



RISK MANAGEMENT BRIEFING

February 2005

From the desk of:
Bob Heuer

GUY HURLEY BLASER & HEUER, LLC

1080 Kirts Blvd
Suite 500
Troy, MI 48084
Ph. 248-519-1400
Fax 248-519-1401

Is Your Umbrella Leaking?

The Umbrella insurance policy is meant to provide broad coverage—presumably broader in many cases than the primary policies over which it sits. However, thanks to limitations in terms, specific to contractors, your Umbrella coverage may actually be less broad than primary. Imagine having a multi-million dollar lawsuit on your hands, and being told it's covered by your \$1,000,000 primary liability insurance policy, but excluded by your \$10 million Umbrella policy!

Here are three areas where many Umbrella policies actually take away coverage that is present in the primary General Liability policy:

■ **POLLUTION** - While a number of primary CGL policies are written with a pollution exclusion that leaves coverage in place for certain pollution events; virtually all Umbrella policies contain "Total" pollution exclusions

■ **INSURED vs. INSURED** – Most Umbrellas contain an exclusion (not present in the primary CGL) that eliminates coverage for a claim "made by an insured against any other insured." It's reasonable enough, as a means of preventing "friendly" lawsuits between related companies, designed to tap into insurance limits. But, unless limited to "Named insured vs. Named Insured" the exclusion has the unintended consequence of preventing coverage for a claim or suit brought by the owner or General Contractor on a construction project, who receives "additional insured" status (and don't they all?) under your policy. Not something your owner or general contractor customer would take kindly to.

■ **WRAP-UP PROJECTS** – Although exact wording can vary, all Umbrella policies contain exclusionary language for claims arising out of projects insured under wrap-up insurance programs. More and more, these exclusions are also appearing on primary CGL policies. But the variable language of the exclusions can leave you with coverage for the first \$1,000,000, and nothing beyond that. Since your exposure to claims from wrap-up projects frequently exceeds the completed operations coverage time extension granted by the wrap-up insurance program, you're left out in the cold in the event of a 7-figure claim.

If it's all too confusing, call us for a no-obligation review of potential "leaks" in your Umbrella.