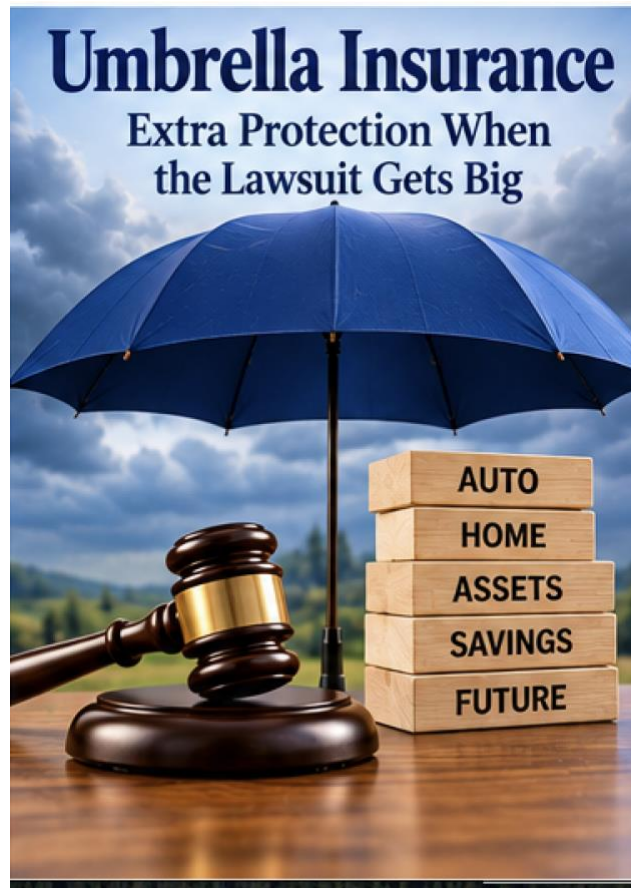




Umbrella Insurance: Extra Protection When the Lawsuit Gets Big

The word "umbrella" provides a remarkably good description of this insurance.

Your automobile and homeowners policies already provide liability protection. A personal umbrella policy sits above those policies and can provide another layer of coverage when a large covered liability claim exceeds their limits.

Imagine a Serious Automobile Accident

Suppose you cause an accident resulting in severe injuries and are legally responsible for damages exceeding the liability limit on your auto policy. Your auto insurer pays covered amounts up to the applicable policy limit.

Then what? Without additional protection, assets could potentially be exposed to satisfy amounts for which you are legally responsible. A personal umbrella policy is designed to provide additional liability coverage after applicable underlying coverage is exhausted.

It Can Extend Beyond the Automobile

Umbrella insurance isn't simply "more car insurance." It can supplement liability coverage provided by homeowners, renters and certain other personal policies. Depending upon its terms, an umbrella policy can also cover certain liability claims not covered by the underlying policy, potentially including libel or slander.

As always, exclusions matter.

You Need Underlying Insurance First

You ordinarily cannot buy a small auto liability policy and expect the umbrella policy to pick up everything above it. Insurers generally require specified minimum liability limits on the underlying policies before issuing umbrella coverage.

Triple-I notes that insurers commonly require substantial underlying auto and homeowners liability coverage before a \$1 million umbrella policy will attach. Exact requirements vary by company.

Who Might Consider It?

People often associate umbrella insurance exclusively with millionaires. But liability risk isn't determined solely by the amount sitting in a checking account.

A serious accident can produce a large claim against someone who owns a home, has retirement savings or other assets, or has income worth protecting. Certain circumstances can also increase liability exposure, including rental property, swimming pools, dogs and inexperienced drivers in the household.

An Umbrella Isn't a Magic Shield

Umbrella insurance does not cover everything. It generally won't pay to repair your own house or automobile simply because the loss is large. Its principal purpose is **liability protection**—claims made against you by other people.

Intentional acts, business activities and other risks may also be excluded or require specialized coverage.

Read the policy.

Protect Against the Loss You Couldn't Absorb

Insurance works best when it protects against losses large enough to seriously damage your finances. A scratched bumper is irritating. A million-dollar liability judgment is something altogether different.