



Division of Specialty
Program Group, LLC

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This article is informational only.

Sue and Labor Coverage: The Help You Need to Protect Customer Property

In the aftermath of a California earthquake, warehouses were red tagged because they were in danger of collapse. On the east coast, severe weather and impending floods threatened customer property. In both cases, moving and storage companies responsible for this property moved it to safer locations, preventing a complete loss.

What made it possible was "Sue and Labor" coverage, an enhancement built into the Mover's Choice inland marine policy. This coverage compensates you for the costs involved in seeking to prevent damage to customer property that is in your care, custody and control. Unlike more common policies like property and general liability, not all insurers offer it and some just offer it as an endorsement to an existing property policy that would not cover goods in your care, custody and control.

Plus, we've found some moving and storage companies don't know it's available, while others don't know they have it in their inland marine policy. In this **Mover's Choice Briefing**, we will take a close look at why you should have Sue and Labor coverage associated with your inland marine policy, what it covers and what it does not cover.

What Is Sue and Labor Coverage?

Sue and Labor coverage is not a separate insurance product; rather, it is included as an enhancement to your existing inland marine insurance policy. That means it is subject to the same policy terms. It covers "reasonable expenses" incurred by a moving company in taking steps to defend, safeguard or recover insured property being threatened or damaged by a pending peril (flood, fire, etc.).

This coverage formalizes the obligations both an insurance company and the insured moving and storage company have to each other. In other words, just as the policyholder must take steps to preserve or protect its property, the insurer must reimburse the insured for taking those steps. Everyone benefits when property is protected from further damage.

What Does it Cover?

Sue and Labor coverage often is activated by "acts of God" such as the earthquake or hurricane mentioned above. It may also be triggered by a number of other events, such as burst pipes that flood a warehouse, a roof collapse from snow or ice and water damage from an activated fire sprinkler.

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This coverage compensates you for expenses involved in opening the shipping crates to ensure there was no water damage or mold growth, restoration to salvageable items, and then re-crating the property. In addition, companies with military contracts, Sue & Labor also covers expenses incurred as required by the written contract between the moving and storage company and the United States government for safeguarding property.

In all of these cases, insurers reimburse moving and storage companies for the labor and other expenses needed to move goods, store them elsewhere, open crates or protect from further damage. Companies are covered for reasonable expenses, even if the steps they take are not entirely successful. This can help save you from shouldering extra costs when something goes wrong, and by enabling you to engage in proactive loss control, it reduces insurance claims and helps control insurance premiums.

When Sue and Labor Doesn't Apply

Just as it is important to know what Sue and Labor insurance covers, it's also important to know what it does not cover.

For example, the coverage only applies to expenses incurred in avoiding and mitigating property covered under the policy. And while it covers costs associated with protecting property threatened by an act of God, there are some exclusions in the policy. For example, it does not cover mitigation costs related to nesting, infestation or other damage from insects, rodents, birds or other animals.



Coverage also is restricted to “reasonable” expenses. Examples of expenses that may not be deemed reasonable are moving property from a storage facility that is not climate controlled to one to a more expensive climate-controlled facility, and transferring property to a facility that is not within a reasonable distance.

Your insurance broker can help clarify any restrictions or exclusions in your policy. Be sure you understand when and where it applies. Report the claim promptly to the insurer and have a detailed conversation with the adjuster on how you plan to protect the property and what those costs are anticipated to be.

The Benefits Are Clear

Despite these limitations, Sue and Labor coverage is an important part of your inland marine policy. With the likelihood of a loss kept low, it helps you save thousands of dollars per year that would have been spent dealing with the loss.

And with losses occurring less frequently, you deal with fewer claims, which helps keep

premiums low. At the same time, you build trust with the customer and the community, and develop a reputation for managing a safe and responsible business.

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