

What is the difference between Professional Liability and General Liability?

The concept of “legal liability” is rooted in our court system where sources of liability are criminal, tort and breach of contract. These latter two, tort and breach of contract liability are the usual sources of loss insured under general liability or professional liability and victims usually have monetary remedies available to them under law. This is where both Professional and General Liability insurance are available to you as a tool to transfer your risk to an insurance company.

Simply put - General Liability applies to those losses that involve actual bodily injury, death or damage to physical property. These losses usually emanate either from premises you own, rent or occupy, or a product or service you offer for sale to the public. There is no coverage provided under these policies for economic damages that arise out of your performing or failure to perform professional services.

In contrast, Professional Liability policies respond to losses of an economic nature (not bodily injury or property damage) usually caused through negligence in performing or failing to perform professional services.

Hold Harmless agreements and Additional Insured's

Most business that you will contract with, have their own insurance in place for general liability, and as a standard risk management tool will require any contract with you to have what is commonly know as a “hold harmless” or “indemnity” agreement. These agreements will essentially state that you are responsible for any loss you cause, and they will be responsible for any loss they cause. This is known as “mutual hold harmless” and is the usual standard in most states. As an additional risk management tool, they will often require you to add them as “additional insured” under your policy. This is a fairly standard requirement in the case of General Liability exposures that involve Bodily Injury or Property Damage losses. In this way, the customer transfers the risk of anything you do that might impact their exposure to loss as it relates to the consulting job you are performing.

However, this concept of risk transfer does not apply to professional liability since professional liability exposures to loss tend to emanate from your work – not a premises, product, or service. Resist any attempt on a customer’s part to add them as additional insured under your professional liability policy. If need be, get clarifications on the reasons why and discuss all requests with your legal and insurance professionals.

Finally - be wary of signing any agreement that appears to have a one way hold harmless agreement that attempts to get you to accept all responsibility. While these are mostly unenforceable, in some jurisdictions they can be used against you.