



## The CGL Policy: A ‘Class’ Act

Commercial General Liability (CGL) is the most common form of insurance purchased by businesses, protecting them from a variety of perils.



CGL can protect businesses against risks, such as personal injury, property damage, and other types of bodily harm that can result from the business operations. Its policy terms are based on the business’ classification or category which also determine premium and any exclusions that may apply.

### A Class of Their Own

CGL class codes are published and updated routinely by Insurance Services Office (ISO), and divide risks into hundreds of different categories. Each category or class groups insureds so that the rate for each classification reflects the hazards common to those insureds. For example, ISO identifies window

decorating as code 49840, which puts a business in a different risk category than window installation, which is code 91746. Agents must assess which class code(s) best fit their insured’s business by doing a thorough assessment of the goods and services offered. A business that provides more than one kind of service – window installation and window decorating, for example – may need a policy to account for all which they do to ensure coverage for all lines of business.

### Risks May Vary

The hazards a tree trimmer faces are vastly different from those faced by a computer consultant. For example, if a customer’s window is broken when your insured prunes a 100 year old oak tree in the front yard, he could be liable for any injuries, the replacement window and other costs resulting from accident. The business consultant, however, has a very low threat of a bodily injury or property damage, but has a greater risk of a loss due to a mistake

setting up a client’s email system. In addition to different types of risks, many professions are naturally more hazardous than others. A high-rise window washer, for example, has a much more dangerous job than a retail florist. These sorts of distinctions are factors carriers use to determine policy premiums.

### Not Everything is Included

Class codes also help determine which hazards may be excluded from coverage. Premiums assume that risks that may be encountered are typical for the business. If an insured engages in activities that fall outside of a business’s defined class code(s), there’s a chance the carrier won’t cover losses if such an activity results in a claim. Often, those distinctions are minor, but they do matter. For example, if an insured operates an automobile parts and supply store, code 10071, their CGL policy may not cover any automobile repair or services done on premise, which instead fall under code 10072.

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## **There is Nothing Permanent Except Change**

Businesses grow and change over time, adding or dropping new goods and services as they mature or expand. Such changes can impact how a carrier classifies the business, and therefore change premium. If an insured expands their hair salon, code 10115, to offer nail services, code 15600, they are assuming new risks that the current CGL policy may not account for. Agents should check in often with insureds (and not just at renewal) to ensure each policy accurately reflects all products and services offered by the business.

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