



## Client Newsletter

### *Umbrella Liability Insurance*

March 25, 2010

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**In this month's newsletter, we revisit a very important asset protection tool that everyone should consider. While none of us likes to imagine a massive liability claim for damages due to our own negligence, we continue to hear stories of people who have suffered losses beyond the coverage limits in their homeowners and auto insurance policies. Thankfully, this loss exposure can be addressed efficiently and inexpensively, as discussed in the following reprint of a previous Client Newsletter.**

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#### **Umbrella Liability Insurance\***

Asset protection planning is a recognized sub-specialty of the estate planning practices of some law firms, and has become an important element in the financial planning of high net worth families. As with other areas of legal and financial planning, asset protection planning is essentially an exercise in risk management. That is, using a wide variety of legal agreements, trusts, asset titling and transfer strategies, tax planning, and insurance programs to protect client assets from invasion or attachment by the taxing authorities, creditors, personal or professional injury claimants and other adverse parties. This is a complex subject that is employed at some level by most people, but it obviously becomes more important as client assets grow.

One of the fundamental tools of asset protection planning is personal liability insurance, which covers property damage and/or personal injuries for which a person is found responsible. The most obvious opportunity for loss for most people is with an automobile accident, but losses can occur from a variety of other circumstances that involve property usage, the activities of family members and even damage caused by pets.

The basic protection for this exposure is covered under standard automobile and homeowner's policies, but those policies have coverage limits that are insufficient for our clients. For this reason, insurance agents and brokers normally recommend "umbrella liability" policies that extend the liability coverage provided under automobile and homeowner's policies by \$2,000,000 or more. While no one can accurately predict the level of need for liability coverage limits, the coverage should be increased as the family net worth increases. Fortunately, additional coverage is usually fairly inexpensive, so transferring the risk to an insurance company is an obvious solution. For many of our clients, umbrella liability coverage of at least \$5,000,000 is appropriate, and we encourage you to contact your agent to discuss the amount of adequate coverage for you and your family.

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