

The Personal Umbrella Policy An Invaluable Component of Your Insurance Portfolio

You do not have to be a *billionaire* to be sued like one. The reality is: a single lawsuit, even if you win, can end up costing thousands or even millions of dollars. In today's society, more people file lawsuits for more money than ever before. The personal liability coverage available through a homeowners or automobile policy is simply not enough to protect you. An umbrella policy can offer a higher level of liability protection from damages for which you may be held responsible.

The greater your assets, the *more* you potentially have at risk, this includes a substantial portion of your current assets, future assets, or future earnings. Only a well capitalized Umbrella solution can effectively mitigate this risk.

What is a personal umbrella liability policy?

A personal umbrella liability policy is an insurance contract designed to increase the liability protection over and above a standard home and/or auto insurance policy. The personal umbrella extends your liability protection beyond the primary policy limits - usually sold in million dollar increments. An umbrella may be obtained once your home and auto insurance policies meet a minimum "attachment point" (typically, a liability limit of \$250,000 or \$500,000).

Personal umbrella policies provide four elements of coverage:

- **Personal injury:** Includes mental anguish, false arrest, wrongful entry/eviction, malicious prosecution, libel, slander, defamation of character, invasion of privacy or negligent infliction of emotional distress
- **Bodily injury:** Includes physical injury or death - in some jurisdictions, this includes emotional injury
- **Property damage:** Includes destruction of the property of others, cost of recreation, and loss of use. Worth noting – an umbrella policy **does not** provide coverage for your own property (such as not having sufficient limits to cover a homeowner's loss)
- **Defense coverage:** Includes groundless, false, and fraudulent suits, loss of earnings, bail bond costs and other reasonable expenses

How much does a personal umbrella cost?

The price of an umbrella policy depends on three main rating factors – the amount of coverage, the number of properties owned/rented and the number of automobiles/watercraft owned. Typically, the cost associated with automobiles or watercrafts is much higher than the cost for each property.

For example, the premium for a \$5 million umbrella for an individual with one home and one auto ranges from \$270 to \$550 per year. The cost of a \$10 million umbrella for a family with two homes, one rental property and three autos ranges from \$970 to \$1,750. The cost varies due the number of exposures.

Fort Point Insurance Services, Inc.

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Not all personal umbrella policies offer the same coverage...

A handful of specialty insurance companies offer unique or expanded umbrella policy options (Fireman's Fund, ACE Private Client Services and Private Client Group, from Chartis are some noteworthy examples):

- **Personal injury:** Enhanced coverage for individuals in the public eye – libel and slander coverage is often excluded by standard insurance companies.
- **Not-for-profit directors and officers coverage:** Coverage if a suit is brought against you as a board member of a not-for-profit organization and/or homeowners association.
- **Uninsured/Underinsured motorist protection:** Provides higher limits of protection from uninsured/underinsured drivers and/or property damage from an uninsured driver
- **Employment-related lawsuits:** It is not uncommon for domestic staff such as nannies, housekeepers, private assistants, gardeners and other domestic staff to take their employers to court citing claims of wrongful termination, sexual harassment and discrimination. This coverage can be added by endorsement from the four specialty insurance companies noted above.
- **Reputation Management Expense:** A liability policy may also provide the cost to hire a public relations and/or media management firm to assist in a liability crisis.
- **High Limits:** Most insurance companies provide a maximum limit of \$3 - \$5 million. Few carriers regularly offer coverage from \$5 million - \$10 million. With very few exceptions, only four carriers offer \$10M or more. Chubb, Fireman's Fund, ACE Private Client Services and Private Client Group, from Chartis are the only four insurance carriers with capacity to provide coverage up to \$100 million. Additionally, these companies are backed by the highest ratings for financial strength and claims paying ability. Only these four companies offer such high limits in one convenient policy
- **Unlimited Defense Costs:** Most companies limit the amount of money associated with the cost to defend a lawsuit. With Chubb, Chartis, ACE and Fireman's Fund, the defense costs are *unlimited* – even if the cost exceeds the stated policy limit

Real Life Scenarios

- *You drive down a busy street and accidentally injure a successful entrepreneur in the crosswalk. Medical costs, lost earnings and damages amount to millions.*
- *A 15-year-old guest at your son's pool party dives unknowingly into the shallow end of your pool, and suffers devastating paralysis and injuries amounting to millions.*
- *Your tenant sues you for wrongful eviction, unlawful entry and slander. The cost to defend may be in excess of \$250,000.*
- *While transporting a widescreen television to your home, the deliveryman slips on your wet steps and fractures his skull. Damages are several hundred thousand dollars.*

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How much coverage do I need?

While many financial advisors recommend that your umbrella policy limit be equivalent to your net worth, they neglect to consider *risk factors* that could leave you exposed. An unfavorable judgment may exceed your entire savings; all of your assets are at risk - including your home and future earnings. We recommend clients review the following *risk factors* as a measurement of probability. Affluent individuals and families having five or more *factors* should consider an umbrella policy limit of at least \$5 million. Those with six or more factors may need a \$10 million umbrella limit or more.

Risk Factors:

- Earn a high income, anticipate a significant inheritance, have a net-worth over \$250,000
- Own an expensive automobile – accident victims tend to have complicated injuries and are less compassionate when hit by a luxury automobile
- Own a swimming pool, hot tub or spa
- An individual in the public eye - a CEO, senior executive, notable shareholder, government official, celebrity, or sports figure
- Own rental property (wrongful eviction, unlawful entry, slander, malicious prosecution may be included in umbrella policies)
- Dog owners, especially those with a breed having a high occurrence of attack
- Transport others, particularly children or the elderly
- Have teenagers
- Frequently entertain others at your home (dinner parties, pool parties and cocktail parties)
- Own a motorboat, sailboat, personal watercraft or snowmobile
- Serve on a homeowners association board or a nonprofit board of directors
- Own a vacation home
- Own property on a steep hillside – damage caused by landslides to the property of others is covered under personal liability (however, damage to *your* property is excluded)
- Own firearms
- Employ domestic help and/or occasional workers

Consider Increasing or Adding Umbrella Coverage

Umbrella coverage can help protect you against personal liabilities that could attack a substantial portion of your assets or future earnings. For a few hundred dollars a year, you may add an umbrella policy or increase your policy limits to commensurate with your growing assets and “risk factors.” Talk to your personal insurance agent regarding this important coverage.

Fort Point Insurance Services, Inc. Our team provides comprehensive insurance products and services to meet the unique risk management needs of affluent individuals and families. Working with clients and their *most trusted* advisors, we analyze coverage gaps, identify potential loss exposures, and recommend proper limits of liability to protect both property and financial assets. We accomplish this by drawing on our relationships with the nation’s most respected insurance carriers, and from our own experience in serving the private client personal insurance market. Fort Point Insurance works with those individuals and families whose complex needs demand significant client service resources. Generally, such client’s insurance programs generate annual premiums in excess of \$10,000. Based in San Francisco, we work with individuals and families across the United States and around the world.

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