

UMBRELLA INSURANCE

An umbrella policy, also known as excess liability insurance, offers additional liability protection once the coverage amounts provided by homeowners and automobile policies are exhausted. This type of policy protects the insured if sued, as sometimes coverage under a basic liability policy is not adequate. In today's litigious world, individuals want additional protection to ensure that their assets are protected.

MAJOR FEATURES

COVERAGE

An umbrella policy is pure liability coverage over and above the coverage afforded by the regular policy. It is typically sold in increments of \$1 million. Most issuers of umbrella insurance will not issue a policy unless one's existing homeowners and automobile insurance meet required liability limits. Some companies will also require the homeowners and auto policies to be written by them. To determine how much personal umbrella liability insurance coverage is needed, individuals should add up the value of their assets and compare that dollar amount to the coverage amounts offered under their home and auto insurance policies. If the value of the assets is more than the policy limits, then obtaining a personal umbrella liability insurance policy should be considered.

PREMIUM

Obtaining umbrella insurance coverage is relatively inexpensive as the premium for a \$1 million policy typically costs between \$150 to \$250 a year. Many insurers offer multi-policy discounts, lowering premiums and also making the coordinating of claims much easier.

BENEFITS

If the insured gets sued and the claim falls under a homeowners or auto policy, that policy will pay first, and the umbrella will cover the difference up to its limit of liability. If a person is sued for \$1 million for injuries sustained during an auto accident, the base policy will pay up to its limit (\$300,000 for example), and the individual would be liable for the remainder (\$700,000 in this case). Such a large liability can deplete an individual's entire assets. Several factors increase one's risks of such a lawsuit and should be taken into account when deciding what amount of coverage to purchase.

- Net worth – The higher it is, the more likelihood coverage is needed.
- Owning a business – Potential exposure to lawsuits increases when taking business pursuits into account.
- Young drivers in the household – Teenagers are more accident-prone, increasing the likelihood of an accident related lawsuit.
- Children – They are more likely to get hurt at homes with pools, trampolines, jungle gyms, etc.

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