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Marc A. Hebert's 'Money \$ense': Umbrella insurance can protect you from the unexpected

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YOU have made every effort to try and make your home safe and secure for your family and friends. The walkways are safe and shoveled in the winter with plenty of sand and salt. Your pool is fenced. Your dog is well behaved. You are a safe driver. Perhaps you have even managed to instill the same idea of safety in any teen drivers in your household. Despite all the precautions, someone could still have an accident and you could be held responsible.

We live in a litigious society. As you listen to the news, some of the judgments seem outrageous. Have you ever thought what would happen financially to you if you were on the wrong end of a judgment? Maybe you figured that you're all set because you have a homeowners and an auto policy. You might receive some liability protection from those coverages, but it just might not be enough. Your home and auto policies might not protect your income and assets against a large judgement.



In this case, umbrella insurance can be a big help. This coverage will provide additional liability protection up to the policy's limit. It can serve other purposes as well. It can pay your legal expenses if you are involved in litigation. It can pay for your time off from work. It also may protect against other incidents not covered in the standard homeowner's policy, such as libel, slander, invasion of privacy and defamation of character. An umbrella policy can also cover other members of your household — just make sure you understand how the policy defines this term.

Given the high coverage limits, you might think that umbrella insurance is only for the wealthy. However, it is also valuable coverage for other families. Some don't realize the amount of wealth they truly have. Total wealth includes the equity in your home, checking and savings accounts, brokerage accounts and retirement plans. Even your current and future income can be considered a source of funds available to satisfy a lawsuit. While some of these financial sources and accounts have some protection under federal or state laws, others have none. In any event, you are still responsible for any judgements.

It probably makes sense at this point to check just how wealthy you are. Make a list of all of your assets. The total might surprise you. An umbrella policy could help protect your hard-earned wealth.

Another question you might want to ask yourself is whether you are at risk of being sued. You might want to consider your lifestyle. Does it put you at greater risk than others? For example, are you a landlord, have large parties, own a hot tub or are well known publicly? Given the variety of these exposures, there is some risk of being sued for almost everyone. Umbrella insurance may provide some peace of mind.

The other concern you might have is the cost of the umbrella coverage. This varies by insurer. The cost for \$1 million in coverage is usually around \$300 per year, but it could be more or less. Umbrella coverage could also be more cost-effective for higher levels of coverage. Once again, this might be a small price to pay for peace of mind.

You should also be aware that the umbrella policy is going to require your homeowners and auto policies (and watercraft if you have them) to have certain liability limits. It is important to make sure these limits are coordinated with the umbrella. Any gaps in coverage remain your responsibility. A typical amount of underlying coverage for a home and auto policy can be \$300,000 and \$250,000, respectively, but it's best to check with your insurer.

If you have any questions or concerns about your coverage, it's helpful to discuss these with your property and casualty agent or a certified financial planner who can help you consider your assets and exposure and create a plan for your individual situation.

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