

Personal Umbrella

Personal umbrella liability insurance is designed to protect you against a catastrophic lawsuit or judgment. It provides expanded coverage and increases the amount of your liability protection beyond the basic coverage provided under your homeowners/renters and auto insurance policies. Unlike other types of liability coverage personal umbrella liability insurance can be purchased as a separate policy. However, your insurer will require that you have underlying basic liability coverage (homeowners/renters insurance, auto insurance, or both) before you can purchase an umbrella liability policy. If you are found to be legally responsible for injuring someone or damaging someone's property the umbrella policy will either pay the part of the claim in excess of the limits of your basic liability coverage or pay for certain losses not covered by your basic personal liability insurance. Naturally, no one expects to be sued. But a good personal liability policy can definitely help to protect both your family and your future.

Understanding the Basics of Liability Insurance

Why do you need it?

Standard homeowner's policies usually provide \$100,000 to \$300,000 worth of liability coverage. As well as the fact that most states now require you to carry auto insurance with minimum liability coverage (which varies from state to state). It is possible to purchase additional liability coverage under these policies, but amounts may be limited. In today's society, it's not unusual to hear of \$1-million, \$2-million, and even \$10-million liability judgments against individuals. If someone is injured in your home, or if you cause a serious auto accident, you could be hit with such a judgment. Without a personal umbrella liability policy, anything beyond the liability coverage limits of your homeowners/renters or auto insurance policy will have to come out of your pockets.

How does it work?

Personal umbrella liability insurance supplements the basic liability coverage provided by your other insurance--it's designed to kick in when your other liability coverage is tapped out. Depending on the type of claim against you, your homeowners, renters, auto, or boat insurance coverage would be utilized first. Once the basic liability limit under the applicable policy is reached, your personal umbrella liability policy covers the remaining costs, up to the policy limits. For this reason, umbrella liability insurance usually carries a high deductible. Insurance companies typically require you to have homeowners/renters and auto liability insurance equal to the amount of your personal umbrella deductible.

When should you get it?

Your homeowners, renters, and/or auto insurance policies include some liability coverage. So the question is, when should you consider purchasing additional liability coverage (typically in the form of a personal umbrella liability policy)? There is no hard-and-fast answer, but there's no

time like the present because almost anyone can be the target of a huge liability lawsuit. Certain events increase your liability exposure--such as starting a home-based business, or having a teenaged child who gets his or her driver's license--so you should definitely re-examine your liability coverage at these times.

While it is possible to be over-insured, it's much more likely that you're underinsured for liability purposes. Don't learn the hard way that you need more liability insurance. Accidents and injuries don't happen on a schedule, and once you're the target of a liability suit it's too late to increase your coverage.

What does it cover?

A typical personal umbrella liability policy provides the following protection, up to the coverage limits specified in the policy:

- Protection for claims of personal injuries or property damage caused by you, members of your family/household, or hazards on your property, for which you are found legally liable
- Personal liability coverage for incidents which occur on or off your property
- Additional protection above your basic auto policy for auto-related liabilities
- Protection against non-business-related personal injury claims, such as slander, libel, wrongful eviction, and false arrest
- Legal defense costs for a covered loss, including lawyers' fees and associated court costs

What doesn't it cover?

Personal umbrella liability insurance typically provides extremely broad coverage. Furthermore, if something is not expressly excluded from coverage, it is covered. Although exclusions can vary, the following are some items typically excluded from coverage:

- Intentional damage caused by you or a member of your family/household
- Damages arising out of business or professional pursuits
- Liability which you accept under the terms of a contract or agreement
- Liability related to the ownership, maintenance, and use of aircraft, nontraditional watercraft (jet skis, air boats, etc.), and most recreational vehicles
- Damage to property owned, used, or maintained by you (the insured)
- Damage covered under a worker's compensation policy
- Liability arising as a result of war or insurrection

So, how much is enough?

There is no exact science when it comes to determining the appropriate level of personal liability insurance coverage. You might think that you only need enough liability insurance to protect your assets, but this figure is practically irrelevant when deciding how much liability coverage you need. A large judgment against you could easily wipe out your assets and put your future earnings in jeopardy. Instead, consider factors such as the following:

- Do you entertain often? (Having guests in your home, serving alcohol, etc., can open the door to potential liability claims.)
- Do you operate a home-based business that is covered under your homeowner's policy?
- Do you have a long commute to work? Do you take frequent auto trips?
- Do you have teenage children? Do they drive?
- Does your lifestyle make you a likely target for a lawsuit (i.e., do you give the appearance of having "deep pockets")?