

# Umbrella Insurance, it's a MUST for every Doctor!

I've come to find that a lot of my Doctor clients don't have umbrella policies because they're not really sure what an umbrella policy does. This should help explain it.

After years gathering assets from cars and homes to art and investment accounts, you might be surprised to learn that most insurance policies don't actually protect all of your belongings. Just one lawsuit from an injury or accidental death could cost millions of dollars—enough to wipe out your savings or worse.

How to protect yourself when your other liability coverage is not enough.

An umbrella policy is an extra layer of insurance that can pay for medical, court or other expenses you may be required to pay after basic home and car insurance policies stop. Coverage levels start at \$1 million and can run up to \$10 million and beyond. In most cases, policyholders add this policy onto current coverage using the same insurance provider. But before signing up, would-be policyholders need to take several steps to make sure the policy is affordable and, indeed, needed.

**Determine whether you need this insurance.** Individuals who need umbrella insurance face the risk of lawsuits or have assets to protect.

- **Are you a risk?** Start out by analyzing the likelihood of getting hit with an injury claim or lawsuit by someone else. Those who are more at risk might have dogs—average cost of dog-bite claims are up about 30% since 2003—pools, where more than 3,200 drownings occur per year, or teenage drivers who are involved in 13% of fatal car accidents.
- **Are your assets at risk?** Families with assets, including homes, retirement savings, brokerage accounts, and cars, will need to protect them with an umbrella policy, which would otherwise be up for grabs since basic policies only cover a portion of these assets.
- **Figure out how much extra insurance you can afford.** Buying an umbrella policy will probably mean paying higher premiums on your basic insurance policies.
- **High coverage.** Most insurance companies will require policyholders to have at least \$300,000 coverage on their homeowner's policy and separately at least \$250,000 on their car policy before they can sign up for umbrella insurance. By raising their coverage, policyholders will pay higher premiums on both basic policies in addition to an extra premium—starting at around \$150 a year for \$1 million of coverage—for umbrella coverage.

- **Higher deductible.** Most policyholders have \$1 million in coverage per occurrence if an accident occurs in their home or while driving. One way to offset the higher umbrella liability premiums is to raise deductibles on home and auto policies to a level you can afford to pay should something happen. Hold onto the savings from the lower premium to pay the deductible when it's needed.

**What *not* to do.** These mistakes can leave a policyholder on the hook for thousands of dollars.

- **Don't ignore the fun stuff.** People who own a boat, snowmobile, motorcycle etc. will need separate insurance policies and will need to add them to their umbrella policy; otherwise, if an accident occurs while using them, you might have to pay hundreds of thousands of dollars out of pocket.
- **Don't skimp.** After a certain point, skimping on coverage isn't worth it. Those who need more than \$1 million in coverage will on average pay about \$50 more in premiums each year for an extra million in protection.
- **Don't pay for coverage you don't need.** Renters with no children and few assets probably have little to protect; if an accident occurs, there won't be much for the person who wants to sue to come after.