

Can more paper mean less insurance coverage?

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There is an old adage in the insurance world that the thicker the policy, the less coverage it contains. While it sounds counterintuitive, the industry's Commercial General Liability Policy Form which is all but universal, pretty much covers everything - unless it is specifically excluded.

The standard policy form provisions have evolved over the years as they adapted to the changing legal environment. The result is a policy that is predictable to insurers who offer the policy, and acceptable to most customers who buy it.

However, some insurers chip away at the standard form's coverage by adding "more paper" in the form of exclusions and endorsements. This additional "bulk" almost always takes away coverage rather than enhances it. Even endorsements labeled "additional coverage" more often than not are actually veiled attempts to restrict the breadth of the policy.

Some additional exclusions have become standard on policies and are nearly impossible to have removed, such as "silica dust" or "mold" exclusions. But there are several endorsements insurers commonly employ that property owner/managers should avoid if at all possible.

- * Designated Premises Endorsement. This endorsement can be problematic if your operations extend beyond the renting of apartments to tenants or space to commercial tenants.

- * Punitive Damages Exclusion. Not all jurisdictions allow you to insure these types of damages, but your policy should respond wherever it is legal to do so.

- * Construction Operations Exclusion (particularly for habitational risks). Have your insurance professional try to narrow the scope of a construction operations exclusion as much as possible.

- * Abuse or Molestation Exclusion. Most "abuse and molestation" exclusions exclude coverage for ANY abuse or molestation committed by ANYONE, not just your employees, leaving your organization without coverage.

- * Amended Pollution Exclusions. Make sure that your pollution exclusion provides at least the coverage provided by the standard form - with hostile fire and building HVAC systems exceptions.

If your general liability policy contains one or more of these exclusions, you should talk to your insurance agent, broker or consultant to find out why; and explore ways to "make the policy thinner!"

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