

# THE VALUE OF COMMERCIAL UMBRELLA INSURANCE



## Coverage Insights

In today's increasingly litigious environment, lawsuits stemming from liability incidents have surged in frequency and severity, leaving many organizations with substantial losses. Due to the complex nature of these losses, they could potentially surpass organizations' primary liability coverage limits, which refer to the maximum amount that an insurer will pay toward a claim. In these instances, such losses could exacerbate organizations' out-of-pocket expenses and pose lasting financial challenges.

Fortunately, that's where commercial umbrella insurance can help. This coverage can provide financial protection for losses that exceed the policy limits found within an organization's standard liability insurance portfolio. In other words, commercial umbrella insurance offers an additional safety net by stepping in to cover the remainder of large-scale losses after primary liability policy limits have been exhausted. Such coverage can make all the difference in helping organizations minimize out-of-pocket expenses amid costly liability incidents.

With this in mind, organizations should clearly understand this coverage and its main protections. This article highlights the value of commercial umbrella insurance by explaining common policy features and outlining key coverage benefits.

## Common Policy Features

Commercial umbrella insurance is a flexible form of coverage that can help supplement several traditional liability policies, including general liability insurance, commercial auto coverage and employment practices liability insurance. If an organization experiences a covered event under one of these policies but total.

losses exceed the policy's limit, commercial umbrella insurance may help pay for the remaining expenses. For example, suppose an organization encounters a lawsuit after one of its commercial vehicles is involved in an accident that injures other drivers on the road. If the lawsuit generates \$1.25 million in losses and the organization's commercial auto coverage has a \$1 million policy limit, commercial umbrella insurance could help pay for the remaining \$250,000 in losses once that primary policy limit has been exhausted.

Commercial umbrella coverage usually applies to losses involving liability-related litigation. Taking a closer look at the main components of this coverage, here are some common policy features

- **Coverage for legal defense costs**—This includes hiring a defense attorney, utilizing expert witnesses and handling any court fees.
- **Coverage for damages**—This includes providing any compensation legally awarded to other parties, including financial judgments, settlements and reparations.

Insurers generally offer commercial umbrella policies with aggregate limits between \$1 million and \$15 million, sold in increments of \$1 million. The amount of coverage needed will depend on an organization's industry, operations and related exposures. Organizations can consult insurance professionals to discuss their unique risks and determine appropriate levels of commercial umbrella coverage.

# Key Coverage Benefits

Phase

**01**

## Financial Stability

Commercial umbrella insurance can help organizations prevent costly liability incidents and related litigation from wreaking havoc on their finances by extending their coverage beyond primary limits. Since these incidents can carry significant losses, securing a policy that helps safeguard business assets and future earnings and promotes continued financial stability is vital.

Phase

**02**

## Insurance Cost Savings

Some organizations may mistakenly assume they would benefit from individually increasing their primary liability coverage limits rather than securing commercial umbrella insurance. Yet, purchasing this coverage is often more affordable than making policy adjustments across multiple lines of liability insurance, as these adjustments could lead to a series of rising premiums. Although commercial umbrella insurance does require organizations to add another premium to their insurance budget, this single premium is often relatively low compared to other commercial coverage offerings and spans several liability policies, making it a cost-effective option.

Phase

**03**

## Broader Coverage

In addition to helping organizations expand the overall policy limits of their liability insurance portfolios, commercial umbrella coverage can sometimes offer financial protection for losses that would otherwise be excluded by standard liability insurance. These may include certain legal fees, contractual liabilities and liabilities resulting from various nontraditional business practices.

Phase

**04**

## Peace Of Mind

Commercial umbrella insurance can help ease any stress regarding the risk of unexpected liability incidents and costly litigation, especially as it pertains to contract negotiations that demand higher liability limits. In conjunction with adopting adequate loss control measures, purchasing this coverage can provide ultimate peace of mind, equipping organizations with the resources and protection needed to navigate the most difficult liability scenarios.

# THE VALUE OF COMMERCIAL UMBRELLA INSURANCE



## Conclusion

Commercial umbrella insurance plays a major role in helping organizations reduce the fallout from liability incidents and associated lawsuits, allowing them to enhance their primary coverage capabilities and ensure ongoing operational success. By reviewing common policy features and key benefits provided by such coverage, organizations can tailor their commercial umbrella insurance to their needs and foster a comprehensive risk management strategy.

Contact us today for more insurance solutions.

 **contact us**  
813-988-1234

This Coverage Insights is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel or an insurance professional for appropriate advice. © 2024 All rights reserved.