

Umbrella Vs. Excess Coverage

Running a business is a tremendous responsibility. Typically, the larger the business; the greater the responsibility. Businesses have many options for liability policies that will protect against losses or injuries that a business may inflict on other (third) parties.

A business usually will buy liability coverage for two chief areas. One is to handle its routine, premises liability. The second is to handle liability that is related to the actions a business performs away from its premises or that may address its professional-level obligation it owes to others while providing products, goods and services to others. A business that uses vehicles, mobile equipment, watercraft and/or aircraft must consider liability protection for those exposures too.

Whatever form of liability policy or policies selected by a business; they are a primary layer of coverage. Depending upon the available limits, a business may want to purchase a higher level or secondary level of protection. This level is usually called umbrella coverage or excess coverage.

Umbrella coverage and excess coverage have similarities. However, there is an important distinction between these forms. Commercial umbrella and commercial excess coverage both provide an additional level of protection. Both policies can provide this level over a wide variety of primary or underlying forms. This coverage is triggered when the primary protection's limits have been breached.

An umbrella, theoretically, supplements its excess coverage with a different coverage. It also provides coverage for miscellaneous and unidentified loss exposures. Since there isn't source of primary protection for these exposures, a form of high deductible, called a self-insured retention, is applied to such losses. An excess policy does NOT provide broader coverage; it only supplements whatever coverage exists in the primary layer. Further, it is becoming increasingly common that such coverage is provided on a Following Form basis. These forms are written so that it tracks precisely with the coverage and exclusion provisions of the underlying policies.

So, if you seek additional coverage, be sure to pay attention to what is stated in the form. The term umbrella is used even when the form does not provide true umbrella coverage. Be sure to use an insurance professional to get the coverage you need!

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