

# INSURANCE BASICS FOR DESIGNERS - WHAT DO I NEED?!

Presented by:


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**PLC INSURANCE**

Insurance for what you value most

# ADMITTED VS. NON-ADMITTED INSURERS

- Admitted (Standard Market)
    - Required to follow State regulations and reports to State Insurance Commissioner
    - Insurers are backed by State Insurance Fund should insolvency occur
    - Rates, practices, advertisements and cash reserves are regulated and Insurers are prohibited from deviating or modifying any business decisions without State approval
  - Non- Admitted (Surplus Market/E&S)
    - Typically for harder to cover risks
    - Not regulated by any authority
    - No protection if Insurer becomes insolvent
- 

# ADMITTED VS. NON-ADMITTED INSURERS

- How do I know what type of company I'm with?!
  - You can look up any **Admitted Insurer** via the WA State Insurance Commission website.
    - <https://www.insurance.wa.gov/consumertoolkit/search.aspx>

## LIBERTY MUTUAL INSURANCE COMPANY

[Licensing](#) | [Appointments](#) | [Complaints](#) | [Orders](#) | [National Info](#) | [Ratings](#) | [Tax Filings](#)

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### General information

**Name:** LIBERTY MUTUAL INSURANCE COMPANY  
**Corporate family group:** [LIBERTY MUT GRP](#) ⓘ  
**Organization type:** PROPERTY

**WAOIC:** 733  
**NAIC:** 23043

**Status:** ACTIVE  
**Admitted date:** 10/30/1933  
**Ownership type:** STOCK

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### Contact information

<b>Registered address</b> 175 BERKELEY ST BOSTON, MA 02117	<b>Mailing address</b> 100 LIBERTY WAY DOVER, NH 03820
<b>Telephone</b> 617-357-9500	<b>Telephone</b> 617-357-9500

### Types of coverage authorized to sell ⓘ

Insurance types
Casualty
Marine
Ocean Marine
Property
Surety
Vehicle

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# OCCURRENCE VS. CLAIMS MADE

## ○ Occurrence Form

- Typical for Admitted and Standard Market Insurers
- Protects against covered losses as long as the policy was in force **when the bodily injury or property damage occurred**
- Coverage is not jeopardized if the policy is cancelled or not renewed

## ○ Claims-Made Form

- Typically included with Non-Admitted/E&S Insurers
  - For a claim to be covered, the **claim must be filed against the policyholder during the term of the policy**
  - No coverage for claims after policy expires, cancels or is not renewed.
  - Coverage gap can be bridged by purchasing an Extended Reporting Period, or Tail Coverage to allow for claims to be filed after policy expiration.
    - Very expensive, typically 300% of the Annual Premium
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# OCCURRENCE VS. CLAIMS MADE

## ○ Claims-Made Example

- Tracy owns Tasty Treats, a coffee shop.
- One day, a customer named Bill slips and falls in Tracy's cafe. When a waitress tries to help, Bill says he is alright and leaves the restaurant. Nine months later Tracy receives notice of a lawsuit. Bill is suing her business for Bodily Injury.
- Bill's accident occurred on **11/5/15**. At the time of the accident, Tasty Treats was insured under a Claims Made General Liability Policy that ran from 1/1/15 to 1/1/16. When her policy expired, Tracy replaced it with a difference Insurer's policy that began on 1/1/16.
- Tracy received Bill's lawsuit on 8/15/16. Which policy will cover Bill's lawsuit?



OCCURRENCE VS. CLAIMS MADE

**NEITHER!!!!**

**NO COVERAGE!!!!**



## OCCURRENCE VS. CLAIMS MADE

- The prior Insurer who covered the policy 1/1/15 – 1/1/16 is not obligated to pay any claims. Coverage ended 1/1/16 and no Tail Coverage was purchased. Therefore, any claim turned in after expiry of the policy has no coverage.
- The current Insurer who is covering the policy 1/1/16 – 1/1/17 is not required to respond with coverage, because although the claim was filed during their active policy period, the claim **occurred** when Tracy was insured with another company.
- Had Tracy been insured on an Occurrence Form, her policy from 1/1/15 – 1/1/16 would cover any loss that occurred in that policy period, no matter when the claim is filed.





# GENERAL LIABILITY

## Sample Limits

SUMMARY OF LIMITS AND CHARGES		
Commercial General Liability Limits of Insurance	DESCRIPTION	LIMIT
	Each Occurrence Limit	1,000,000
	Damage To Premises Rented To You Limit (Any One Premises)	1,000,000
	Medical Expense Limit (Any One Person)	15,000
	Personal and Advertising Injury Limit	1,000,000
	General Aggregate Limit (Other than Products - Completed Operations)	2,000,000
	Products - Completed Operations Aggregate Limit	2,000,000

- Bodily Injury vs. Property Damage
- Policy Limits
  - Occurrence vs. Aggregate
  - Damage to Premises Rented to You
  - Personal & Advertising Injury
    - Libel, Slander, Copyright Infringement
  - Medical Expense
  - Premises & Ongoing Operations vs. Completed Operations







# GENERAL LIABILITY


## ○ Additional Coverages within General Liability

- Washington State Stop Gap
  - Who needs it? What does it cover?
- Employment Practices Liability
  - How is this different than General Liability?
  - Does my business have an exposure?
- Hired & Non-Owned Auto Liability
  - Covers Bodily Injury and Property Damage caused by a vehicle you hire (including rented or borrowed vehicles) or caused by non-owned vehicles (vehicles owned by others, including vehicles owned by your employees)
- Employee Benefits Liability

**CLASSIFICATION - 92400**  
Stop Gap - Employers Liability  
Stop Gap Employers' Liability - WA



# GENERAL LIABILITY

- Certificates of Insurance vs Additional Insured
    - What's the difference?
    - Who requests?
      - Savvy homeowners, general contractors, engineering/geotech, residential & commercial property managers
  - Typical Components of Additional Insured Contract
    - Requesting entity named on policy
      - Can be specifically named and listed (not common) or covered via a Blanket Additional Insured Endorsement (most typical)
        - Be aware, the Blanket Additional insured is the most cost effective, but typically requires a written contract between both parties in order to be enforceable
    - Primary/Non-Contributory
      - Policy must pay before other applicable policies (primary) and without seeking contribution from other policies that also claim to be primary (non-contributory)
    - Waiver of Subrogation
      - An agreement between two parties in which one party agrees to waive their rights against another in the event of a loss
    - Completed Operations
      - Covers the liability incurred by a contractor for Property Damage or Bodily Injury that may happen to a third-party, once contracted operations have ceased or been abandoned
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# GENERAL LIABILITY

## ○ Sample Contract Language

- (a) Commercial General Liability (CGL) insurance providing bodily injury liability and property damage liability with combined single limits of not less than \$1,000,000 per occurrence limits, \$2,000,000 general aggregate limits, and Products/Completed Operations limits of \$2,000,000 written on an ISO occurrence form CG 0001 (12/07) or a substitute form providing equivalent coverage.

Subcontractor's policy must name Contractor and Owner and their officers as additional insureds, and must provide coverage consistent with the Form CG 2010 endorsement. Subcontractor's policy must provide primary, noncontributing coverage to such additional insureds and must contain a severability of interest's provision.

Such policy (or policies) is (are) to include coverages described commonly by the insurance industry as:

1. Premises and operations liability.
2. Contractor's protective liability.
3. Blanket contractual liability (to include Subcontractor's obligations under paragraph W of this Contract).





# GENERAL LIABILITY

## ○ Sample Contract Language

5. Broad form property damage liability.
6. Stop gap liability.
7. Products and completed operations liability to maintained for a period of three years following the certificate of substantial completion of the contract.
8. Explosion, collapse and underground (XCU) liability.
9. Employer's liability.

Subcontractor's policy shall not include any multi-family exclusions or restrictions.

- (b) Comprehensive automobile bodily injury and property damage liability with the combined single limit of not less than \$1,000,000 per occurrence. Coverage shall include either "any auto" or owned, non-owned and hired auto coverage.
- (c) When applicable, worker's compensation insurance including employers liability as may be required by the state or states in which the work is being performed with a limit not less than \$1,000,000. Where applicable, this insurance shall also include United States Longshoremen and Harbor Worker's Act coverage. If you are exempt from Worker's Compensation, state the reason for your exemption on your letterhead, sign your statement and include it when returning your signed contract.
- (d) Subcontractor's equipment insurance providing coverage for physical damage to Subcontractor's owned, leased, rented or borrowed equipment used on the job site, including rental charges.
- (e) Subcontractor shall provide a Certificate of Insurance of its CGL policy prior to starting work. Form CG 2037 (07/04 Edition) or its equivalent is required as evidence of the additional insured endorsement. Subcontractor's Certificate of Insurance shall:
  - a. Designate Contractor and the Owner and their officers as additional insureds with respect to Subcontractor's Work;
  - b. State that Subcontractor's insurance is primary, noncontributory and contains a severability of interest provision;
  - c. State that Trade Contractor's insurance include stop-gap liability coverage; and
  - d. State "This insurance does not contain any multi-family exclusions or restrictions."



# DO I NEED A CONTRACTING LICENSE?!

- Are you digging in the dirt? Helping with installs? Even a little?
  - Then you need a license!
- Two types of Contractors
  - General – Can perform or supervise numerous building trades or crafts.
  - Specialty - Can perform **one** building trade or craft
    - Sprinklers, Landscaping, and Masonry are all separately defined
    - Overlap common in landscaping industry, General is recommended
- All Contractors Need a General Liability Policy & Surety Bond Filed with WA State L&I



# DO I NEED A CONTRACTING LICENSE?!

- What does the Surety bond do?
  - The Surety Bond is the Contractor's promise to pay the State in the event the Contractor does not comply with State License Law and is found to be in violation.
  - One important difference is that the contractor remains liable for his or her own obligations and must repay the Surety for losses incurred by the Surety as a result of the Contractor's actions.
- General Contracting Licenses require a \$12,000 Bond
  - Typical cost ranges from \$185-1,500/year (Dependent on Credit)
- Specialty Contracting Licenses require a \$6,000 Bond
  - Typical cost ranges from \$140-1,200/year (Dependent on Credit)
- Contractor's also have the ability to Assign a Bank Account in lieu of procuring a Surety Bond, and must post the required amount in the form of cash, a certificate of deposit, time deposit, or money market account in a bank, savings and loan association or credit union within Washington state.





# HOW DO I LOOK UP A LICENSE?

- Be careful to always make sure anyone who's subcontracting with you or hiring you as a subcontractor has an active license!
- You can look up any Registered Contractor via <https://secure.lni.wa.gov/verify/>

License

Verify the contractor's active registration / license / certification (depending on trade) and any past violations. [Questions about licenses?](#)

**Construction Contractor** ?

Active.  
Meets current requirements.

License specialties  
LANDSCAPING [What can they do?](#)

License no.  
AVIDLLD892QM

Effective — expiration  
02/08/2012— 02/08/2018

[Report this contractor](#)

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**Bond** ?

Travelers Cas and Surety Co of America

Bond account no.  
106579067

Received by L&I  
08/31/2016

Effective date  
08/24/2016

Expiration date  
Until Canceled

\$6,000.00

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**Insurance** ?

Liberty Mutual Ins Co

Policy no.  
BK556973440

Received by L&I  
11/02/2016

Effective date  
11/06/2015

Expiration date  
11/06/2017

\$1,000,000.00

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[Insurance history](#)

**Savings** ?

No savings accounts during the previous 6 year period.





# PROFESSIONAL LIABILITY

- Professional Liability Insurance protects your business in the event that a client alleges your mistake (or an employee's) caused them financial loss. These mishaps can take on many forms, including:
  - **Unfulfilled promises** - If your design firm miscalculates how long it will take to finish a project and the client sues because they can't move back into their home as previously planned
  - **Carelessness** - A client builds a landscape according to your plans, and trips over plants that shouldn't have been installed between steps or near stairs
  - **Was poorly executed or simply wrong** - A drainage system proves to be inadequate and the client sues
  - **Forgot to do something** - Your client requested specific materials, but someone forgot and installed the wrong ones
  - All of these scenarios have **NO COVERAGE** under the General Liability. Remember, it must be Bodily Injury or Property Damage for the General Liability to respond with coverage.
- Professional Liability Insurance can also help pay for lawsuit-related costs, even if the lawsuit turns out to be unfounded. It's not uncommon in the design business to find clients who attempt to sue design professionals in order to recoup losses on a project.
- Professional Liability coverage can help you avoid wasting time and money!!





# PROFESSIONAL LIABILITY

- Coverage Form
  - Typically, Professional Liability will be written on a Claims-Made basis
    - This differs from General Liability being written on mostly Occurrence forms
- Limits
  - Starts at \$1,000,000 and available incrementally
- Deductibles
  - Can range anywhere from \$1,000 - \$25,000 depending on client comfort and risk profile
- Contractual Requirements
  - Be careful to read any contracts carefully
  - Many General Contractor's and Commercial Operators are now requiring this coverage in their Agreements



# COMMERCIAL AUTO

- Typical Personal Auto policies exclude any commercial use
- For designers, unless contractually required, coverage only needs to be moved to a Commercial Auto policy if you have a the vehicle branded with the company name (wrap, decal, stickers, etc.)
- Be careful, although there isn't a tremendous exposure for this coverage, many contracts are requiring a Commercial Auto policy to step on a job site, even for designers.
- Important to Note: If you do have a Commercial Auto policy and are transporting plants or inventory when a covered accident occurs, there is no coverage for the materials inside the vehicle, only the vehicle itself.



# QUESTIONS?!

