

Why do I need an Umbrella Liability Policy?

Introduction:

Purchasing an Umbrella Policy should be an overall part of your financial management as the potential to be hit by a high liability claim is increasing every day. Umbrella Liability policies are used to provide blanket coverage over your entire portfolio of personal policies and assets. While you may have \$5,000,000 coverage on your autos, most home policies only provide coverage for up to \$2,000,000. If you should use your Roadstar Rental vehicle coverage when renting an automobile, whether in Canada or the US, there is a \$2,000,000 limit of liability coverage in place. Purchasing an Umbrella Policy will usually save you money while providing you with broader coverage.

ICBC is now paying 2 to 3 claims per week that pay out in the \$2-3 million range with some claims settling in the \$5-7,000,000 range. As most severe bodily injury claims usually take up to 5-7 years to wind their way through the courts, one has to wonder what the payments will likely be in 7 years time for even the less egregious bodily injury claims.

Most clients seem to prioritize their concern on what will happen in accidents involving their auto. Hypothetically, if you were to accidentally bump into me in a stairwell causing me to fall and if I were to become paralyzed, am I likely to receive less money just because I wasn't hit by a car? I would receive the same kind of awards except I would now be suing your home insurance policy instead.

Many people today carry an extra \$1,000,000 in Underinsured Motorist Protection coverage (UMP) to protect them and their family members against auto claims where the other driver doesn't carry adequate limits of liability to pay for higher bodily injury awards. This policy can be purchased through ICBC for an additional \$25 or is sometimes included in a private insurance auto policy you might purchase. This is not in addition to what the other driver has but is a yop up to a maximum of \$2,000,000. Most Umbrella Policies include an equivalent limit of underinsured coverage to the limit of liability coverage purchased. So if you buy a \$5,000,000 umbrella you would have up to \$5,000,000 of underinsured protection coverage for all members of your family included in most policies.

Umbrella Policies provide a limit of liability in excess of a primary limit. Most companies require at least a \$1,000,000 limit of underlying insurance. A basic Umbrella Policy often provides coverage for two autos, 2 locations and the underinsured motorist coverage for all members of your household.

Costs:

To buy a \$5,000,000 Umbrella Policy will cost you from \$235+ depending on the company. If you were to reduce your liability coverage with ICBC on your auto from \$5,000,000 to \$1,000,000 you would save between \$160-\$180 per car (full discount) and even more if you have teenagers who own a car. Boats charge from \$75 to \$100 more for an extra million. On your homeowners policy each residence/suite can cost you from \$10-\$20 to increase your liability to just \$2,000,000. Each extra Underinsured Motorist Policy (UMP) from ICBC will cost \$25 for \$1,000,000 coverage. So if you have 2 cars, 2 underinsured motorist policies and 1 household location you would already be paying, on average \$375 to \$400+ additionally for varying limits of liability that are less than you would receive from an Umbrella Policy. So an umbrella policy will actually save you money while providing better coverage.

Conclusion:

If you believe higher limits of liability are necessary can you really afford not to buy an Umbrella Policy? In most cases you will save money while achieving peace of mind knowing that you will have a minimum of \$5,000,000 liability against bodily injury claims and that you are providing additional coverage for all members of your household against other negligent drivers. In this age of rising claims an Umbrella Policy needs to be a part of your financial portfolio.

Requirements:

Depending on the insurance company, they may require minimum number of years of driving experience for all operators, limited claims and 1 or less driving infractions. Ask for more details.