News That Could Happen — But Hopefully Won't!

Local Family Sued for $1,000,000

Auto & Home Policies May Be Inadequate for Today's World

Seven-figure lawsuits involving individuals have unfortunately become a reality in our society. In the recent past, cautious people felt very comfortable with auto or homeowners liability limits somewhere between $250,000 and $500,000. These common policy amounts are not adequate to protect individuals and families against the expense of defending a million-dollar lawsuit — much less losing it. For broader protection against the burden of today's higher lawsuits, an “umbrella” liability policy is a smart choice.

Why Are They Called “Umbrella” Policies?

This policy adds a layer of a million dollars (or more) of liability protection over and above an insured's regular liability insurance. It is this “over and above” element that gives the umbrella policy its descriptive name.

How Do Umbrella Policies Work?

Auto example: An insured carries a policy with bodily injury liability limits of $250,000/$500,000. He is involved in a serious at-fault accident where a number of people are hurt. His auto policy can only pay up to $250,000 per person and up to $500,000 total for all bodily injuries. Even these high limits are too low for this event. In a wise move, this insured also bought a $1,000,000 umbrella contract, which added an extra million dollars in coverage over and above his regular auto policy limits.

Home example: The typical homeowner carries no more than $300,000 in personal liability coverage. Even though this amount may seem like plenty, it can prove inadequate. If a person is badly injured at their home, the property owner might be sued for a million dollars. With only $300,000 in liability protection on the homeowners policy, the family could be at great risk. Fortunately, this insured carries a $1,000,000 umbrella policy, which transfers the extra risk of loss (plus defense costs) from the family to the insurer.

On umbrella claims, a $250 or higher self-insured retention applies (like a deductible). These numbers vary by insurer.

Underlying Auto and Home Liability Limits

To be eligible for an umbrella, sometimes you must also have your underlying (basic) auto and home policies insured with the same company. Commonly required underlying limits are — Auto: $250,000/$500,000 bodily injury; $100,000 property damage. Home: $300,000 liability limit. Rules vary by company.

Umbrellas — An Amazing Insurance Bargain!

A $1,000,000 umbrella policy typically costs only a few hundred dollars a year. Credits are often available for carrying limits higher than the minimum underlying. There may also be some extra charges depending on ages of drivers, the number of homes owned, plus other factors.

Jay Stoetzer | 816-384-7738 | jay@insure247.com | insure247.com

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