

Solving the Personal Liability Puzzle

Find the Missing Piece of Your Asset Protection Plan



As a personal insurance advisor, few things puzzle me more than excess liability coverage a.k.a. the “umbrella” policy. It is by far the most affordable coverage you can purchase, often costing less than a few hundred dollars per million of coverage. More importantly, this coverage is a major form of personal asset protection and can become an unbelievable source of comfort if you find yourself in a catastrophic claims situation. Why then do so few of us actually have excess liability coverage?

Not only do consumers not know exactly what benefits the umbrella policy provides them, many agents don’t even bring up the subject during clients’ personal insurance reviews. **Less than 10% of homeowners carry an umbrella policy.** Many that do have a policy are sold a \$1 million policy though their assets and earnings greatly exceed that number. What makes this coverage such an enigma?

Understanding “Personal Umbrella” Coverage

Your home and auto insurance policies, as well as your boat, ATV, snowmobile, motorcycle insurance policies, provide liability coverage to protect you in case you are responsible for an accident and end up in court. Depending on the severity of the accident, the limits of liability on that underlying home or motorized vehicle policy may not be enough. That is where an umbrella liability policy comes into play. The umbrella policy **provides additional liability coverage and will also cover attorney and court fees** which can be significant.

Low Adoption Rates

Given this, it would seem that more people would have an umbrella policy but there are some things that stand in the way. The primary reason is that the personal umbrella policy is not a requirement. Auto insurance (at least the liability portion) is required throughout the country. Home insurance is not a state requirement but if you have a mortgage (which most homeowners do), it is required by the mortgage company. Given that, auto insurance and home insurance policies are often purchased at the time when proof of coverage is required (home closing, renewing tabs, purchasing a new car). If your Insurance Advisor doesn’t incorporate umbrella coverage into your annual review process, you **may be missing an important piece of your asset protection plan.** Even if they do make the case, consumers don’t feel the urgency to

make the purchase as it is not required and are often very wary about being “upsold.”

Assessing Your Risk

We all have liability risks that are a part of our everyday life but some increase our exposure more than others. Do you use or have any of the following?

- ___ Boat, snowmobile, or four-wheeler
- ___ Swimming pool, hot tub or trampoline in your yard
- ___ Hunt or own a gun or gun collection? More than one third of homes with children have at least one gun, and most gun owners do not keep them locked and unloaded.
- ___ What about dogs, horses or other pets? More than 60% of all U.S. households own a dog.
- ___ Unfinished home maintenance (loose railings, tree limbs, broken or slippery sidewalk).
- ___ Internet and cell phones. These present growing exposures to libel, slander, and invasion of privacy when used recklessly to spread inappropriate comments and pictures via blogs, chat rooms, social networks, email, text, twitter, etc.
- ___ Own an automobile? More than 90% of all large losses stem from auto "accidents".¹

While these past times and hobbies bring a tremendous amount of enjoyment to life, it is important to recognize all of them have also led to lawsuits with damages that ranged from \$500,000 to \$2 million.¹

Determining Level of Coverage

Once the need has been demonstrated, you will need to determine the right level of coverage. With assistance from your financial advisor, you should make a calculation of the value of your assets. Assets can be money in the bank, investments (sometimes even retirement accounts), as well as possessions like your home, cars and personal belongings. You should also look at your current earnings and future earnings potential. That number should be the base level of umbrella liability coverage purchased. As mentioned prior, the umbrella policy is **extremely affordable**. A \$1 million personal umbrella policy can cost as little as \$125-\$200 a year depending on your specific risks.

An added bonus is that many insurance companies provide a discount on home and auto insurance if you purchase an umbrella, which offsets some of the costs and increases its affordability. These policies can be added at any time and often have very few requirements besides having adequate underlying coverage on the home and vehicle policy. In today’s world, anyone can get hit with a lawsuit. That’s why it’s more important than ever to consider an added layer of protection for your assets – and your peace of mind.



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Tony advises clients on their personal insurance needs including home, auto, umbrella liability, life, health and disability. With over 16 years of experience, he ensures that his clients find the right protection.