COVERAGE INSIGHTS

Key Differences Between Commercial Excess Liability and Umbrella Insurance Policies

Commercial excess liability insurance and umbrella insurance are secondary coverage policies that attach after primary insurance policy limits—such as general liability, employer's liability and commercial auto insurance—have been exhausted. This additional coverage can protect your business from the financial consequences of large losses that exceed what your primary insurance can cover. While excess liability and umbrella insurance are often thought of as interchangeable, they are not the same. This article discusses what excess liability and umbrella insurance policies are, and the key differences between them.

What Is Excess Liability Insurance?

An excess liability insurance policy provides coverage limits in excess of an underlying liability policy. Put another way, excess liability policies "drop down" to replace primary coverage when limits on the primary policy have been exhausted. This type of coverage often matches the exact terms of the primary policy or policies. However, an excess liability insurance policy can also be more restrictive and include more exclusions than primary policies. It should be noted that excess liability insurance only offers additional limits to the primary insurance policy and will not protect a business if there is no primary policy already in place.

What Is Umbrella Insurance?

Umbrella insurance, like excess liability insurance, provides coverage for claims that exceed the limits found in a primary policy. However, this type of policy can offer broader coverage for losses outside of those outlined within the primary policy or policies.

Key Differences

While umbrella and excess liability insurance are both types of secondary insurance that function nearly the same, there are a few notable differences. The biggest difference between the two is that umbrella insurance can broaden coverage and apply to losses not covered by the primary coverages that are in place, while excess insurance only extends the limits of liability of the primary policy or policies.

Conclusion

Umbrella and excess liability insurance policies both add critical layers of protection to primary insurance policies. These coverages can protect your business from catastrophic losses that exceed the coverage limits of your liability policy and reduce the chance that a lawsuit or other claim could bankrupt your business. At a time when costs for insurance settlements and jury verdicts frequently reach millions of dollars, umbrella and excess liability policies are a critical component of an insurance and risk management program.

For more information about umbrella and excess liability policies, contact us today.

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