

Risk Insights

Provided by Winters-Oliver Insurance Agency

Umbrella Insurance for Your Business and Peace of Mind

In a culture where litigation is commonplace, business owners have many more worries than making profits and retaining top employees. If your product injures a consumer, your organization could face a devastating lawsuit, exponential damages and a tainted reputation in the marketplace. To assist with the financial burden of a claim, many business owners purchase commercial umbrella insurance on top of their standard commercial general liability (CGL) insurance policies.

Most CGL policies have an aggregate limit that, once exhausted, will not cover any other excess claims. Experienced business professionals understand that the litigious nature of our society combined with surmounting liability judgments are reason enough to purchase additional coverage.

Lawsuits frequently impose multimillion-dollar penalties on businesses—far outside the coverage provided by most CGL policies. As a result, common losses such as vehicle accidents, employment claims and hazardous substance spills can pose a serious financial threat.

Businesses are also liable for the health and safety of their employees and for their employees' behavior. For instance, your business could be held liable after your holiday party results in property damage to a rented banquet hall. You may also face litigation if your business office has a carbon monoxide leak that causes a number of employees to get extremely ill. To protect against an unforeseen claim similar to these, commercial umbrella insurance protection is a must.

Purpose of Umbrella Coverage

Umbrella coverage is designed to protect an organization against monumental liability claims that can demolish a business through a large financial judgment. Typically, an umbrella policy serves the following purposes:

- Provides coverage for potential damages and court defense fees that exceed underlying insurance policies (typically CGL policies).
- Provides coverage in situations that are not covered by underlying insurance policies but are not excluded from the umbrella policy. This benefit is subject to a self-insured retention (SIR), similar to a deductible, in which the policy holder is responsible for losses up to the SIR amount.
- Applies to claims where the aggregate limit of the underlying policy has been met. The umbrella policy will cover the portion of the claim that cannot be paid with the underlying policy because there are not enough funds



available in the policy to cover the entire claim. For instance, if at the time of a claim your CGL policy has \$500,000 remaining and the claim in question is \$1.5 million, then the CGL policy will cover \$500,000 and then the umbrella policy will cover the remaining \$1 million.

Coverage Details

A typical umbrella policy has the following features:

- Offers coverage for worldwide; personal injury; blanket contractual liability protection; care, custody and control; non-owned aircraft liability; watercraft liability; advertisers liability; liquor law liability; and explosion, collapse and underground (XCU) liability.
- Offers an extension of insurance protection for additional insureds.
- Policies follow form, meaning they abide by similar provisions and cover similar losses as the underlying policy. If claims are not covered by an underlying policy, the umbrella policy makes the business responsible for the loss if it exceeds SIR limits. The damage must also involve personal injury, property damage or advertising injury.
- The insurer has the right to investigate all claims not covered by any underlying insurance.
- Policies either cover all individuals or cover parties that gain insured status within the contract. Policies also protect an organization's executive officers, regular employees, directors and stockholders acting on behalf of the organization. Protection for additional insureds is typically excluded when claims involve motorized vehicles, watercrafts and aircrafts.

Beyond these stipulations, a commercial umbrella policy ascertains that an organization must hold an underlying insurance policy during the term of the policy. To learn more about averting your business risks with commercial umbrella insurance, contact Winters-Oliver Insurance Agency at 804.746.5178 today.