



Why Consider Personal Umbrella Insurance?

Most people assume that nothing bad will ever happen to them. But the saying “ignorance is bliss” simply won’t do. A single accident could wipe out an individual’s savings and assets. Many times, it’s the result of losing a lawsuit. In fact, 56% of people lose when they get sued. It’s also impossible to predict the amount that could be awarded to the plaintiff after an auto collision or accident on your property. But there is a solution. Purchasing a personal umbrella policy is an easy way for individuals or families to protect themselves from financial devastation after a tragedy.

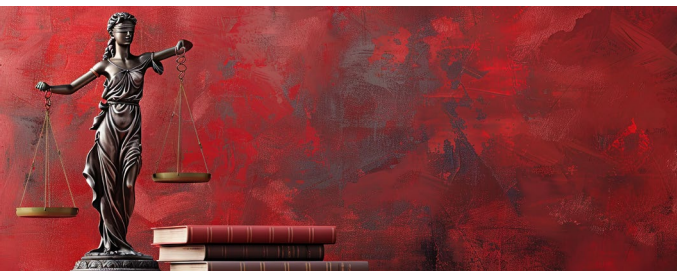
WHO NEEDS UMBRELLA COVERAGE?

Many people think umbrella policies are meant to protect the wealthy, but you don’t have to be wealthy to benefit from personal umbrella insurance. Anyone, regardless of how many assets owned, should consider purchasing coverage. Why? Because its primary purpose is to provide protection in the event of a lawsuit. In fact, even those without assets could have wages garnished to satisfy the legal judgment.¹ Incidents that typically fall under an umbrella policy are much more commonplace than most might expect.

For instance, if homeowners insurance coverage were exhausted, umbrella coverage would help pay a neighbor’s medical bills, lost wages, or other damages if attacked by your dog. Or, if you caused a 5-car pile-up and the auto insurance or personal liability coverage wasn’t high enough to pay for the other drivers’ medical bills, then umbrella coverage would kick in to make up the difference up to the limits of the policy.

Factors that can increase your risk of being sued and indicate you may benefit from an umbrella policy:

- ▶ Long daily commutes to and from work
- ▶ Extensive driving in heavy traffic areas or during rush hour
- ▶ Owning rental or investment properties
- ▶ Household includes teenage or elderly drivers
- ▶ Owning a home with a trampoline or swimming pool
- ▶ Frequently hosting large parties or other gatherings
- ▶ Owning a large dog¹



It’s estimated that more than **40 million lawsuits** are filed every year in the U.S.⁵

WHAT DOES A PERSONAL UMBRELLA COVER?

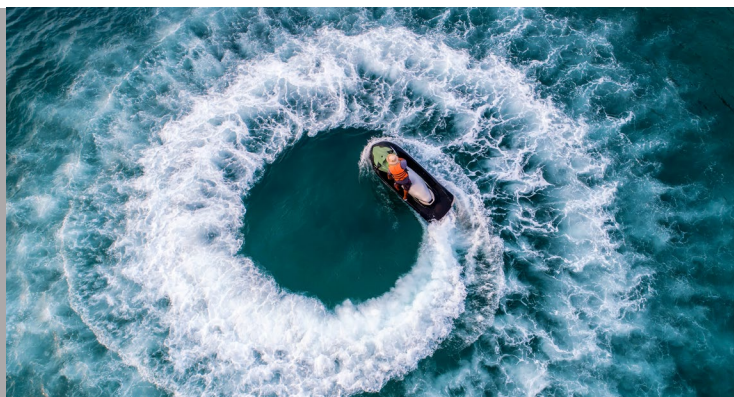
In worst case scenarios, umbrella policies serve as an added layer of protection on top of other forms of insurance. A personal umbrella policy provides excess coverage above what is provided by auto insurance or a homeowners' policy. For example, let's assume the driver who causes an auto accident has an auto insurance policy that pays \$300,000 in medical expenses after an accident and has a \$1 million umbrella. If that driver were sued for \$900,000, the auto insurance would pay \$300,000 of the damages and the umbrella policy would potentially cover the remaining \$600,000. Also, umbrella policies will generally cover legal expenses on top of the policy amount.¹

Individual policy language, terms, and conditions can vary. In addition to providing coverage for accidents that occur on your property or at-fault car accidents, an umbrella policy can also cover accidents on a rental property or watercraft accidents. They protect dependent children responsible for an accident or injury, and they can cover personal injury lawsuits arising from libel, slander, character defamation, and malicious prosecution, among others.¹

WHAT IS EXCLUDED FROM UMBRELLA COVERAGE?

While the image of an umbrella can make it seem like the coverage is a catch-all, it doesn't cover everything. Umbrella insurance doesn't protect against illicit activities like drag racing or other high-risk, vehicle use. In addition, if a policyholder commits a crime, an umbrella policy won't cover restitution payment. Similarly, intentional acts like discrimination, sexual harassment, intentional property destruction/bodily injury, and other willful or malicious acts are excluded from coverage.¹

In 2021, property damage from watercraft accidents totaled about \$67.5 million.²



HOW MUCH DOES UMBRELLA COVERAGE COST?

Personal umbrella policies usually provide \$1-\$5 million of additional coverage, but it's possible to obtain higher amounts for those that have more assets or elevated risk. Rating is based on exposure including driving history and how many properties, automobiles, boats, or other vehicles an individual or family owns. As the level of exposure rises, so does the price. For those with average risk, the cost is reasonable.

Generally, umbrella prices saw increases in 2023, but the line isn't seeing the kind of rate spikes that have hit most personal lines. In comparison to other types of insurance, umbrella coverage remains affordable for many, especially when you consider the kind of protection it provides. The cost of an umbrella policy starts around \$200 per year, with an average cost of about \$380 for \$1 million of coverage.⁴ Additional limits beyond \$5 million have become harder to place over the past year with some carriers exiting the line of business and others reducing the maximum limits available to any one insured. Carriers are less interested in putting up large excess lines due to the litigious nature of U.S. personal umbrella business. Admitted carriers will offer larger limit excess policies, but typically only in conjunction with the insured's homes, collections, auto, and watercraft, etc.

While prices are still affordable overall, brokers are seeing some tightening around who is considered a preferred operator, and fewer carriers are offering this type of insurance. Youthful and elderly drivers are challenging to place as well as those with a claim history. The likelihood that a \$500K/\$500K/\$100K split limit will be required for auto is also much higher than it was a year ago.

According to 2015 data, **plaintiffs won 56% of all general civil trials** handled by state courts, with **4% of winners receiving \$1,000,000 or more.**³



HOW CAN AGENTS HELP IN TODAY'S MARKETPLACE?

Agents can help protect clients by making sure they understand the importance of maintaining required underlying limits to avoid a coverage gap. The amount of underlying insurance needed will vary from carrier to carrier, but typically includes minimum limits of:

- ▶ \$250,000 in auto insurance bodily injury coverage per individual / \$500,000 per accident
- ▶ \$300,000 in homeowners insurance personal liability coverage
- ▶ \$100,000 in auto insurance property damage coverage per accident¹

It's vital that coverage submissions be accurate. When requesting an umbrella quote for a higher profile individual or an account with greater exposure, more detailed information about underlying limits, driving history, occupancy for all properties, etc. will be needed. And most umbrellas won't be quoted unless the submission is complete. When it comes to renewals, agents should start the process 45-60 days out because there are only a handful of non-admitted umbrella carriers in the marketplace writing on a mono-line basis.

BOTTOM LINE

You may not think you're at a high risk of being sued, but most people don't see it coming until it's too late. Even for those that are very careful, the safest course of action is to carry personal umbrella insurance.¹ It serves as a valuable layer of added protection in today's litigious society.

CRC's seasoned producers have the industry expertise, product knowledge, and wholesale market access to provide individuals and families with a variety of prices, terms, and conditions. Contact your local CRC Group producer to learn how we can help protect your clients in the event of an unforeseen accident or injury.

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END NOTES

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