Commercial excess policies are f[illegible] accidents that become tragedies

How does a commercial excess policy work?

A commercial excess policy is a liability policy that works in conjunction with other liability policies. The typical business has an auto policy, a general liability policy and an employers' liability policy (included with the workers' compensation policy). These are what we call underlying policies; they are the first responders to any claim for damages after an accident. When the limits of these policies have been exhausted, the commercial excess policy jumps in to take over the obligation to pay additional damages up to its limit. This excess coverage can serve to protect your business from financial ruin when an accident becomes a tragedy.

What is meant by "follow form" coverage?

An excess policy that "fo[illegible] that covers the insured u[illegible] sa[illegible] as the underlying policy. I[illegible] words, the underlying policy respo[illegible] partic[illegible] claim, so will the excess policy [illegible] contrast[illegible] extreme w[illegible] umb[illegible]rovides coverag[illegible]n the[illegible] of its inde[illegible] terms[illegible] c[illegible]eate a[illegible] fo[illegible] c[illegible] bu[illegible]ot c[illegible]ess pol[illegible]

It's important to note th[illegible] "follo[illegible] form" coverag[illegible] tho[illegible] coverage ge[illegible]ow form to some extent. For exam[illegible], coverage of the excess and underlying policies may be aligned with regard to who is an insured, selected exclusions, designated limits or waivers of subrogation. Careful analysis will be required to evaluate the potential gaps.

What is the purpose of "dr[illegible] down" coverage?

When the aggregate limit of an underlying policy has been exhausted by [illegible]t of other claims, a gap is cr[illegible] the underlying policy a[illegible]ce[illegible] "Drop down" covera[illegible]e neede[illegible] that gap, droppin[illegible]y an[illegible] that is equivalent to [illegible] reduced or [illegible]usted o[illegible]g policy.

What [illegible] the underly[illegible] are not [illegible]

[illegible]he [illegible]ies are not maintained, [illegible] cove[illegible]plied as though [illegible]exist. [illegible]ans th[illegible] a loss must be pa[illegible] insured in li[illegible] of the underlying polic[illegible]e insured has made payments equal to[illegible]quir[illegible] limit of the underlying [illegible] then the excess policy will begin to

What is an umbrella policy?

A true umbrella will go beyond providing excess liability coverage. It will provide first responder coverage to some exposures that are not covered by the underlying policies, but covered by the umbrella. This broadened coverage will reduce your financial risk in areas not previously anticipated.

However, you may be responsible for paying a portion of the loss, called the "self-insured retention," before the umbrella begins to pay this type of claim. It's not unusual for the SIR to be designated in the amount of $10,000, although it could be zero for some businesses.

Umbrella policies [illegible] in the type of exposures covered [illegible] feature. The standard Insuranc[illegible] Servi[illegible] Office Inc. policy [illegible]ludes broad[illegible]rage for watercraft, [illegible]ft, glob[illegible]ons, personal and [illegible]offenses, reasonable [illegible] and mental anguish. Some um[illegible] broaden coverage for personal prope[illegible] the insured's care, custody and control.

How do I choose a limit?

Obviously, the limit chosen has a lot to do with the risk tolerance of the business, but there are some indicators that can help in the process. Some businesses generate more risk than others. It could be the type of products sold, the hazardous activities, the size of business assets, the potential for catastrophe, etc. It's not uncommon for business contracts to require certain excess limits; for example, in the construction industry. You may benefit from researching the severity of losses others have experienced in your type of business. Our agency is ready to assist you with your analysis of risk and help you find the excess or umbrella policy that is right for your business.

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