

Umbrella Coverage 101

The more you have, the more protection you need

The more your earning power and assets increase, the more you have at risk, and therefore, the more you need to protect.

If you think you need at least a million dollars of additional protection above your current homeowners or automobile liability limits, you can purchase something called excess liability. Often referred to as an umbrella policy, excess liability is the additional protection you need in case a judgment against you exceeds the liability limits of your existing auto or homeowners policy. Available in amounts ranging from one to five million dollars, excess liability coverage increases your personal liability limits by adding protection to your current auto, boat or homeowners policies.

Why liability coverage from your homeowners and auto policy may not be enough

Homeowners insurance provides a minimum of \$100,000 liability coverage (the coverage that protects you when people are injured or property is damaged due to circumstances in which you or your family are responsible). Although it varies widely by state, the typical minimum liability protection for auto insurance is around \$20,000 per person and \$40,000 per accident.

With both of these coverages you can purchase higher limits (or amounts) of liability protection...but the most that can be purchased is \$500,000 for homeowners policies or \$250,000 per person, \$500,000 per accident for auto insurance. Again, this may not be enough protection in today's lawsuit frenzied environment where million dollar judgments are fast becoming the rule rather than the exception, even for seemingly minor situations.

To understand more about what excess liability coverage is, and how it can help you, please review the following topics:

What is Excess Liability?

Available in amounts ranging from one to five million dollars, excess liability coverage increases your personal liability limits by adding protection to your current auto, boat or homeowners policies. Also, if something is not covered in your homeowners policy (like libel), and it's not specifically excluded in the excess liability policy, you're covered.

Coverage provided

Excess liability coverage provides:

- Protection for covered claims by others for personal injury or property damage caused by you, members of your family/household, or hazards on your property for which you are legally liable
- Personal liability coverage for occurrences on or off your premises
- An additional layer of protection above your primary auto policy against auto-related liabilities
- Protection against non-business related personal injury liabilities such as slander, libel, wrongful eviction or false arrest
- Legal defense costs for a covered loss. Lawyer fees and associated court costs are covered
- Worldwide coverage- no matter where you go, with the only exception being situations involving foreign ownership of dwellings or cars

How it works

Depending on the type of accident, your homeowners, auto or boat policy liability limits are used up first, then the excess liability policy covers all remaining costs (up to the amounts of coverage you purchased). For example, if your neighbor dove into your swimming pool and broke his neck, your homeowner's liability coverage would pay for the first \$100,000 in damages. Your excess liability policy would cover the rest (including associated legal fees) up to the one million dollar policy amount that you had purchased.

Most companies require that you carry certain limits on your primary insurance policies (homeowners, auto and boat) in order to receive excess liability coverage. For example, a company may require the following primary liability limits: \$100,000 for homeowners, \$250,000 per person/\$500,000 per accident for auto and \$300,000 for boat/yacht coverage.

Some Definitions

Insurance products tend to get loaded down with legal-sounding jargon, especially a product that specifically deals with circumstances for which you are legally responsible. Therefore, a few common definitions might help clear up any confusion:

Personal Liability: Coverage for damages that you are legally liable (responsible) for. This includes incidents occurring at your home and/or caused by you, residents of your household or your pets. Here are some common examples: your dog bites someone, a guest falls down your front steps, your teenage son rough-houses with his buddy and accidentally breaks that friend's leg!

Personal Injury: This all-inclusive definition covers many predicaments. Personal injury can take many forms, including: bodily injury, shock, emotional distress, mental anguish, sickness or disease, or death arising from any of the above. Personal injury also means false arrest, detention or imprisonment, malicious prosecution, wrongful entry or eviction, humiliation, libel or slander, defamation of character or invasion of privacy.

Property Damage: Accidental damage to the property of others caused by you, residents of your household, or your pets.

Exclusions

Often, insurance policies are defined not by what they cover, but by what they don't. This is especially true for excess liability products. If something is not specifically excluded, you're covered. Exclusions vary widely by company. Here are some common exclusions:

- damages expected or intended by insured.
- damages arising out of business or professional pursuits.
- liability assumed under contract or agreement.
- liability arising out of ownership, maintenance, use, loading or unloading of aircraft.
- liability arising out of ownership, maintenance or use of non-traditional watercraft such as jet skis, air boats or air cushions.
- liability arising out of ownership, maintenance or use of most recreational vehicles. Only snowmobiles and golf carts are covered.
- damages to property you take care of, own or use.
- damages covered under a Workman's Compensation policy.
- liability arising out of war or insurrection.

How much is enough?

Obviously, determining how much coverage is right for you is a personal decision. Much depends on the value of the current assets you have to protect. However, there are also other factors to take into consideration. What will the value of your future assets be? Are you involved in activities that put you at greater risk? Do you have teenagers? Do they drive? Your local independent agent or Travelers representative can help you determine the coverage amount that works best for you.

Money-saving discounts

Money-saving discounts are available in most states if your car, home or boat is already insured with the same insurance company. Additionally, some companies are beginning to offer an endorsement (add-on coverage) to existing homeowner policies that increases your liability limits to the millions! DiMatteo Insurance can help you determine whether this endorsement is available, as well as help you determine the best money-saving coverages available.