



Policy Factsheet

Liability Insurance

Overview

General liability policies protect your organization and its people* against civil liability for bodily injury, property damage, or personal injury to others.

General liability policies pay monetary damages that covered organizations become legally obligated to pay, up to certain limits expressed in the policy, if an accident occurs during the policy term that causes unexpected, unintended bodily injury, property damage, or personal injury to someone else covered under the policy.

General liability insurance covers you if you cause accidental damage to someone who then seeks compensation for that damage. A conventional general liability policy has no deductible, providing all coverage on a first-dollar basis.

What's Covered

Church-related policies may specifically cover ordained clergy, vestry members, and trustees in addition to protecting the corporate entity, its subsidiaries and affiliates, their executive officers, employees, and volunteers for their actions on the organization's behalf.

The ideal general liability policy is a broad form contract, providing breadth of coverage for a variety of operational liabilities including:

Premises and Operations: Liability attributable to aspects of physical plant or daily operations, such as if a visitor were to trip on a cracked sidewalk, or if an unsupervised schoolchild inadvertently knocked down an elderly church member.

Contractual: Liability for injury or damage assumed by oral or written contract, such as if a member were to become injured at a public park during a church picnic and the church had entered into a facilities-use agreement with the park.

Personal Injury: Liability for false arrest, detention, or malicious prosecution, libel, slander, or defamation, and invasion of an individual's right of privacy. An example of this might be if a community member sues after controversial statements about her are published in the church bulletin.

Advertising Injury: Liability for plagiarism or piracy of copyright or trademark, such as if a business claimed that the policyholder's logo is confusingly similar to its own.

Fire Legal: Liability for fire damage to someone else's property while the policyholder is occupying it, such as if someone were to cause a fire by leaving behind a cigar smoldering in a pail acting as an ashtray.

Incidental Medical Malpractice: Liability for a non-medical professional's rendering of, or failure to provide, medical aid, for instance, if a priest administers CPR with an adverse outcome.

Medical Payments: Cost of medical treatment, payable without regard to, or concession of, the policyholder's liability, such as if a church were to cover emergency room bills after a church member trips.

Significant Exclusions

Although the typical general liability policy contains a variety of exclusions, some of the most noteworthy are:

- Liability arising in connection with ownership, maintenance, operation, use, loading or unloading of automobiles, aircraft, and large watercraft. These should be addressed by separate automobile, aircraft, or marine liability policies.
- Employment-related liabilities, including obligations under workers' compensation, unemployment, or disability benefits laws and work-related claims under common law by employees or their family members. These may be treated by a combination of workers' compensation and employer's liability coverage or directors' and officers' liability policies, depending on the exact nature of the allegations.
- Damage to property owned, used, or occupied by the policyholder; or property in an insured's care, custody, or control. These exposures should be addressed within a property insurance policy.
- Liability resulting from the willful violation of laws addressing discrimination, humiliation, harassment, or wrongful termination because of race, creed, age, or sex. These should be addressed by a separate employment practice's liability policy.
- Liability resulting from misuse of funds, which are addressed under a separate directors' and officers' policy. An example would be using endowed funds for something other than their intended use.
- Fines, penalties, punitive, or exemplary damages that are typically awarded to punish willful, wanton, or reckless behavior (gross negligence). Most states prohibit wrongdoers from contracting away their responsibility for such damages because doing so would work against the good of society.
- Liability arising from pollution, nuclear energy, or asbestos. A series of broad exclusions removes coverage for these exposures, which are universally uninsurable except within stand-alone specialty policies.

FAQs

Q: *What additional coverage does liability insurance provide?*

A: A general liability policy also covers sums required to defend the insured parties, such as:

- Lawyers' and expert witnesses' fees;
- Reasonable costs of securing other witnesses for court appearances;
- Post-judgment interest; Appeal bond premiums.

Q: *Are any special church-related exposures covered?*

A: Like property insurance, general liability insurance can be more complex for churches than other organizations.

While comprehensive, a broad form general liability policy must be expanded to address church-related exposures such as:

Pastoral Counseling Liability risk, which is physical or emotional injury attributable to a priest's acts, errors, or omissions during counseling of a spiritual nature, for example, a couple that claims counseling further injured their marriage.

Sexual Misconduct Liability risk, which is physical or emotional injury because of sexual abuse, molestation, or exploitation.

Cemetery Liability risk, which is physical or emotional injury because of an act or omission in connection with the cremation, burial, disinterment, or temporary care of any deceased human body. An example of this would be if remains were misplaced while being held for temporary safekeeping until burial.

Teachers' Liability risk, which is bodily injury or property damage arising out of teaching activities, including the administration of corporal punishment.