



How Umbrella Insurance Can Help You Weather Life's Unexpected Storms

Getting caught without an umbrella in a sudden downpour is an inconvenience. Getting soaked financially because you didn't have adequate insurance liability coverage is much harder to recover from. It also happens more often than most people realize. Fortunately, there is an affordable way to add an extra layer of liability protection to help cover large claims and lawsuits, including those that may exceed the limits of your homeowners, auto, or other primary insurance policies.

What is umbrella insurance?

Personal liability umbrella insurance ("umbrella insurance") is a separate policy providing liability coverage above what your current auto and homeowners policies provide. Umbrella insurance differs from excess liability coverage, which only increases the liability limits on policies you already own, by providing additional protections not covered under your other policies. For example, an umbrella policy might cover legal fees and damages if you are sued for libel or slander, even if your homeowners policy doesn't specifically cover libel or slander.

With policy costs starting around \$200 per year for \$1 million of coverage, umbrella insurance can be a relatively inexpensive way to help safeguard your property and savings from unforeseen events that could result in costly claims against you or family members.¹ And with most umbrella policies, coverage doesn't end at home. It can follow you throughout the world, which is helpful if you are found at fault for an accident or injury to people or property while traveling.

How does it work?

Imagine if you or a member of your household is found at fault for an auto accident, or someone sustains an injury on your property. Are the liability limits on your current auto and homeowners policies enough to cover any potential damages, including legal costs? For example, let's say a visitor to your home trips and falls on your stairs and sustains a life-altering back injury. She sues you and the jury awards her \$1,000,000 for out-of-pocket medical expenses, lost wages, and other damages. If your homeowners liability policy limit is \$300,000, you would still owe her \$700,000. That's where umbrella insurance kicks in to help cover the gap.

What umbrella insurance does and doesn't cover

Depending on your policy, umbrella insurance can cover you and members of your household against claims or lawsuits that could run in the hundreds of thousands or more for things like:²

- Physical injury to someone outside of your household
- Damage to someone else's property
- Landlord liability
- False imprisonment
- Defamation
- Legal costs associated with these and other covered incidents or events



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There are also a number of things that umbrella insurance does not cover, such as your own injuries or damage to your property. These are covered under other policies, such as your health, auto, and homeowners insurance policies. Umbrella insurance also won't cover liability stemming from the breach of a contract you've entered into, or domestic workers covered under workers' compensation insurance. And if you own a business, you'll need a separate business umbrella policy rather than a personal umbrella policy to cover claims resulting from business activities.

Who should consider an umbrella policy?

Many individuals and families can benefit from personal liability umbrella insurance, including:

- Individuals and families with significant financial assets outside of employer retirement plans
- Homeowners and landlords
- Participants in certain higher risk activities like downhill skiing or hunting
- Owners of property such as motorcycles, trampolines, pools, ATVs, and guns
- Dog owners (although certain breeds may not be covered).³

Keep in mind that most insurers require minimum coverage limits for auto and homeowners insurance policies before you can obtain umbrella insurance. That's among many reasons to work with a financial professional who can help determine if you could benefit from the added protections umbrella insurance may offer.

To learn more about strategies to help protect your assets, contact the office to schedule a time to talk.

¹Schlichter, Sarah, "What is Umbrella Insurance and How Does It Work?" 2 JAN 2025, Nerwallet.com, <https://www.nerdwallet.com/article/insurance/umbrella-insurance>.

²Ibid.

³McKenna, Kristin, "Who Needs Umbrella Insurance?" 28 AUG 2024, Forbes.com, <https://www.forbes.com/sites/kristinmckenna/2024/08/28/who-needs-umbrella-insurance/>.

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