



Commercial Insurance - Why Safety Professionals Should Understand the Basics

APRIL 2024

The Cost of Risk

- **Insurance Premiums:** This represents the upfront cost of insurance coverage, reflecting the immediate financial investment made to transfer specific risks to an insurance carrier.
- **Retained Losses:** Comprising costs borne by businesses, such as deductibles, self-insured losses, or expenses not covered by insurance.
- **Loss Control Costs:** Emphasizing the adage "prevention is better than cure," this component includes **investments in safety measures, training, and technologies designed to reduce the frequency and severity of losses.**
- **Administrative Costs:** Managing risk involves various administrative tasks, such as claims processing, risk assessments, and compliance efforts.
- **Indirect Costs:** Often hidden, these are expenses that result from risk events, such as business interruption, reputational damage, or employee productivity loss.

The Importance of the Safety Professional

“Having an experienced safety professional on board not only ensures that hazards are identified, but also that employees have the knowledge and resources they need to work safely. Additionally, businesses can enjoy the benefits of better productivity, reduced turnover rates, **and lower insurance premiums.**”

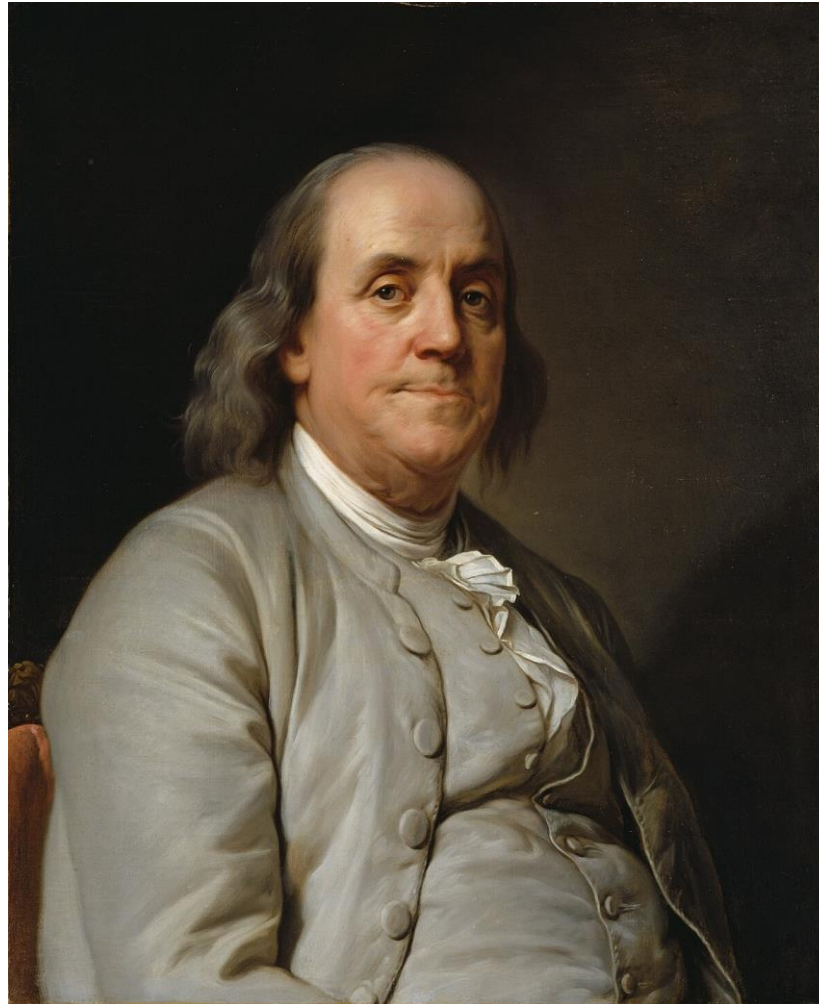
The Purpose of Today's Session

Is to explain the basics of commercial insurance and the impact that Safety and Loss Control has on the Cost of Risk.

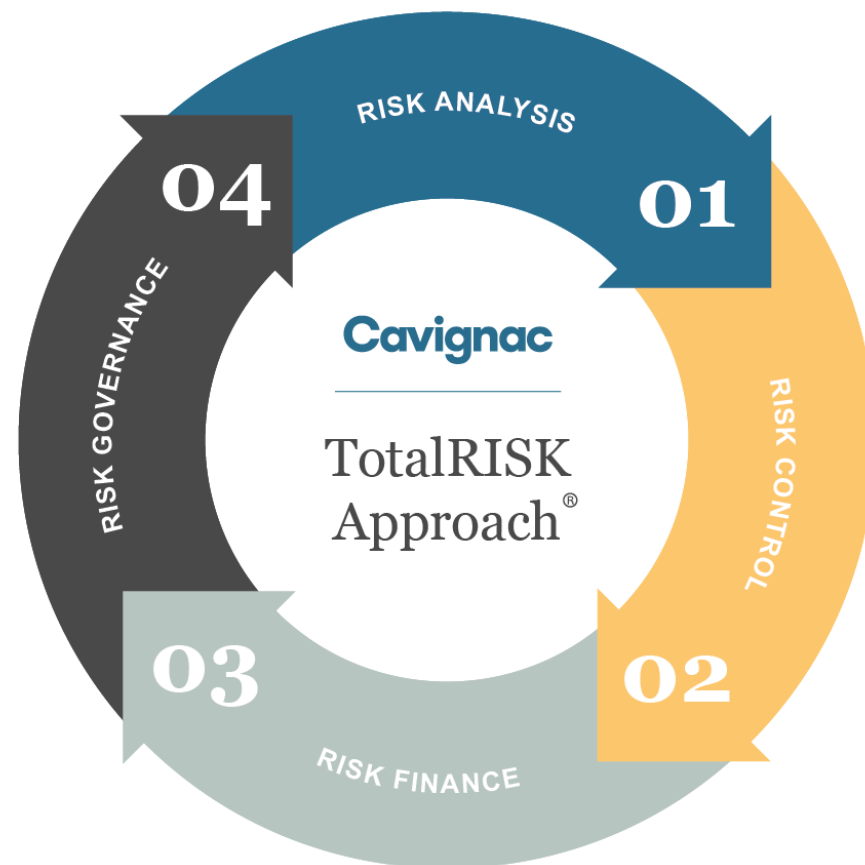
What is Insurance?



Philadelphia Contributionship for the Insurance of Houses from Loss by Fire 1752



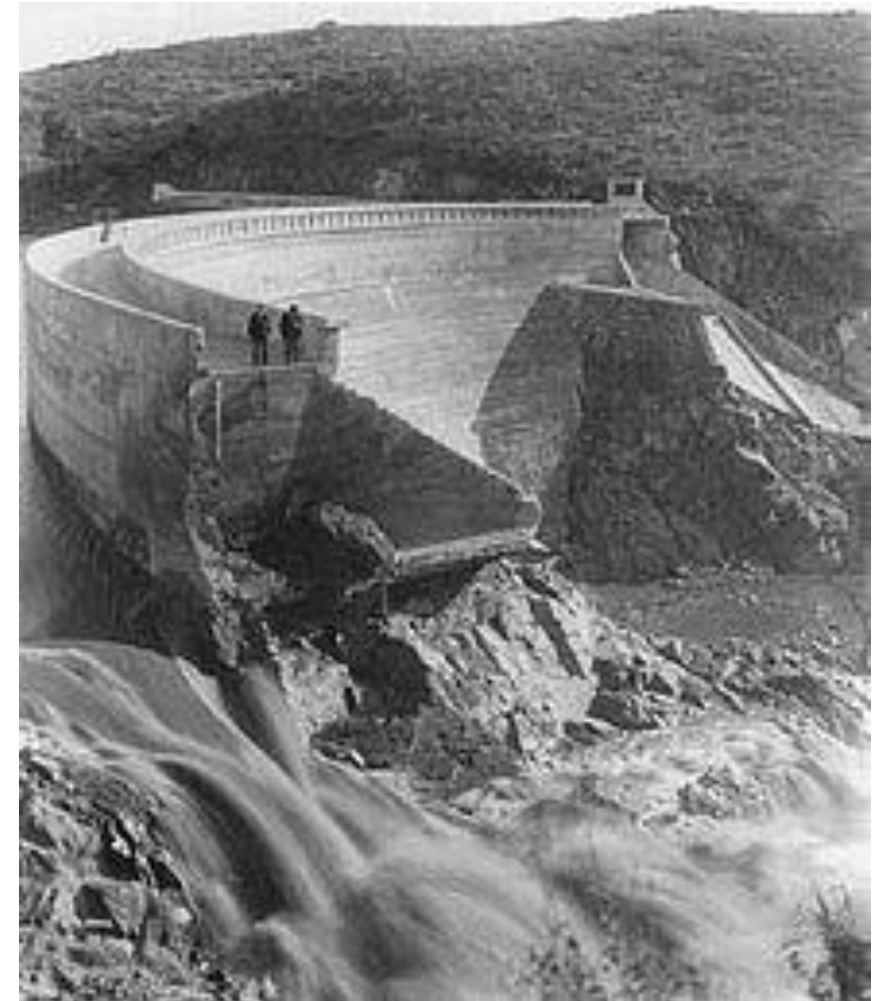
The Risk Management Process



Lines of Coverage

- General Liability
- Auto Liability and Physical Damage
- Workers' Compensation
- Excess/Umbrella Liability
- Property Insurance
- Professional Liability
- Pollution Liability
- Cyber
- Employment Practices
- Sexual Abuse and Molestation (SAM)

General Liability Insurance



General Liability Insurance

Protects an insured from its legal liability arising out of its operations that results in either bodily injury or tangible property damage to a third party.

Additional Insured

An entity which is added to another's insurance policy. This can be done on a blanket basis or be individually endorsed.

Primary and Non-Contributory Requirements

Oftentimes an upstream party will want the downstream parties' insurance to be primary to and not require contribution from the upstream parties' insurance.

Waiver of Subrogation

- Waiver of Subrogation Endorsements preclude an insurance company that pays a claim from subrogating against who they believe may be at fault.
- The Subcontractor agrees to name the Contractor and the Owner as **additional insured** on form(s) that are, or equivalent to, the combination of forms CG2010 and CG2037 07/04 , and be attached to the Certificate of Insurance. The policy shall stipulate that the insurance afforded the additional insured shall apply as **primary** insurance and that any other insurance carried by the Contractor or Owner will be excess only and **will not contribute** with this insurance. A **Waiver of Subrogation** in favor of the Contractor shall be required.

Automobile Liability and Physical Damage



Automobile Liability and Physical Damage

- Automobile Liability Insurance protects the driver and/or the owner of the vehicle from third-party liability arising out of the use of the vehicle.
- Automobile Physical Damage Insurance covers the cost to repair or replace the vehicle capped by its actual cash value.

Workers' Compensation Insurance



Workers' Compensation Insurance



Workers' Compensation Insurance



Workers' Compensation Insurance

Provides coverage for employees who suffer injuries arising out of, or in the course of, their employment. Workers' Compensation is intended to be an exclusive remedy for the employee.

Excess or Umbrella Liability

Provides limits in excess of underlying insurance policies. Typically an excess will sit on top of general liability, auto liability and employers' liability.

Fire



Property Insurance

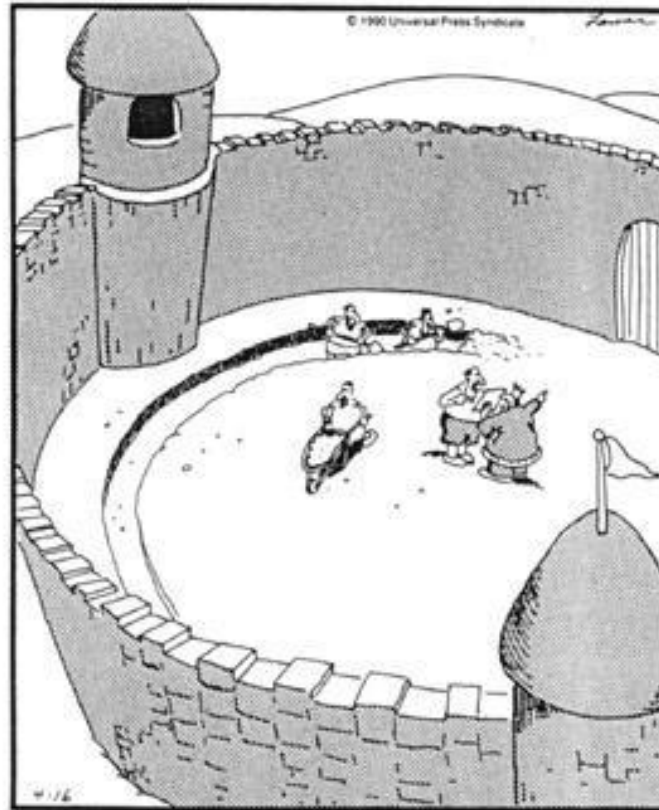
Covers damage to property caused by a covered peril

- Real Property
- Personal Property
- Equipment Floater (Inland Marine)
- Business Interruption and Extra Expense

Professional Liability Insurance

THE FAR SIDE

By GARY LARSON



**Suddenly, a heated exchange took place
between the king and the moat contractor.**

Professional Liability Insurance

A liability policy that provides coverage for damages caused by errors or omissions when providing professional services.

Pollution Liability Insurance

Also known as Environmental Impairment Liability (EIL) Insurance, this policy covers liability and often cleanup costs arising out of a pollution event.

Cyber Insurance

Provides first and third-party coverages for damages arising out of cyber-related events

Employment Practices Liability Insurance

Covers an employer for allegations and lawsuits alleging wrongful termination, harassment and discrimination

Sexual Abuse and Molestation (SAM)

Often required by school districts, protects an insured for allegations that someone from their company abused or molested a third-party



QUESTIONS?



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