

that it is based entirely on requirements imposed by statute rather than on tort law. An important example of liability imposed by statute is the workers compensation system, which requires employers to pay prescribed benefits for occupational injuries or illness of their employees. The employer must pay these benefits even if an employee's injury or illness did not result from the employer's negligence.

## CGL Loss Exposures

A wide range of exposures, arising from various sources, can result in liability losses. CGL insurance provides coverage primarily for liability losses arising from premises, operations, products, and completed operations, although it also covers other exposures. Liability may also arise from the use of automobiles and the requirements of workers compensation laws.

### Premises Liability Exposure

**Premises liability exposure** is exposure to liability for injury or damage due to the ownership, occupancy, or use of premises. The standard of care imposed on an owner-occupant, a landlord, or a tenant is that the property be maintained as a reasonable and prudent person would maintain it. For example, a reasonable and prudent person would be expected to keep floors dry and free of objects that might cause injury to another person.

#### **Premises liability exposure**

Exposure to liability for injury or damage due to the ownership, occupancy, or use of premises.

### Operations Liability Exposure

**Operations liability exposure** is exposure to liability for injury or damage due to activities in addition to the ownership, occupancy, or use of premises. Although the operations can be associated with any kind of business, this exposure is generally associated with manufacturers, processors, or contractors. For example, if someone is injured as a result of negligent construction activity while a contractor is paving a road, any resulting liability claim against the contractor will be considered to have arisen from the operations liability exposure.

#### **Operations liability exposure**

Exposure to liability for injury or damage due to activities in addition to the ownership, occupancy, or use of premises.

### Products Liability Exposure

**Products liability exposure** is exposure to liability for injury or damage due to products sold or distributed by the exposed party. If, for example, a child is injured by a dangerously defective toy, the injury is considered to have arisen from the toy manufacturer's products liability exposure. Products liability can be imposed on a manufacturer, seller, or distributor of products under several different legal theories, including negligence, breach of warranty, and strict liability in tort.

#### **Products liability exposure**

Exposure to liability for injury or damage due to products sold or distributed by the exposed party.



**Completed operations liability exposure**

Exposure to liability for injury or damage due to work completed by the exposed party.

**Completed Operations Liability Exposure**

**Completed operations liability exposure** is exposure to liability for injury or damage due to work completed by the exposed party. Although the completed operations liability exposure is traditionally linked with the products liability exposure, the two exposures are, in fact, distinct. The products liability exposure is associated with any items or goods sold by an organization, which could be the manufacturer, the wholesaler, or the retailer of the goods. The completed operations liability exposure typically relates to an organization's liability for work it has performed and finished, including any materials it provided.

For example, a furnace sold by its manufacturer to a heating contractor is within the manufacturer's *products* liability exposure. After the contractor who bought the furnace has installed it in a customer's home, the furnace and all labor and parts included in the installation job are within the contractor's *completed operations* liability exposure.

The word "completed" is important. If an injury had occurred because of the contractor's negligence during the course of the work (before the work was completed), the claim would have been considered to have arisen out of the contractor's operations liability exposure, not its completed operations liability exposure.

**Examples of Loss Exposures Covered by the CGL Policy**

Exposure	Example
<b>Premises liability</b>	A customer slips on a spill in the insured's store and breaks his ankle.
<b>Operations liability</b>	While soldering pipes, an employee of the insured plumbing contractor accidentally sets a customer's house on fire.
<b>Products liability</b>	A defective gas range manufactured by the insured causes an explosion that damages the buyer's home.
<b>Completed operations liability</b>	A completed building constructed by the insured collapses, injuring tenants and pedestrians.

**Other CGL Exposures**

Other liability exposures covered by the CGL policy include liability assumed under certain contracts and liability for some intentional torts (such as libel and slander). These additional exposures, as well as those previously discussed, will become more apparent as the corresponding provisions of CGL insurance are subsequently discussed.

