

Umbrella Policy

An Umbrella Policy is what I consider the best deal in insurance. I know this is a bold statement, but I believe everyone should have an Umbrella Policy. An Umbrella Policy is not part of your automobile insurance policy. It is not part of your homeowners' policy or a renters' policy. This is a totally separate policy from your automobile policy and generally cannot be purchased on a Kentucky insurance policy unless you have Liability Coverage on your car of at least \$250,000/\$500,000/\$100,000 (this is \$250,000.00 per person, \$500,000.00 per accident and \$100,000.00 in property damage). Some insurance companies require limits of \$500,000/\$500,000 for young drivers. You are also required to have home owners or renters' insurance coverage of at least \$300,000.00. There is not an insurance company that will write an Umbrella Policy without personal liability insurance of some kind.

Close to 50% of the people I speak with have never even heard of this coverage. What does an Umbrella Policy do? It acts like an umbrella (thus the name) and it protects you if any other insurance you have either does not cover you for a situation or is not enough to cover you. You must exhaust the limits of your underlying auto or homeowners' policy before your Umbrella Coverage kicks in. Typically, a million dollar Umbrella Policy will cost from \$200 to \$400 per year. I generally do not believe that most insurance coverage is a deal; an Umbrella Policy is a good deal. Look into this. Ask your insurance agent about this coverage. At the very least, make sure you ask the question. Many times this valuable protection will not be offered unless you ask for it.

There are some insurance agents who regularly review their renewals and will ask you about coverages they believe would be in your best interest. Sadly, there are other agents who will just cash their commission check without thinking twice about you. It is important to have a good insurance agent working for you.

Let's look at an example as to how all of this ties together should you be involved in a car accident in Kentucky. Mary was up all night working a double shift to earn a little extra money. As Mary got in her car she could hardly keep her eyes open. That last energy drink didn't even faze her. As she heads for home Mary begins to doze off. She runs a red light and slams into the side of another car. A 25-year-old medical student who has a 2-year-old son is killed.

This was a tragic accident. As tragic and horrible as it was, it was still an accident. Mary wasn't drinking; she did not intend to have a wreck. It just happened. Mary had what she thought was good automobile insurance. She had liability coverage above the Kentucky minimum. Mary had \$250,00.00/\$500,000.00/\$100,000 in liability coverage. This means that Mary's car insurance company will pay up to \$250,000.00 per person toward injuries she caused in a car accident. If there is more than one person injured they would pay up to \$250,000.00 for each person not to exceed \$500,000.00 in the total amount paid.

The wrongful death settlement or jury trial verdict on behalf of this medical school student with a two-year-old child will easily be over \$250,000.00. In fact, the

settlement should be well over \$1,000,000.00. Mary has worked hard her entire life. She owns a house, which will be paid off in five years. Should the estate of the medical student obtain a judgment they can attach Mary's house and force the sale of the house to obtain money to satisfy the amount of the judgment in excess of her coverage. They can take Mary's boat, her Rolex watch and her convertible Mustang. The estate can garnish Mary's bank accounts and even her paycheck. Mary could lose everything she has worked so hard for to satisfy this judgment.

This is where an Umbrella Policy comes in. If Mary had a \$1,000,000.00 Umbrella Policy she would have additional coverage over and above her car insurance limits. The Umbrella Policy would pay the damages in excess of the \$250,000.00 Mary's car insurance paid. Mary's house and all of her other valuable assets would be protected.

Even if the medical student's case is worth in excess of \$1,250,000.00 they would probably settle for the limits of the two policies, or \$1,250,000.00. As the saying goes a bird in the hand is worth two in the bush. The same cannot be said if there is only the \$250,000.00 liability coverage on Mary's auto insurance, especially since Mary has other assets and a steady job.

Nobody plans on a tragedy like this. I hope it never happens to you. Unfortunately, it could. That is why I think an Umbrella Policy is a good investment. Without it your family could loose the stability and assets that you have worked so hard to provide for them.

