

# If It's Not Raining Why Do I Need An Umbrella?

**Your Insurance**  
*with Cathy Karas.*



There are many misconceptions about this type of insurance. An umbrella can be personal or commercial. A personal umbrella would provide additional liability insurance for you if you are being sued for bodily injury and/or property damage you may have caused to others through your negligence that would involve your auto, home, boat, motorcycle or 1 or 2 family rental house (if insured and deeded in your personal

name) policy. It provides more coverage and legal defense costs after the limit of your primary policy is exhausted. A commercial umbrella would follow over the commercial policies a business would have such as general liability insurance, commercial auto, rental properties, workers compensation and possibly other commercial policies in the same business name. An umbrella is purchased in increments of millions, so that

depending on the amount of assets you may have and want to protect, \$1,000,000 may be insufficient and you may need \$2,000,000, \$5,000,000 or some other higher amount. The limit of your umbrella should represent at minimum, what your total assets are.

It is important to understand the umbrella does not provide more insurance for the structure of your home or any other physical coverage for things you own or extend liability insurance for you which involves anything not covered under a basic policy. It does not provide any physical property insurance for you, the named insured. In order for the umbrella to follow over your basic policies, you agree to the insurance company that you will maintain certain underlying limits of bodily injury and property damage insurance. Some typical limits required for an umbrella are \$250,000 per person/\$500,000 per accident for bodily injury and \$100,000 for property damage for an auto or motorcycle policy, \$300,000 for bodily injury and property damage combined for homeowners insurance and \$500,000 for boat insurance. This underlying limit requirement may vary slightly from company to company. The umbrella policy will actually state what you are required to have as minimum underlying limits. If your limits are insufficient, the "shortfall" becomes an out of pocket expense. An example of this "shortfall" would be if your auto policy bodily injury liability limits are \$100,000 per person and \$300,000 per accident, the underlying limit requirements are \$250,000/\$500,000, and you hit someone in the rear, where one person is injured, who sues you, and the settlement is \$800,000. First your auto policy would pay \$100,000, you would pay out of pocket \$150,000 (since you were supposed to maintain \$250,000) and then the umbrella would respond with \$550,000. What would happen if there is not an underlying policy? Let's say you had no boat insurance and struck a swimmer causing severe head injuries. Your umbrella will either not respond at all to this claim as there may be a provision an underlying policy must be in force in order for any umbrella insurance to respond, or you would be responsible for the out of pocket entire amount of the underlying limit requirement, in most cases \$500,000 and then the umbrella would pay.

Besides asset protection, the umbrella provides legal defense costs for you. The cost of a \$1,000,000 umbrella can be as low as \$200.00 a year and if you weigh the cost against what an attorney charges per hour, I'm sure you will agree for this reason alone it is a "cheap" coverage. Providing the upfront retainer and absorbing the hourly rate you would have to pay for your own defense would be costly. Another

consideration when purchasing an umbrella is that having the umbrella with the same insurance company who also insures your home, auto and other primary policies can ensure a smooth claims process. If this is not the case for you, then it would be important to advise both companies, the primary company and the umbrella company of all losses and provide each company with the other companies information so the claims process will go smoothly.

I'm sure you have seen many different types of cases in the news where someone suffers an injury and sues everyone that has any kind of involvement, even if they are not at fault. Having an umbrella provides the peace of mind that your hard earned assets are safe and protected with legal counsel automatically assigned to you in the event of a covered liability claim. Be aware the policy and legal defense only respond to a covered loss. So, for example there is a mold exclusion in your rental property policy and your tenant sues you saying their family members are suffering lung damage due to inhaling mold spores, no defense or coverage would be provided by the umbrella, since the underlying policy excludes liability for mold. Similarly, intentional acts, such as a fight where there was injury would be excluded from umbrella coverage in the same way.

All homeowners should have this coverage as well as renters who have accumulated assets to protect. Total up what your assets are, both physical items - home(s), car(s), boat(s), personal property including jewelry or other collectibles, bank accounts, investments, etc. You may realize you have more at stake than you thought. Don't think that if you are retired you do not need this coverage. One lawsuit could wipe out all of your assets and savings, leaving you penniless and depending on relatives to help out. The cost of an umbrella is a small price to pay for legal representation and payment made in the event of a claim. At Karas Insurance Agencies Inc we have only licensed experienced brokers to help you put together a plan of insurance tailored to your needs and budget, and have been serving the local area since 1973. We represent many companies and can provide insurance coverage and price comparisons for all of your personal or commercial insurance needs.

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