

## LIABILITY INSURANCE: WHAT SHOULD BE COVERED?

### SUMMARY

Conducting a business of any kind and using owned or rented premises for business purposes exposes businessmen and women to damage claims arising out of charges of negligence. Even small claims may be troublesome and expensive to handle, and, in the case of serious accidents, the resulting judgments can be enormous.

In order to protect your business from potential liability for the many hazards confronting you, you must understand the many types of insurance available and how they relate to your operation. In addition to outlining some of the more popular insurance coverages in the metalworking industry, this BMA stresses the need to frequently review your insurance needs with a trained expert to guarantee that you are adequately covered for potential risks and are paying fair premiums.

#### GENERAL LIABILITY INSURANCE

The term "General Liability Insurance" embraces all kinds of insurance which provide protection against damage claims, with two main exceptions: claims arising out of the use of automobiles and claims by employees. The former are covered by your automobile liability policy and the latter by Workers' Compensation Insurance.

General Liability insurance is usually considered in two parts: bodily injury, which covers claims for the accidental injury or death of persons (other than employees), and property damage, which covers accidental injury to the property of others.

Medical payments coverage may be included as part of your general liability policy, also, to protect you against claims for medical bills of outsiders injured in your plant.

#### MANUFACTURERS' AND CONTRACTORS' LIABILITY POLICY

The basic liability coverages may be obtained through the Manufacturers' and Contractors' Liability Policy. This will insure against liability for accidents occurring on your business premises. Since the exposure varies with the amount of activity, the size of your premium will depend on the size of your payroll.

#### FIRE LEGAL LIABILITY COVERAGE

If you are in a rented building, you will, of course, carry no fire insurance on the building. However, you may want to include Fire Legal Liability Coverage in your general liability policy, which would protect you against claims by the landlord's insurance company for damages to the portion of the building occupied by you as a result of your proved negligence.

#### PRODUCTS LIABILITY INSURANCE

It is not unusual to find an exclusion for products liability in your basic liability policy. The legal liability of a tooling and machining company executive does not end when the tool, die or machine has been delivered to the customer. Accidents resulting from defects, and innumerable other hazards which may exist, can give rise to costly law suits later. Protection against these liability hazards is obtainable through Products Liability Coverage. The usual method of coverage is to combine the Manufacturers' and Contractors' coverage and the Products coverage into a single Comprehensive General Liability Policy.

Generally tool, die, precision machining and special machine building companies are not subject to product liability if they "build to print" or if they require their customer to sign-off on each engineering change during the build process. Even in this instance however, the owner should carry cost of defense insurance since plaintiff lawyers normally name everyone in the chain of production.

## **AIRPLANES AND BOATS**

Another standard exclusion in the basic liability policy is the potential liability for death or injury sustained by persons being entertained on your boats or being flown in your plane. Coverages for these risks are obtainable under separate policies.

## **SELECTION OF LIABILITY COVERAGES**

To provide proper liability protection it is usually necessary to combine the basic coverage of the premises with one or more of the other forms of insurance and to select suitable limits of liability for both bodily injury and property damage in each case. Each owner should know the various exclusions in his or her basic policy and consider covering those exclusions that relate to his or her operation.

## **AUTOMOBILE LIABILITY INSURANCE**

The basic provisions of the automobile liability policy are very similar to those of general liability policies, except, of course, that they apply only to auto accidents. As an employer, you may be held liable in accidents in which employees are involved. Therefore, this insurance should apply to an automobile not only when it is driven by the insured but also when it is operated by employees who are using it in connection with the insured's business.

As in the case of general liability insurance, claims by your employees for injuries sustained in an auto accident while on company business are excluded from coverage because of the protection under Workers' Compensation Insurance.

If employees use their cars in connection with your business, you should consider taking out non-ownership coverage, since you may be held liable for accidents in which your employees are involved. If you use rented autos in your business, you can obtain a special coverage for them, too. This may be purchased either on a specified automobile basis - you will pay the same rate as if you owned the car - or on the cost-of-hire basis, under which the rate depends on the rental cost.

## **WORKERS' COMPENSATION INSURANCE**

Employees are protected against loss resulting from job-connected accidents and, in most cases, against loss from specified kinds of occupational illnesses through Workers' Compensation Insurance which the employer is compelled to carry, generally, by state law.

All of these above mentioned coverages are available from NTMA. If you are interested in a quote call us at 1-800-248-NTMA.

## **ACCIDENT AND HEALTH INSURANCE**

It has been noted that Workers' Compensation protects an employee against financial loss resulting from job-connected injuries and often from loss due to occupational disease. Nevertheless, it offers no protection against injuries which occur off the job or against illness not directly resulting from employment. To fill this gap for the employee, accident and health insurance is available through the NTMA Group Insurance Trust. The Basic NTMA Plan provides Life insurance, Accidental Death and Dismemberment insurance (similar to double indemnity coverage) and Weekly Accident and Sickness Benefit. NTMA's Optional Plan, which may be added to the Basic Plan, provides hospitalization, surgical, medical and maternity benefits, and is available for dependents as well as employees. Because substantial dividends are common to Association group insurance plans, since there is a greater spread of risk and a minimum of administrative expense, excellent opportunity is available to the NTMA member for savings in premiums if there is the desire to provide this type of coverage for both employee and employer.

**This BMA was reviewed by NTMA Staff.**