

# General Liability Product briefing

## Further Improvements

In October 2014 QBE launched its market-leading General Liability Policy including Defective Workmanship cover and a number of additional enhancements.

We are proud to bring you this updated policy, QBE General Liability Policy (GEL 0516), where we are continuing to enhance the policy to meet the needs of our brokers and clients.

### Enhancements

- Improvements to the Defective Workmanship cover;
- New extensions:
  - Hazardous Substances Emergencies;
  - Remotely Piloted Aircraft Systems Extension;
- Increased sub-limits:
  - Forest and Rural Fires Act;
  - Innkeepers Liability;
  - Lost and Stolen Keys;
  - Underground Services;
  - Vibration and Removal of Support;
  - Warrant of Fitness.

## Defective workmanship

### Defective workmanship/property being worked on

Businesses involved in manufacture, trades, construction, installation, service or repair have often suffered a gap in their general liability protection, with damage to the insureds products and damage to third party property that is being worked on traditionally being excluded, regardless of whether that damage is caused by an accident or poor workmanship.\*

The Defective Workmanship Extension in QBE's General Liability Policy now clearly covers both.

\* In keeping with the market, GEL 0516 still contains an overarching Building Defects exclusion relating to 'leaky' or mouldy buildings.

## Who needs it?

QBE's new wording offers broad cover to a wide range of New Zealand businesses, both large and small. However, it will be of special interest to those businesses involved in:

- manufacture;
- trades/construction;
- installation/erection; or
- service or repair,

that can take advantage of the Defective Workmanship extension.

## Automatic coverage clauses

At QBE, we believe we have developed the new front runner - and here's a few reasons why:

Automatic extensions	Simply explained	Sub-limit
Advertising Liability	Covers liability arising from defamation, copyright infringement, unfair competition, misappropriation of advertising ideas/style and invasion of privacy in respect of any email, printed, electronic or broadcast media or physical exhibit (excludes clients whose business is advertising, broadcasting or publishing).	NZD 1,000,000

Automatic extensions	Simply explained	Sub-limit
<b>Business Advice or Service</b>	Covers damage or injury as a result of free advice or services provided by the Insured in relation to their business activities.	Policy Limit
<b>Contractors or Subcontractors Additional Insureds</b>	If contractors or subcontractors are not otherwise insured, they will be treated as 'employees' under the policy whilst carrying out the business of the Insured.	Policy Limit
<b>Defective Workmanship</b>	Covers the cost of repairing or replacing third party property that was manufactured or worked on by the Insured, and damaged due to faulty workmanship. (Poor workmanship relating to a 'leaky' or mouldy building is excluded.)	NZD 100,000
<b>Forest and Rural Fires Act</b>	The sub-limit covering liability under the Forest and Rural Fires Act 1977 has been doubled.	Increased to NZD 1,000,000 
<b>Goods on Hook</b>	Covers liability for property damaged whilst being lifted, lowered or moved by cranes that are owned, hired by, or the responsibility of, the Insured.	NZD 250,000
<b>Hazardous Substances Emergency</b>	This new sub-limit covers the liability under the Fire Service Act 1975 where the Fire Service can levy the Insured for costs incurred in a Hazardous Substances Emergency.	New Limit for NZD 1,000,000 <b>NEW</b>
<b>Inkeepers Liability</b>	Indemnifies the Insured for any compensation (including interest) owed by them under the Innkeepers Act 1962.	Now Policy Limit 
<b>Landlords Liability</b>	Covers liability for damage/injury arising out of the Insured's ownership (not occupation) of a premises.	
<b>Lost or Stolen Keys</b>	If the Insured is responsible for keys to premises not owned/leased/rented by them, and those keys have been lost, stolen or duplicated, the policy will pay up to NZD 250,000 for replacement locks.	Increased to NZD 250,000 
<b>Mechanical Plant Liability and Car Park Liability</b>	Covers liability for damage/injury caused whilst loading/unloading vehicles; using specialist vehicles such as cranes or forklifts; and whilst operating a car park.	
<b>Product Withdrawal Costs</b>	Covers eighty per cent (80%) of the recall costs relating to a product defect that has already been the subject of a prior claim.	NZD 100,000
<b>Property in Care, Custody or Control</b>	Covers liability for lost/damaged property whilst in the care of the Insured (including employees' property). This now also includes property the Insured has hired in and property held as a bailee.	NZD 500,000
<b>Punitive or Exemplary Damages</b>	The policy indemnifies punitive/exemplary damages awarded against the Insured by a New Zealand Court in relation to a personal injury claim (excludes assault, sexual harassment/abuse etc).	NZD 2,000,000
<b>Remotely Piloted Aircraft Systems</b>	A new cover covering the Insured for the use of a Remotely Piloted Aircraft System, (including drones), up to five (5) kg provided that the Insured is in New Zealand and in compliance with the Civil Aviation Authority Rules.	New Limit for NZD 1,000,000 <b>NEW</b>
<b>Tenants Liability</b>	Covers liability for damage/injury to premises caused by the Insured in his capacity as a tenant, including damage to the landlord's fixtures and fittings.	
<b>Underground Services</b>	Covers liability for damage/injury in relation to existing underground services, cables, pipes or equipment - as long as reasonable precautions were taken to locate services and avoid damage/injury.	Now Policy Limit 

Automatic extensions	Simply explained	Sub-limit
<a href="#">Vehicle or Watercraft, Equipment or Machinery Service or Repair</a>	Covers liability for damage/injury resulting from the Insured's service or repair of vehicles, watercraft, equipment or machinery.	NZD 250,000
<a href="#">Vibration or Removal of Support</a>	Covers liability for damage/injury caused by the Insured's activities resulting in vibration, removal, weakening or interference with the support of land or buildings not owned or occupied by the Insured.	Now Policy Limit 
<a href="#">Visits to North American Countries</a>	Covers liability for damage/injury caused by non-resident directors, executives or salespersons temporarily visiting North America.	
<a href="#">Warrant of Fitness</a>	Covers liability arising from the Insured's inspection and certification of vehicles, either in respect of a WOF or a pre-purchase assessment. (Please remember this will not cover the issuing of a COF, where NZTA rules state that a full Professional Indemnity Policy is required).	Increased to NZD 500,000 

Note: The key policy benefits have been summarised for your convenience. However, please remember that cover always remains subject to full policy terms and conditions.

## How is it underwritten?

QBE's General Liability Policy is individually underwritten and can be tailored to meet the unique needs of your clients. When assessing the risk, our underwriters consider various factors:

- business activities;
- turnover;
- experience;
- locations/exports;
- claims history.

## What isn't covered?

Some key exclusions include:

- aircraft products;
- building defects (relating to a 'leaky' or mouldy building);
- contractual liability;
- personal injury to employees;
- pollution (unless sudden, identifiable, unexpected and unintended);
- professional advice or service (unless free).

(Please refer to a copy of the policy wording for full details of exclusions, terms and conditions.)

## Claims scenarios

### Contaminated preserve

A Northland orchard owner was well known for turning his 'B' grade fruit into premium purees. During processing, a particular batch of raspberry puree was contaminated by rubber. It went undetected and the puree was sold to an ice-cream manufacturer, who processed it into his ice-cream before discovering the product was contaminated. As the contamination was discovered before the ice-cream left the manufacturer, there was no product recall issue. However, the manufacturer was left with five hundred (500) tubs of ice-cream that were unfit for human consumption and had to be destroyed.

A traditional general liability policy would cover the cost of the destroyed ice-cream LESS the cost of the puree component, ie. the 'defective' part. However, QBE's claims team were able to settle the NZD 25,000 claim, quickly and in full, (ie including the cost of the puree), thanks to the Defective Workmanship extension, (automatic coverage clause 4), in QBE's new General Liability Policy (GEL 0516).

### Substation service causes fire

The appointed contractor responsible for maintaining equipment at a South Island substation undertook routine maintenance work, which included the servicing of a transformer. Shortly after its service, the transformer caught fire and caused over NZD 240,000 of damage to the substation. The cause of the fire was investigated and found to be a fault with the way the new electrical switch gear had been installed within the transformer.

The contractor was liable for the cost of all damage, including damage to the transformer. QBE's new General Liability Policy was able to respond in full. The enhanced 'service and repair' extension, (automatic coverage clause 16 - Vehicle or Watercraft, Equipment or Machinery, Service or Repair), included damage resulting from the service of equipment and the new Defective Workmanship extension, (automatic coverage clause 4), paid for the replacement of the transformer.

### **Gearbox seizure**

A garage was asked to service the gearbox of a large haulage truck, which required the gearbox to be removed. When it was reinstalled the mechanic failed to top up the oil to the correct level, therefore when the truck undertook its first long haul, the gearbox seized. As there was no resulting damage, there was no claim under the 'service and repair' extension. However, in QBE's new General Liability wording the Defective Workmanship extension, (automatic coverage clause 4), was triggered and the policy paid NZD 9,500 for a new gearbox.

### **Collapsed retaining wall**

A building firm constructed a retaining wall on a steep site to allow the development of a new dwelling. The piles were not driven deeply enough and a section of the wall collapsed, falling onto and damaging the neighbouring property. The total damage to the neighbour's property was NZD 90,000 and, of course, the wall had to be rebuilt.

The Products Liability section of QBE's General Liability Policy responded to the neighbour's claim, and the Defective Workmanship extension covered the cost of rebuilding the wall.

### **Valet parking**

As part of their business activities, a client managed a car park and one of the premium services offered was valet parking. Unfortunately, when the valet tried to park an expensive European sedan, he stalled it and the car jumped forward, hitting another vehicle. The cost of repairing damage to both vehicles was NZD 27,125.

The claim was covered under QBE's General Liability Policy (GEL O516) under the enhanced Mechanical Plant Liability and Car Park Liability extension (automatic coverage clause 10).

### **Compost error**

A fertiliser manufacturer was asked to supply a particular compost by a horticulturalist looking to nurture a specialised crop. Unfortunately, the wrong compost was provided which burnt the seedlings and as a result, the entire crop was lost.

The fertiliser manufacturer was sued for loss of income and the Products Liability component of his QBE General Liability Policy responded, with the claim totalling NZD 200,000.

### **Agricultural Contractor**

An agricultural contracting client was contracted to cut and bale a farmer's hay. Unfortunately the hay was not compressed properly which meant it expanded and split its plastic covering. The split on the covering allowed water in which caused the hay to rot, resulting in the loss of animal feed. The cost of replacing the hay was NZD 31,000 which was covered by the client's QBE General Liability Policy.

Previously this would have been excluded completely by a workmanship exclusion.

### **Motor Body Shop**

A motor body shop contracted to put some aftermarket wheel guards onto a vehicle, supplied by their customer. Whilst they were welding the parts onto the vehicle's wheel bay the vehicle caught alight causing a total of NZD 23,000 worth of damage.

Previously only the resultant damage to the vehicle would have been covered. Under QBE's new policy the damaged parts are also now covered.

### **Property Maintenance Company**

A long established building company contracted to do some maintenance work on a building. As part of the preparation for the work the client put some scaffolding around part of the building. Unfortunately whilst part of the scaffolding was being put up, one of their staff walked on the roof and left a number of dents. The nature of the damage meant that that entire section of the roof needed to be replaced.

Previously this would have been an issue as the building was being worked upon, however QBE's General Liability Policy with its Defective Workmanship Extension paid for the damage totalling NZD 15,000.

### **Painter**

QBE's client is a timber preparation company, specialising in the pre-painting/finishing of timber prior to use. They do not supply the timber itself, their clients purchase it elsewhere and have it delivered for them to work on.

Unfortunately due to a mix-up in deliveries the company received some product and used the wrong paint on some timber.

Fixing the error required replacing the timber and redoing the work with the correct finish costing a total of NZD 13,000.

Previously, this would not be covered due to the 'workmanship' and 'property being worked upon' exclusions. Under the QBE General Liability Policy the liability was covered.

### **For more information contact your QBE underwriter.**

The objective of this Product Briefing is to summarise the purpose of the product, the main market for which the product has been designed, and key aspects of cover. For full details of cover, please refer to a copy of the policy wording.