https://www.unionleader.com/news/business/money_sense/marc-a-heberts-money-ense-umbrella-liability-insurance-coverage/article_eda93438-6e4e-51d7-9d85-a997c89cbde9.html

Marc A. Hebert's 'Money $ense': Umbrella liability insurance coverage

Jun 6, 2020

WOULD YOUR existing insurance be adequate to cover a weather-related mishap? What about the damages of a major auto accident? While you might have auto and homeowner's insurance coverage already in place, are those coverages alone really enough?

The answer to these questions could come in the form of umbrella liability coverage. This is pure liability coverage. Umbrella insurance acts just like its name — an umbrella over your existing home and auto coverage. For example, if your auto insurance pays $300,000 as the maximum amount of liability for a claim and the actual damages total $800,000, an umbrella liability policy with $1 million of coverage could kick in to pay the $500,000 difference. Umbrella coverage starts when the limits of the other types of insurance coverage have been exhausted.

As a result, an umbrella liability policy is worth considering. It supplements the coverage you already have. Here are a few additional factors to keep in mind:

Protects assets: This is really a continuation of the above example. With some exceptions, whatever amounts of personal assets an insured might own can be used to pay a claim if another source is not available. Be advised though, paying a claim isn't all about the assets. Don't just buy enough umbrella coverage to protect your assets. Consider the potential size of the claims. The amount could be well above any asset base you have.

Protects future income: Continuing with the example previously mentioned, if an insured has no assets, the $500,000 difference between the current coverage and claim amount would have to come from somewhere. Garnishing income is a potential solution the courts will look to. Your future income stream is an asset worth protecting.

Covers claims that standard home and auto insurance may not pay: Standard homeowners and auto policies generally do not pay for slander, libel or false arrest. Having an umbrella policy may cover these types of claims.

May pay legal costs: Home and auto insurance also don't usually address this issue. Defending a lawsuit is expensive and having an insurance company pay the costs is a plus.

Check exclusions: Be aware of what the umbrella policy won't cover, such as business claims. An umbrella is a form of personal insurance, so liabilities arising from your business won't be covered. Be certain to know the details of what your policy will cover.

Low cost: This type of coverage is typically not expensive. It may cost even less if your home, auto, and umbrella are all placed through the same carrier. This also reduces the need to deal with multiple insurance companies in the event of a claim.

Check gaps in coverage: It is important to ensure that there are no gaps in the liability coverage levels between your underlying auto and homeowners policies and your umbrella. For example, if your auto policy covers liability up to $300,000, but your umbrella requires that your auto have liability coverage of $500,000 before it starts to pay claims, the $200,000 difference is yours to come up with out of your own pocket.

Psychological comfort: In our lawsuit-crazy world, this is just one more defense to protect you and your family. It's not possible to predict if you will be sued or the outcome if you are. The amount of damages that might be awarded to the winner of the lawsuit is another big unknown. An umbrella policy can help give you some peace of mind.

All things considered, an umbrella liability policy can protect against some of the unforeseen events that you may unfortunately experience. It is a topic you might want to discuss with your certified financial planner and property and casualty agent when reviewing your coverages.

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