

Insurance: Points to Ponder

by Ken Roberts



Fire Legal Liability: What's The Difference?

General liability insurance is designed to protect organizations from claims for property damage and/or bodily injury by any third party. Since many community theatres do not own their performance venues, an often ignored provision of their general liability policy known as "Fire Legal Liability" can become very important. The question often asked is, "If we have general liability coverage for third party property damage, why do we need the fire legal liability coverage as well?" The answer is that *there is a difference!*

If you have ever had occasion to review the long list of standard exclusions in a general liability policy, you would no doubt run across a provision that excludes coverage for property in your *care, custody or control* (CCC). The CCC exclusion includes buildings that have been rented or leased for any period longer than seven days, so it is easy to see

how a coverage gap can exist. The fire legal liability section essentially gives back coverage for damage to rented or leased premises, but on a limited basis, typically \$100,000 to \$300,000. Most insurance companies will quote this limit up to \$1,000,000, if the value of the premises warrants it, for a minimal charge.

One problem with fire legal liability, aside from the lower standard limits, is the fact that it only covers damage caused specifically by fire. Theatre tenants can unintentionally cause damage to rented or leased properties in a variety of ways, so to address this issue, many insurance companies have substituted this coverage with "Tenant Legal Liability" or "Damage To Premises Rented To You." This broadens the coverage to include virtually any cause of loss brought about by the tenant.

The foundation for how these types of claims are to be handled

should always be addressed in the rental or lease contract, and if the contract doesn't already refer to damage claims, theatres should ask the property owners for their preference and have the contract amended to attend to those concerns. It is never a bad idea to have legal counsel review the contracts in order to tackle those situations before they become lawsuits.

In the end though, the fire legal liability limit should never be ignored simply because it is assumed that there is general liability coverage to take care of third party claims. Depending on the policy exclusions, claim situations or contracts, fire legal liability and general liability are meant to cover two completely different types of claims, and the fire legal liability should be broadened to 'tenant legal liability' or 'damage to premises rented to you' coverage whenever possible.

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