

The Commercial Umbrella Policy

In case of the average (smaller) business, the Commercial Umbrella Liability policy is a newer insurance coverage option. Not very long ago, the coverage was considered to be only needed by very large business entities. Today, a different set of circumstances exists. Liability claims and court decisions involving millions of dollars are no longer uncommon; any business can be found legally responsible for this type of judgment. A Commercial Umbrella Liability Policy, increasingly referred to as an excess policy, can provide an additional layer of insurance protection to handle major losses.

The coverage form is still not standardized, varying greatly among companies and some jurisdictions may create unique coverage issues. Punitive damages are an example. Some states only permit responsible parties to pay punitive damages; others allow them to be paid by insurers. Another area of difference is that no policy covers everything; every policy has exclusions.

A business owner may consider an accident that does not involve a fatality to be one that can readily be handled by regular coverage. The reality is that such an accident may result in substantial medical care, lost income and other expenses. Can your business afford a payment that exceeds a million dollars? Think of accidents involving vehicles that, today, are much safer than 5 or 10 years ago. That means that accidental deaths are less likely while the chance of severe head injury has increased. Severe head trauma can send a claim's cost soaring. It may take up to seven years to determine the ultimate extent of injury. Recovery is often slow and sporadic. These elements combine to make regular insurance coverage insufficient.

A business may have auto liability coverage but insurance limits of more than \$500,000 is rare. This is because insurers are reluctant to offer higher coverage at an affordable price. When the insurance coverage provided by a business auto policy is not enough to meet the amount of a loss, the business is responsible for the difference.

An Umbrella Liability policy could be the difference between bankruptcy and an on-going business venture. The Umbrella policy would take over where the business auto policy stopped, providing defense coverage and additional limits to pay large judgments.

There are no standard Umbrella Liability policy forms; each company has their own variation. Each form offers different options that can help tailor coverage to specific business needs. One thing to remember is that an Umbrella Liability policy will not cover everything; there are exclusions in this form as in any other contract of insurance. However it still represents an excellent method to help shield a business from catastrophic claims. Contact an insurance agent to discuss securing this valuable form of liability coverage. It could help preserve your business.

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