

Business Questions and Answers

My commercial general liability insurance policy is auditable. What does that mean? Many commercial general liability insurance premiums are based on “exposure.” If you are a contractor, your “exposure” could be the annual payroll for you and your employees. If you are a retail store, your “exposure” could be your annual gross sales. Insurance carriers base your “deposit” or “estimated” commercial general liability premium on a rate that is multiplied by your estimated “exposure.”

At the end of the policy period, the Insurance carrier will have a representative contact you for your actual “exposure.” The carrier will then calculate your final premium using the actual payroll, or actual gross sales for the year. This is the audit. It is very important to keep accurate accounting records to be able to justify your “exposure.” This also helps give you the ability to provide your insurance agent with proper figures to accurately rate your commercial general liability premium.

My employees use their personal vehicles in my business. If an employee has an accident while using his or her own personal vehicle for my business, am I covered under my business auto policy? No. A commercial auto policy does not automatically cover this exposure. However, coverage can be designed to cover it. Please talk to your agent about how to cover these situations.

What does “hired auto” cover? It covers the use and control of a vehicle which has been temporarily given to another for a charge. The business auto definition, however, includes autos borrowed except those borrowed from employees or partners.

Does my existing commercial insurance program provide coverage for a detached sign? Generally not. Discuss with your agent the value and locations of any signs so that proper coverage can be arranged.

Do I need to notify my agent when my building is unoccupied or vacant? Yes, and do it immediately so coverage implication can be discussed and options explored. The vacancy provision is a property insurance policy provision found in most commercial property policies that severely restricts coverage in connection with buildings that have been vacant for a specified number of days (typically 60 days). Some forms also restrict coverage in connection with buildings that have been unoccupied for a specified number of days. You may be able to add a “vacancy permit endorsement” that suspends some or all of the coverage restrictions that apply to buildings that have been vacant for more than a specified period of time.

What is a waiver of subrogation clause? The relinquishment by an insurer of the right to collect from another party for damages paid on behalf of the insured. The waiver of subrogation condition in current liability policies is referred to as “transfer of rights of recovery.”

What is a certificate of insurance? This is sometimes referred to as proof of insurance or evidence of insurance. A certificate is a “still photo” or picture of the insured’s insurance at a certain point in time. It reflects only the coverages and limits that were in effect on the day the certificate was issued.

What is a retroactive date? A provision found in many claims-made policies that eliminates coverage for injuries or damage that occurred prior to a specified date even if the claim is first made during the policy period.

I’m going to entertain a few important clients at our office. Will I be covered if I serve wine and beer? Yes, your commercial general liability policy will cover you in this event as long as you are not in the business of selling or distributing alcoholic beverages.

I recently found out that one of my employees has been stealing money from the cash register once a week at closing. Do I have coverage for this? Not all policies are the same, but generally to have coverage for this type of loss you must have an employee dishonesty endorsement on your policy.

Will my General Liability policy provide coverage if I am sued by an employee for discrimination or wrongful termination? The majority of state courts have ruled that emotional distress without physical cause or injury is not covered under a Commercial General Liability policy. Rarely do employment liability cases involve physical injury unless it is assault and battery, in which case the criminal acts exclusion would apply. Unless the injury is one of the specifically identified offenses defined as “Personal Injury” (libel, slander, defamation, false arrest, detention or imprisonment, malicious prosecution, wrongful entry or eviction) your General Liability policy would not provide coverage. The solution to this would be to purchase Employment Practices Liability coverage.