

Maintaining Underlying Coverages

Umbrella insurance works in the same manner as its namesake. It only functions properly when held upright with the proper amount of support underneath. Without using it properly, most of its ability to provide insurance protection is lost. It is absolutely critical that such support exists and is maintained. In fact, the obligation to make sure proper support remains in place is a component of the umbrella insurance contract. It is found in the policy's "Maintenance of Underlying Coverage" provision.

The provision typically refers to the policy's schedule or declarations where all of the applicable underlying coverage is listed. The underlying (also called primary) coverage typically consists of:

- Personal automobile
- Homeowner's
- Recreational Vehicle
- Miscellaneous Personal Liability

Besides listing the various policies, an umbrella policy requires that a specific limit of insurance be assigned to each underlying policy. The maintenance provision then acts as a contractual obligation. Via the provision, each listed coverage and each assigned insurance limit must be kept in force throughout the length of time that the umbrella coverage exists.

Of course, there are consequences when the insured person fails to comply with the provision, either by dropping or changing (lowering) listed coverage. Whenever a change in coverage occurs, the insured is also obligated to inform the umbrella insurer; though that only warns the insurer, but does not affect the consequences. In either case, the umbrella responds to a loss in the same manner as if the listed coverage still existed. Therefore, the insured bears the total financial obligation for a loss until the loss amount reaches beyond the level where the original coverage was supposed to apply. If it doesn't affect the consequences, you may wonder why the insurer requests notification. For two good reasons: one, they can ask you to remedy the situation or face terminating your umbrella coverage; two, they will be warned to review any loss situations you report so they can monitor the situation and, perhaps, take steps to protect their interest.

If you have taken the step to buy extra coverage to protect yourself and your assets, be sure to comply with all that is required of you. If you have questions, discuss your situation with a professional insurance agent.

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