

Umbrella and Uninsured Motorists Liability

How does your business umbrella policy handle a loss involving an uninsured or an underinsured motorist? Uninsured Motorist (UM) and Underinsured Motorist (UIM) laws vary by state. However, they are meant to provide an injured person with protection when their loss was caused by a driver who is either uninsured or who is inadequately insured. In the last few years, more court decisions have favored allowing "full compensation" for such losses. The result is that more judgments are being paid under a coverage part that was designed to be the "last resort" (collecting coverage under your own policy).

Liability coverage is designed to pay for injury that you caused to others. Let's take a simple example. Phil owns PC Physician, a firm that services personal computers and laptops, including pick up and delivery. While making a house call, a PC Physician service van driver is distracted, runs through a red light and crashes into another car. The injury to the car's driver and the damage to her vehicle are covered by the liability section of PC Physician's automobile policy but the injury and damage to the PC Physician driver and van are not covered.

An Umbrella Liability policy only provides liability coverage, not coverage to you for any injuries you receive. UM and UIM provide coverage to you for injuries caused by another party, acting as substitute liability coverage. While state laws are fairly clear in their requirement that primary auto policies include UM and UIM protection, it's not clear if umbrellas (secondary or excess policies) are also subject to the requirement.

In recent years, more attempts have been made to force umbrellas to pay for injuries involving uninsured or underinsured drivers. At each level of the court system, conflicting opinions have been written on this subject. The result is tremendous confusion within the legal system and the insurance industry whether an Umbrella Liability policy provides a higher level of UM and UIM coverage.

Rather than be confused, contact an insurance professional and discuss the issues within your state and the states where you operate automobiles. Determine what options are available from your Umbrella Liability carrier and what best protects your assets.

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