

Insured Contract: Coverage for Breach of Warranty Claims

The Illinois Appellate Court tackled one of the most misunderstood issues in the commercial general liability policy: Does an obligation to indemnify trigger insurance coverage? The National Law Review reported on the ruling, writing that, although the facts in *Bituminous Casualty Corporation v. Plano Molding Company* are not typical for most general liability disputes, the analysis and reasoning of the court are helpful in understanding this pesky part of the policy.

“At issue was a clause in a bill of lading issued by Plano, a manufacturer of storage boxes, in which it agreed to indemnify K-Line, a railroad carrier who was shipping the merchandise, ‘for any injury, loss or damage caused by breach of warranty’ that the cargo being shipped was ‘safe and proper and suitable for handling and carriage,” the report explains.

The court found that “because defendant (the Insured) is liable only for its own breach of warranty, it has not assumed liability for K-Line’s negligence.”

Read the report.