Keep Your Umbrella Handy

Have a home-based business? Have a teen driver? Consider umbrella insurance.

Presented by Greg B. Thomas

In 2017, the U.S. had a record 11.5 million millionaires, up from 10.8 million in the previous year. An increase in personal wealth may bring greater financial flexibility; it may also bring greater liability. Individuals with high net worth, or those who are perceived to have high net worth, may be more likely to be sued. If that's not concerning enough, personal injury claims can often reach into the millions.[1]

Umbrella liability insurance is designed to put an extra layer of protection between your assets and a potential lawsuit. It provides coverage over and above existing automobile and homeowners insurance limits.

For example, imagine your teenage child borrows your car and gets in an accident and the other driver is seriously injured. The accident results in a lawsuit and a $1 million judgment against you. If your car insurance policy has a liability limit of $500,000, that much should be covered. If you have additional umbrella liability coverage, your policy can be designed to kick in and cover the rest. Without umbrella coverage, you may be responsible for paying the other $500,000 out of pocket, which could mean liquidating assets, losing the equity in your home, or having your wages garnished.

Umbrella liability insurance is usually sold in increments of $1 million and generally costs just a few hundred dollars a year. It typically covers a broad range of scenarios, including bodily injuries, property damage caused by you or a member of your household, libel, slander, false arrest, and defamation of character.

Deciding whether liability coverage is right for you may be a question of lifestyle. You might want to consider obtaining a policy if you:

* Entertain frequently and serve your guests alcohol
* Operate a business out of your home
* Give interviews that may be published
* Employ uninsured workers on your property
* Drive a large number of miles or have teenage drivers
* Live in a manner that gives the appearance of wealth
* Have a dog, especially if the breed is known to be aggressive
* Own jet skis, a boat, motorcycles, or snowmobiles

Even if you don’t yet have a tent in the millionaire camp, you may want to consider the benefits of liability insurance. After all, you don’t have to be a millionaire to be sued for a million dollars. Anyone who is carefully building a financial portfolio most likely wants to limit their exposure to risk. In these cases, umbrella liability can be a fairly inexpensive way to help shelter current

assets and future income from the unexpected.

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Citations.

1 - cnbc.com/2018/03/21/us-added-700000-new-millionaires-in-2017.html [3/22/18]