

Liability Consequential Loss

Business Interruption through Fire, Storm, Flood, Earthquake – routine stuff! But what about Business Interruption through a liability loss?

The market routinely caters for Property Damage/Business Interruption scenarios. But the consequences of a Liability incident can have similar impact.

- ▶ Work-site or premises inaccessible
- ▶ Plant and machinery out of action
- ▶ Production affected
- ▶ Contracts suspended or lost

The solution is
Vero Liability's
Liability Consequential Loss policy

All will lead to loss of income and extra costs.

If your client relies on a single major contract or works mainly at a single site, a Liability Consequential Loss policy is especially relevant.

How Does Vero Liability's Liability Consequential Loss Policy Work?

Scope of Cover

The Liability Consequential Loss policy will provide cover for a period of up to 12 months from the date when the Insured was required to first notify Vero Liability of a claim or circumstance under a Public, Employers or Statutory Liability cover.

The policy covers:

- The sum equivalent to the loss of the Insured's gross profit and or the increased costs incurred by the business after making all adjustments which in Vero Liability's discretion, fairly reflect any trends, variations or other special circumstances in the business.
- Extra costs incurred in order to avoid or minimise loss of income in a manner similar to a traditional first party Consequential Loss policy.
- A three months' allowance for loss suffered where stocks have been used up to maintain turnover during the indemnity period.
- The costs of an accountant approved and appointed by Vero Liability reasonably and necessarily incurred in the preparation of a claim.

Our aim is to adjust any loss in a manner which represents the financial performance of the business that would have been attained during the indemnity period had there not been an occurrence.

Policy Limit and Co-insurance

- The maximum policy limit provided by Vero Liability is \$1m any one claim and in all during the period of insurance.
- The indemnity available is limited to 90% of the policy limit with a maximum of 40% payable during any 3 month period.
- The maximum amount of any claim is 90% of the actual loss or 90% of the limit of indemnity which ever is the lesser amount.

The insured is required to bear the remaining 10% to its own account.

What Does it Cost?

No rocket science here – premium is assessed on cover required and risk profile (quite often as a percentage of the aggregate liability premiums ranging from 15%o upwards).

The Policy Wording

You can view the policy wording by clicking on this link [Policy Wording](#).

Loss Scenarios

Consider the following scenarios. In each case the Vero Liability Consequential Loss Policy would compensate for lost income.

Wasted waste

A waste paper processor generated most of his revenue through its large baling machine with sophisticated conveyor systems for sorting etc. An employee fell into the conveyor resulting in a serious harm injury. OSH prosecuted the company and in the investigation closed down the baling and sorting plant for three weeks. The company had the prosecution defended by its VL Statutory Liability insurance but it incurred significant uninsured losses and costs by having to dump low-grade paper which it couldn't economically process without its own plant and having to pay for alternative baling services for processing high-grade paper to fulfil an export contract.

Faulty product

The Insured, a manufacturer of electronic controller panels, supplied a faulty batch of product to an appliance manufacturer. The controller panels began failing after only two or three months and the appliance firm was faced with significant costs in satisfying warranty claims. VL's Products Liability cover indemnified the Insured for its customer's financial loss. Whilst it was investigating the cause of the fault the Insured had to import alternative supplies of controllers at a greater cost to maintain supply to its customers until the problem was identified and rectified.

A boring tale

A horizontal drilling contractor was engaged as a sub-contractor in a major urban development to probe and search for disused on-site foundations under an old building due for demolition. The building was on a very old and congested CBD site. The contractor's machinery fractured a water mains causing serious flooding etc to several upmarket retail businesses adjacent to the site. Work on site, including his contract, was suspended during the prolonged to-ing and fro-ing between the many interested parties as to who was liable for the damage. After nearly two months of wrangling the contractor was found to be contributorily negligent and his VL Public Liability insurance responded. But another of the outcomes was that the developer's main contractor had to change his work methods which precluded the use of horizontal drilling. The sub-contract provided no compensation for such an eventuality and the driller had not been seeking alternative work in anticipation of work on the development re-commencing "any day".

A spanner in the works

An engineering servicing company has a 3-year maintenance contract with a major manufacturer to service a specialist plastic moulding machine. An employee serviceman dropped a tool into the hopper of the moulder damaging the injector screw and rendering the machine unusable for several months. Its VL Public Liability insurance took care of the manufacturer's losses but the maintenance contract was suspended. The unhappy contractor lost 60% of his revenue for the period the machine was inoperable.

Now is the Time

The recent heightened awareness of the consequences of business interruption makes now the right time to talk to your clients about this unique Vero Liability offering.

Our specialist underwriters will be happy to discuss any opportunities with you. You can view VL contact details by clicking on this link [Contact Details](#).