

Manager/Supervisor Risk Management

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A twice weekly e-mail training for YCPARMIA members

TOPIC: EXCLUSIONS

In the broadest terms, the liability insuring agreement basically says that there is coverage for any accident. The definitions in the agreement qualify that promise, and the exclusions then limit the scope by listing what the agreement “does not apply to.” The best insight into a policy issued by an insurance company is that, with notable exceptions, they will sell the insured a separate policy to cover whatever risk they have excluded – the policy exclusions are essentially a list of their other products.

The YCPARMIA Memorandum of Coverage contains 41 exclusions that are commonly found in most public entity coverage agreements. Taking a quick look at some of them:

- Aircraft and Airports – we purchase a separate policy on a pass thru for the county.
- Bid specifications – a not uncommon area for claims which excludes the underlying process for entering into contracts.
- Contractual obligations – the most common area of excluded claims where we are dealing with allegations of broken promises rather than accidents/occurrences.
- Damages other than money – we do not defend injunctive actions; we only pay money damages.
- Employment practices – a group of exclusions that deal with “practices” rather than “liability;” in 2002 we added coverage for employment liability.
- Employment benefits and ERISA – these are contractual obligations of the employer, not accidents.
- Hospitals and Medical Malpractice – we purchase a separate policy on a pass thru for the county.
- Intentional Conduct – we only cover damages growing out of an occurrence/accident.
- Land Use – essentially eminent domain and inverse condemnation actions, unique exposures for a public entity that historically are not covered.
- Multi passenger vehicles – we don’t cover buses, but endorse the Esparto School Bus fleet back into coverage, and reinsure part of that exposure by purchasing a bus fleet policy.
- Pollution – the longest exclusion found in the agreement is an absolute exclusion of pollution claims, but note that there are exclusions within the exclusion that serve to bring some coverage back in. Additionally we have also purchased an insurance policy to cover specified pollution clean-up.
- Uninsured/Underinsured motorists – these types of claims would fall under workers’ compensation.
- Watercraft – we purchase a separate policy for the West Sacramento and Yolo patrol boats.

The point to take from this list is that the member entities face a number of exposures, and have pooled their resources to finance their collective liability exposures. They include risks that are shared in common, and the YCPARMIA Coverage Agreement is intended to address those exposures. There are also unique exposures that some members face that are addressed by purchasing separate coverage. Lastly, there are exposures that arise from normal business operations which cannot be passed on to the pool; these are costs of doing business, rather than damages growing out of an occurrence.

Next topic: Conditions