

Examples of Exclusions in a CGL Policy

Following are some examples of exclusions commonly contained in a CGL policy. Coverage varies by insurer and will include additional exclusions other than the examples below. You should carefully review your policy and any endorsements to know exactly what your policy does – and doesn't -- cover. Talk to your agent if you have any questions about your policy, its coverages, or policy limits.

Damage to Your Work – Generally, CGL policies exclude coverage for property damage to your work (see Example No. 1 below). There is an exception to the exclusion for damaged work if a subcontractor working for you caused the damage (see Example No. 2 below).

Example 1: You own a homebuilding business that recently constructed a new residence with a garage. After the home is sold and the homeowner moves in and parks her vehicle in the garage, the roof on the garage collapses because of faulty construction. The collapsed roof damages the homeowner's vehicle. The policy may provide coverage for the repair or replacement of the vehicle but may not pay to repair the collapsed roof because the roof is your work.

Example 2: The situation is the same as in Example 1, except the work to construct the roof was performed by subcontractors working on your behalf. The policy may cover the damage to the vehicle and also may pay to repair or replace the roof constructed by your subcontractor.

Damage to Your Product - CGL policies don't cover property damage to your product arising out of the product or any part of the product.

Example: If you install a propane-powered appliance that malfunctions and causes a fire that damages a home, your CGL policy may pay to repair the home. It will not pay to repair or replace the appliance if the malfunction was caused because the appliance was faulty.

Contractual Liability - CGL policies exclude coverage for bodily injury or property damage that you are obligated to pay because you assumed liability in a contract or agreement. The exclusion contains the following two exceptions:

1. Liability for damages that you would have assumed in the absence of the contract or agreement; and
2. Liability assumed in a contract or agreement defined in the policy as an insured contract, if the bodily injury or property damage occurs after the contract or agreement is executed.

Example 1: You sign a contract to complete the construction of a building within a specified amount of time. The contract requires you to pay damages if you breach the contract. Your CGL policy will not provide coverage for any damages you have to pay because you failed to meet the deadline.

Example 2: You sign a contract to hold harmless and indemnify another party for the other party's negligence if that negligence results in bodily injury or property damage. Your CGL policy may provide coverage to indemnify the other party depending on the wording of the indemnity agreement.

Recall of Products, Work, or Impaired Property - CGL policies will not pay the cost to recall faulty products, work, or impaired property. However, this coverage may be added to the policy by endorsement for an additional premium charge.

Workers' Compensation and Employer's Liability - CGL policies are not intended to provide coverage for workers' compensation or employer's liability. This exclusion prohibits such coverage.

Pollution Exclusions in the CGL Policy

- The pollution exclusion eliminates coverage for injuries or damages to a third party resulting from a pollution event arising from your business operations.
- The exclusion applies to the actual, alleged, or threatened discharge, dispersal, seepage, migration, release, or escape of pollutants.
- A pollutant is typically defined as any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. Waste includes materials to be recycled, reconditioned, or reclaimed.
- The pollution exclusion included in most general liability policies may contain some of the following exceptions that could provide limited coverage for:
 - Injuries sustained within a building and caused by smoke, fumes, or vapors produced by equipment that is used to heat, cool, or dehumidify the building or equipment used to heat water for personal use.
 - Your products or completed operations.
 - Injuries or damage arising out of heat, smoke, or fumes from a hostile fire. (Hostile fire is defined as a fire that becomes uncontrollable or breaks out from where it was intended to be.)
 - Injuries or damage that an insured contractor may be held liable for if the owner of the premises has been added as an additional insured to the contractor's policy.
 - Injuries or damage arising out of the escape of fuels or lubricants necessary for the operation of mobile equipment.
 - Injuries or damage sustained within a building and caused by the release of gases, fumes, or vapors from materials brought into the building in connection with operations performed by you or a contractor or subcontractor working on your behalf.
- Total pollution exclusions eliminate all coverage, including coverage for premises/operations and products/completed operations.
- If your businesses has a significant pollution exposure, you may choose, in conjunction with your insurer, to include a total pollution exclusion and purchase a separate pollution liability policy that may provide coverage better suited to the risk and is easier to rate based on the nature of your business.