



Liability insurance is a policy that was originally created by companies or individuals who experienced common risks and hence created a fund to help pay for each other's issues regarding this

A liability insurance is a broad term for types of coverages that protect you or your business if someone files a lawsuit or reports a claim against your company.

It is designed to offer specific protection against third-party insurance claims, i.e., payment or claim pay-out is not typically made to the insured, but rather to someone suffering loss (a third party) who is not a party to the insurance contract.

Says TA Ramalingam, chief technical officer, Bajaj Allianz General Insurance: "This third party can be a buyer/consumer of the insured's product or service, a shareholder of the company or a government regulator, etc. The insurance will in such cases cover the legal costs that the insured will incur."

#### How Liability Insurance Works

At its core, liability insurance provides protection against claims resulting from injuries and damage to people and/or property – financial injury or physical injury. Liability insurance covers legal costs and payouts for which the insured party would be found liable.

#### Why Is Liability Insurance Required

Let's say for instance you cause a financial loss to someone or someone is injured on your property. In that case, you could be found legally liable for resulting expenses, such as medical or legal bills. Liability coverage can provide you with protection from these types of expenses.

Says Ramalingam: The level of coverage you need depends on the type of business you run because every business has unique risks. For instance, pharmaceutical product manufacturers may need coverage with higher liability limits than garment manufacturers.

#### Different Types Of Liability Insurance

There are different types of liability insurance products that you can get to help protect your business from liability claims. Some of the most common products are here as follows:

**Commercial General Liability Insurance:** This will help you cover claims if your business caused bodily injury or property damage to someone else or their belongings.

**Professional Liability Insurance:** This will help cover your legal costs and judgments if a client sues your business for errors or omissions arising in your professional services. This coverage is also known as errors and omissions insurance.

**Directors And Officers (D&O) Liability Insurance:** These policies offer liability cover for company managers to protect them from claims which may arise from the decisions and actions taken within the scope of their regular duties.

**Cyber Insurance:** This is available for individuals and for corporates. The core intent of this product is to protect the financial stability of an individual in this volatile cyber landscape

#### Things To Keep In Mind

According to Ramalingam, appropriate product selection for the business type, sufficient coverage in terms of both sum insured and terms and conditions offered should be looked into.

Along with these, the credentials and capability of your insurance carrier at the term of underwriting the policy and settlement of claims, are important things that should be carefully considered.