



## Should I Have Premises Medical Payments Coverage for my Hospitality Business?

One commonly misunderstood coverage in the Commercial General Liability (CGL) policy is Medical Payments coverage. When competing against EverGuard some agents may say that a business owner needs to have Medical Payments coverage, and that a policy without it is inferior or offers less protection. That is simply not true.

Medical Payments coverage is sometimes included in CGL policies, and some people contend that it helps business owners convey goodwill to customers and reduces claims costs. But the evidence indicates otherwise. Having Medical Payments coverage on a CGL policy actually increases claims costs. In fact, Medical Payments coverage has been used as a means of financing further legal action against business owners, which affects their loss history and can impact future premiums.

Business owners are not always legally liable for accidents that occur on their premises. The business owner must typically be responsible for the accident as a result of negligence in order to be held responsible. A CGL policy already protects business owners from claims for which they are legally liable.

Hospitality businesses with CGL policies that include Medical Payments often pay for unwarranted claims. Medical Payments provides for medical expenses (usually \$5,000) that are "necessary, reasonable, and related to an accident occurring on the premises." It sounds fine, until you realize that because the coverage is no-fault, the payment will be made regardless of the facts surrounding the incident – even if the business owner is not legally liable or negligent for the accident.

When making a payment under Medical Payments coverage, the insurance company cannot request or obtain a liability release from the injured party, so the injured party can still take civil action. In fact, many claims continue to be pursued after payment has been made under Medical Payments coverage. For these reasons, *EverGuard does not offer Medical Payments coverage on our CGL policies.*

The most effective way to handle any incident is to carefully document the facts, preserve any evidence, and report the situation promptly to the insurance company. Where appropriate, the professional claims adjuster can still make payments to an injured party to convey goodwill, but also obtain a liability release to protect the business owner from further claims.

Here's a real example of how eliminating the Medical Payments coverage is to the insured's benefit:

Lucy slipped and fell on a slippery dance floor at XYZ Saloon and injured her back. As the saloon owner was recording Lucy's information on an incident reporting form, she informed him that she planned to seek medical assistance from a chiropractor.

The following week Lucy called the saloon owner and reported that she needed to visit the chiropractor three times a week for the next several weeks, and each visit would cost \$40. The owner reported this information to his insurance company. His insurance policy did not provide Medical Payments coverage, only General Liability insurance. The claims adjuster contacted Lucy promptly, and after confirming that the necessary medical treatment was related to Lucy's fall, the claims adjuster offered to settle her claim for a lump sum of \$800 in exchange for a signed release under the General Liability coverage. Lucy agreed, the claim was settled and closed, and the saloon owner was relieved of any further responsibility.

In summary, the insurance company protected the saloon, satisfied the injured party, and resolved the claim for the cost of the medical bills, despite a lack of Medical Payments coverage. If payment were offered under Medical Payments coverage, a release would not have been obtained from Lucy and the claim would remain open for further activity.

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1900 West Nickerson Street Suite 300 Seattle, Washington 98119  
tel. 800.326.8514 fax. 206.352.3281 [www.EverGuardIns.com](http://www.EverGuardIns.com)