an all-inclusive insurance solution

A common mistake many small companies make is assuming their CGL policy is an all-encompassing shield.

Many small business owners also find out the hard way that CGL doesn't apply to themselves or their workers, including instances such as

- injuries sustained while on the job;
- automobile accidents;
- property damage and theft;
- pollution damage;
- sexual harassment and discrimination; and
- negligence.

"Injuries to employees are covered by a workers' compensation policy, not the CGL," Huddleston said. "Automobile-related claims—including negligent entrustment—would be covered instead by a commercial automobile policy.

Similarly, damage to or theft of your own property would be covered by a commercial property policy, not a CGL policy. CGL policies also exclude purely economic losses, professional liability claims, and pollution claims—like if a toxic substance from your product causes bodily injury to a consumer. Also, employment practices coverage is not provided, which excludes, for example, claims of sexual harassment and discrimination," Huddleston said.

CGL won't insulate you against professional errors or neglect, either; you'll need professional liability coverage for those risks.

Also, you may need separate care, custody and control coverage. "Imagine you're an interior decorator who's holding a client's expensive vase, but drops it. It may not be covered, since the vase was in your care, custody and control," said Jakubek. "But if you trip over a cord and the vase breaks because of that, CGL would likely cover it."

CO— aims to bring you inspiration from leading respected experts. However, before making any business decision, you should consult a professional who can advise you based on your individual situation.

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