

What Is Excess Liability Coverage and Why Do You Need It?



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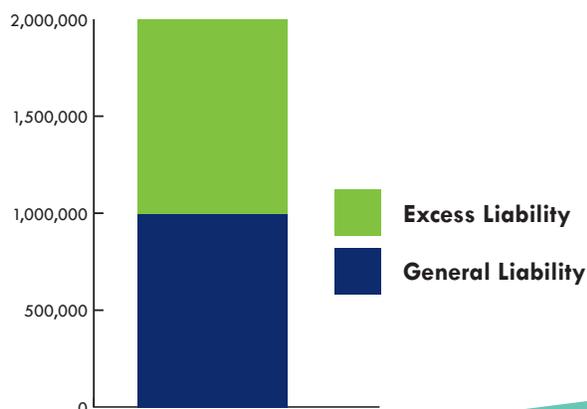
We've all seen the headlines for lawsuits totaling millions of dollars in payouts. In the past, verdicts like this were relatively rare. However, with [the impacts of social inflation](#), the number of lawsuits going to trial are increasing, and settlements of massive proportions are becoming more common. As a business owner, it's vital to be proactive and prepared for the worst case scenario. You don't want to find that a verdict or settlement exceeds the limits of your insurance policy and be on the hook for hundreds of thousands—even millions—of dollars. This is where Excess Liability coverage comes in.

What Is Excess Liability Coverage?

Excess Liability coverage is an extra layer of protection. It places an additional limit on top of the existing limits attached to liability policies, including General Liability, Business Auto liability, and Workers Compensation liability. Here's an example of how it might work:

Let's assume you have an underlying General Liability policy with a limit of \$1 million. To give yourself some additional protection, you also have an Excess Liability policy of \$1 million, thus increasing your limit to \$2 million.

Now, let's say you're fighting a personal injury claim, and are forced into a \$1.5 million settlement. Because the original underlying policy's limit was exceeded, the Excess Liability policy covers the remaining \$500,000.



It's important to note that, while similar, Excess Liability is not the same as Umbrella coverage (though many use the terms interchangeably). Both protect a business from catastrophic losses and can be placed over several policies. However, Umbrella coverage is broader and in many cases can cover losses outside an underlying policy (e.g., Professional and General Liability). Excess Liability will not cover any losses that would not be covered by the underlying policy.

Why Do You Need Excess Liability?

The primary reason for adding Excess Liability is that it's best to be over prepared and ensure your business has the protection it needs to withstand even the most devastating claims or lawsuits. Not only are these types of claims the ones that make headlines, they're also the ones that close businesses.

Owning a business is difficult enough without worrying about what the future may hold. Excess Liability coverage is just the solution to help ensure you can weather a catastrophic claim, letting you focus on running your business.

For more information about how you can minimize the risk of claims for your business and to ensure you have adequate coverage, reach out to your VGM Insurance Services Account Manager, or contact us today at info@vgminsurance.com or [800-362-3363](tel:800-362-3363).

