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## LEGAL BRIEFS

### Are You Prepared for a Lawsuit?

What would you do if your business was the victim of a lawsuit? More importantly, what will your insurance company do for you?

Depending on the type of coverage you have, you can usually expect your policy to cover the costs of your defense, as well as payment of the final judgment, should one be entered against you. Nonetheless, once you call your carrier, the incident is not out of your hands; although, typically, the insurance carrier will retain an attorney on your behalf, you are still obligated, under the policy's terms, to cooperate with the defense and to assist your insurance company in reaching a favorable outcome.

The first thing to do is to be sure to give your insurance company notice whenever you have a situation that could result in a claim (before it becomes a lawsuit). If you have more than one insurance carrier, such as one for your general liability and another for your director's coverage, notify them both of the circumstances. It is often easier to let the insurance companies sort out which policy covers what, rather than trying to determine it yourself.

Once you inform your insurance carriers of the claim, they can respond in one of three ways. They can tell you your policy doesn't cover your claim and that they are not going to defend you. They can agree to defend you and pay for your legal expenses without paying for a settlement (reservation of rights). Or they can agree to defend you and pay your legal costs and any settlement up to the limits of your policy.

If your insurance company will not cover your claim, you should have your attorney review the basis for the denial. As unfortunate as it may sound, insurance companies will often look for exceptions or loopholes in your policy as a basis for refusing to cover a claim which has been made against you or your company. Many times, the grounds for such denial is without merit and exerting a little pressure on your insurance carrier is all it takes! Other times, it may be that you actually have to file a claim against your

insurance company seeking to have a court force the company to provide you with the very coverage for which you have paid for years.

Check with your insurance agent to find out what type of coverage you have, as well as what types you need, but don't have. By understanding your insurance coverage, you will know what to expect if a situation should arise.