

EXTENDED LIABILITY INSURANCE.

1-07-2012

From the 1st Of July 2012 Renasa restructured the liability cover converting from the traditional MMIII liability wording to what is now commonly referred to as in the local market as “Broad- form”.

“CULP”, “TOP UP” or “Umbrella” liability is no longer available through Renasa as an add-on product as it was in the past. All reference to CULP, TOP-UP, and Umbrella Liability must no longer be attached to Renasa’s name.

Below we mention some, but NOT ALL of the changes which have been made to the policy wording – there are many more, which have an influence on the cover provided. .

1. The word “Accidental “ has been removed
2. under definitions words that previously caused confusion have been defined
3. property in the “custody and control” – an attempt has been made to clarify the intention.
4. Products and Defective workmanship has been combined into one extension
5. Pollution defined
6. Territorial Limits are Worldwide but excludes USA and Canada.
7. Deliberate or intentional acts excluded.

The new wording does provide wider cover than the traditional liability policy wording and rules and guidelines below need to be followed:-

1. Liability cover can only be offered on a claims made basis.
2. Annual aggregate limit must always be shown in the policy schedule and should never exceed Renasa treaty limits. Common practice is to show the same aggregate limit as the limit of indemnity selected under the policy.
3. Liability limits offered on the underlying policy for both the “Underlying Policy and the “Extended Liability” together must not exceed R20 million. Subject to the following minimum limits on the underlying policy.
 - a. R2,5 million for General & Tenants, (may be increased by R17.5 under the “Extended Liability” to a total of R20 million.)
 - b. R1 million for Products and Defective work, (May be increased by R19 million under the “Extended Liability” policy to a total of R20 million).
 - c. Motor liabilities R2.5 million, (may be increased by R17.5 million under the “Extended Liability” policy to a total of R20 million)
 - d. Employers Liability R1 million, (may be increased by R19 million under the “Extended Liability” policy to a total of R20 million).
 - e. Other extensions such as
 - i. work away minimum limit R1 million. (this scan also be increased as above)
 - ii. spread of fire limit on underlying policy section to be minimum of R1 million, (This can also be increased as above).

- iii. Statutory Legal defence costs and Defamation to be a minimum of R50,000 etc.
(this can be increased to a maximum of R500 000 that is by R450 000)
 - f. If larger limits of indemnity are required then “ Extended Liability” must be offered. (See below for details on this)
4. Premium to be commensurate with the risk.
 5. Extensions such “Work away, “Spread of fire, “Products/defective work” to be granted after receiving a completed questionnaire and careful consideration and requisite premium. (Products/defective workmanship liability should be linked to turnover, workshop and sales combined.). Use underwriting guide rating and procedure.

EXTENDED LIABILITY SECTION

To fill the gap because we are no longer able to offer “CULP”, “TOP UP” etc we have devised an “Extended Liability section” which enables the insured to buy increased liability limits up to the maximum limits as shown in the attached Extended Liability policy schedule (Annexure B).

The “Extended Liability” cover follows the underlying (Broad form) wording. (The Extended Liability wording and schedule is attached see Annexures A & B)

The Extended Liability policy wording includes a number of excluded risks and covers, we have also produced a list of the risks which Renasa does not write either because of treaty exclusions or because we consider that the risk is too onerous. The list I marked Annexure C.

Like the underlying liability cover the Extended Liability should be rated commensurate with the risk and not on a “Flat” rate basis.

Ideally the cost of buying The “Extended Liability” cover should be calculated as follows:

- (i) (First Layer) R2 500 000 excess of R2 500 000 the Extended liability premium will be calculated on 50% of the underlying policy premium. (or 50% of underlying premium) – Let’s refer to the total of underlying policy premium plus the 1st layer premium as the “Base” premium.
- (ii) (2nd Layer) R5 million excess of R5 million increase base premium by a further 20% (or 85% of the underlying premium)
- (iii) (3rd Layer) R10 million excess of R10 million increase base premium by a further 15% (or 107.5% of the underlying premium)

1. Example in calculating the Extended Liability premium for GENERAL & TENANTS liability the method is

This would mean that if the “underlying policy premium” charged for the first R2.5 million is R100 per month

The 1st layer increasing the total limit of indemnity from R2.5 million (Underlying policy) to R5 million would cost a premium **R50** per month for the extended liability policy. The “Extended Liability limit will be shown as R2.5 million)

The 2nd layer increasing the liability limit from R5 million to R10 million would cost an additional R30 per month giving a total monthly Extended Liability premium of **R85.00.**, (The Limit of

Liability shown on the “Extended Liability” policy will be R7.5 million – the underlying policy limit remains at R2.5 million)

The 3rd layer taking limit up from R10 million to R20 million would cost an additional R22.50 per month giving a total monthly Extended Liability premium of **R107.50** (The limit of liability shown on the “Extended Liability” schedule should be R17.5 million and the “Underlying Policy” would remain at R2.5 million)

2. PRODUCTS/DEFECTIVE WORKMANSHIP LIABILITY = R1 000 000

NOTE 1:- Premium should be based on turnover of both the workshop and the goods sold and supplied. (Insured automatically enjoys cover for both Defective & Products)

NOTE 2:- The calculation as set out in 1 General & tenants should be followed

NOTE 3:- liability must have an aggregate limit of not more than the indemnity limit per 12 consecutive months from inception, anniversary date, underwriting year, anniversary year.

3. EMPLOYERS /COMMON LAW LIABILITY = R1 000 000

- a. This can be increased under the “Extended Liability” policy without additional premium – this may change subject to the the possible change in the definition of an employee in COVID.

4. MOTOR LIABILITY

Use the Motor Liability premium component charged on the underlying policy as the base premium and calculate the Extended Liability Premium on the same basis as 1 General & Tenants Liability.

5. OTHER EXTENSIONS

Wrongful arrest, Statutory Defence & Additional Defence Costs. The maximum that we can offer for these extensions is R500 000. The limit may be increased in 3 layers 1st layer by R50 000 over R50 000, 2nd layer R100 000 over R100 000 and 3rd layer R300 000 over R200 000. Using the same percentages as shown above calculate the Extended Liability premium for these extensions

The absolute minimum premium which we should charge for the Extended Liability Section is R100 per month or R1200 per annum, regardless of the increased limits of liability provided.

We trust that this clarifies Renasa’s approach on “Extended Liability”.