

1 WITHOUT IT, YOU COULD
LOSE EVERYTHING

If you cause a car accident and the other driver sues, your auto insurance covers you up to your personal-liability limit, which is likely between \$100,000 and \$300,000. Same goes for your homeowners insurance if the mailman slips on your steps. An umbrella liability policy pays for settlements and legal fees above your limit. Without this insurance, your wages and assets are at stake (though in some states, retirement funds, pensions, and your home are excluded).

**2** LIABILITY RISKS ARE
EVERYWHERE

"More than 80% of umbrella losses are auto-related," says Ed Charlebois of Travelers Insurance. Even if you're the safest driver, your teen probably isn't. Redoing your kitchen? Your general contractor may not adequately vet subcontractors for workers' comp or liability. Host a lot of parties? If a guest gets into a drunken-driving accident, the victim can come after *you*. Got a pool, hot tub, or boat? Employ a nanny or a housecleaner? Then you have risk factors.

5

Things to Know About Umbrella Insurance

by *Kate Ashford*

3 YOU'RE INSURING AGAINST
THE WORST-CASE SCENARIO

The median jury award for vehicular accident liability cases is \$21,000, found Jury Verdict Research. But the average is \$306,000—so some settlements are much, much higher. That's why many financial planners say an umbrella policy is a must for those with significant net worth. "Insurance is there to stop an accident from being a life-changing event financially," says Redondo Beach, Calif., CFP Scott Leonard.

4 A LOT OF COVERAGE
COSTS VERY LITTLE

A typical homeowner with two cars can get a \$1 million policy for \$250 to \$400 a year, reports the Insurance Information Institute. "My rule of thumb is for clients to have coverage equal to one to two times their exposed net worth," says Franklin, Mich., financial planner Bert Whitehead. (By "exposed," he means assets vulnerable in your state.) That way you are not just shielding your money, but ensuring that the insurer will mount an aggressive defense.

**5** YOU MAY NEED TO
JUGGLE COVERAGE FIRST

Umbrella insurance usually requires specific liability limits on the policies it's piggybacking—such as \$300,000 per person on auto and \$300,000 on home. So you may have to boost your coverage. Plus, some carriers extend an umbrella only over policies they have issued, says Jim Kuryak of Niagara National Insurance. On the upside, bundling with one insurer can offset the added cost; it can shave as much as 20% off home and auto premiums. **M**



KIMBERLY LANKFORD > Ask Kim

How to Add Umbrella Coverage

I'M CONSIDERING GETTING AN umbrella liability policy for my home and cars. Can I do that if I have my home and auto insurance with two different companies? Also, how much do umbrella policies cost?

JOHN CULBERTSON, PORT NECHES, TEX.

An umbrella liability insurance policy helps protect your assets and future earnings from lawsuits. It kicks in after you've exhausted the liability coverage from your auto or home insurance policy. Some insurers require that you have both auto and home insurance with their company before they sell you an umbrella policy, but most will sell you a policy if you have either home or auto with them (and a few insurers issue stand-alone umbrella policies). You typically get a 5% to 10% discount per policy if you buy them together, says David Spencer, senior vice-president of insurer ACE Private Risk Services.

To qualify for an umbrella policy, you generally must have at least \$250,000 in liability insurance on your car and \$300,000 on your home, says Bill Howard, an independent insurance agent in Alexandria, Va. The insurer may offer you a discount on your umbrella policy if your coverage exceeds those amounts.

The age and driving records of people in your household and other factors affect premiums: A \$1 million umbrella policy runs \$175 to \$300 a year for a family with a house and two cars and no special risks, says Spencer. (A \$5 million policy generally costs up to \$800 a year.) Go with the higher end if you have a teenage driver, a swimming pool or other big risks, or assets worth over \$1 million. Some insurers include legal fees in the coverage; others cover them above the policy limit. Boosting your auto and home insurance deductibles by, say, \$500 can help you afford the umbrella coverage.



Some insurers require that you have both auto and home insurance with their company before they sell you an umbrella policy.”

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