

Toward broader coverage

Do you have a Personal Umbrella, and is it large enough? **Interviewed by Steve Trusty**

You face all sorts of exposure to liability as you go about your daily life. While your personal liability policies may offer some coverage, they may not be sufficient and won't extend to all potential exposures.

Nationally, nearly one in every six jury awards now tallies \$1 million or more. In one recent five-year period, the average award for personal negligence cases went from \$264,765 to \$2,959,047. That excludes defense costs, which can run into the hundreds of thousands of dollars — even when the defendant wins in court.

“As your income and assets increase, so does your exposure to larger jury awards,” says Loretta Kirchhoff, personal lines risk manager at DLD Insurance Brokers Inc. in Irvine. “The best way to protect yourself against the rising exposure is through a Personal Umbrella policy.”

Smart Business asked Kirchhoff for more details about these types of policies.

Why should business professionals consider a Personal Umbrella policy?

People need to protect their personal assets above what is provided through their standard auto, homeowners or watercraft policies for catastrophic losses. Besides higher liability limits, you are buying broader coverage in case you are sued. Today's lawsuits are filed for everything from serious injuries resulting from tragic accidents to seemingly silly disputes. If you are served with legal papers, you must have enough insurance to cover your legal liabilities.

What kinds of broader coverage do you mean?

Your umbrella policy agrees to cover you if you cause bodily injury, property damage, or personal injury. While your homeowner's policy will provide coverage for bodily injury and property damage, many homeowner policies won't cover personal injury without an extra endorsement. Generally, personal injury encompasses false arrest, false imprisonment, malicious prosecution, defamation, invasion of priva-



Loretta Kirchhoff, CIC
Personal lines risk manager
DLD Insurance Brokers Inc.

cy, wrongful entry or eviction.

If your leisure activities involve rental of a moped, dune buggy or boat, you may want to explore coverage under a Personal Umbrella policy for protection from exposure to liability should your negligence cause a severe accident involving multiple injuries. You should familiarize yourself with possible exclusions in any of your policies — including a potential umbrella policy.

Another area of exposure is the company vehicle. If your company car is your only vehicle, you have access only to the limits the company has. If you have \$3 million in assets and your company carries a typical \$1 million policy, your personal assets could be at risk without higher limits. When a 'drive-other-car' endorsement is added to the commercial policy, you can request the company car be added to your Personal Umbrella policy. The umbrella policy limits would be available once the underlying policy limits were exhausted.

Certain umbrella policies also provide coverage if you face liability arising from your service on the board of a civic, charitable, or religious organization. While the organization may have a directors-and-officers policy, it typically may only cover \$1 million per occurrence. All the board members share this limit and, when that limit is

exhausted, board members are personally liable for the judgment beyond that amount, putting personal assets at risk.

Are all Personal Umbrella policies the same?

No. Some very unique Personal Umbrella policies are available, offering excess-uninsured/underinsured-motorists coverage; an endorsement that will pick up limited domestic employment-related lawsuits; and an endorsement that will broaden the directors-and-officers coverage for those on not-for-profit boards.

Talk to your agent about all of your potential exposures, your assets and other coverage needs.

What limits should you consider for your Personal Umbrella policy?

As with any type of insurance, you don't want to buy unnecessary coverage.

You should have enough liability coverage to resolve a claim or lawsuit that will take into consideration your current assets, your current earnings and future earnings. Even if you buy the top-of-the-line personal liability umbrella policy, you can't protect yourself against every possible claim or lawsuit. There will be exclusions in the umbrella policy, as with every insurance policy. Work with your agent to fully understand what your Personal Umbrella does and does not cover.

As a CEO of your own business, you may be allowed to schedule your Personal Umbrella under your commercial umbrella. This can be an economical way to have access to very high limits. If this is a route you would like to explore, be aware that when you schedule your Personal Umbrella under your commercial umbrella, you will be sharing limits with your company and the commercial umbrella will be subject to an annual aggregate limit versus a per-occurrence limit.

LORETTA KIRCHHOFF, CIC, is the personal lines risk manager at DLD Insurance Brokers Inc. in Irvine. Reach her at (949) 553-5690 or lkirchhoff@dldins.com.

Insights Business Insurance is brought to you by DLD Insurance Brokers Inc.