

Umbrella Coverages - Part 2

Umbrella or Excess Coverage?

In part 2, we continue our discussion of how umbrella policies work.

A traditional umbrella offers broader protection, covering primary policies as well as a variety of, typically, uncovered exposures. For instance, you may have to go to court after being accused of slandering another person. The liability section of your homeowners policy may not cover this type of loss, called personal injury. An umbrella policy might include coverage for personal injury, so the loss is covered. You may also need a traditional umbrella to handle odd situations such as hobbies or activities that may increase the likelihood of facing liability losses. For example:

- you have an in-home hobby of training guard dogs and a neighbor's child is attacked
- you publish a newsletter on the Internet covering local or state politicians and one issue wrongly accuses a state senator of committing crime
- You collect rare instruments and, as a part of the hobby, you also repair and restores such property for other people. One day you drop an antique mandolin which shatters when it hits your garage's concrete floor

Generally umbrellas provide coverage for any amount of a loss that exceeds the primary policy's deductible. However, when handling a loss that is not covered by primary insurance, special kind of deductible called a self-insured retention (SIR) may apply. An SIR is the dollar amount you have to pay before the umbrella coverage is triggered.

Of course, umbrellas don't always work as named. Your policy may just provide additional amounts of coverage to supplement existing protection. This is how an excess policy performs. Excess policies respond the same way as a primary policy. In such cases, an umbrella may "follow the underlying coverage". This means that the umbrella covers **ONLY** the situations covered by its underlying coverage. In this case, the umbrella also excludes a loss that's excluded under a primary policy. While in many instances umbrellas provide broader coverage, only a careful evaluation of the actual policy wording will reveal the extent of the additional protection. **So, Do You Feel Any Rain Drops?**

You may or may not be feeling the need to carry an umbrella. The best way to find out if extra coverage is necessary is to discuss your coverage needs with a professional insurance agent. Especially if you have a larger than average amount of personal assets or are involved with activities that could expose you to larger liability losses. See Part 1 for other basic information about umbrella coverage.

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