



# THE Insurancenter

## NEWSLETTER

FALL 2015

## Why You Need an Umbrella Policy?

Do you have enough liability insurance? If there were a vehicle accident for which you were at fault, and a child were permanently disabled, would your auto liability policy offer enough coverage to pay for the skilled care the child would need for years to come? If a young parent were killed in a freak fall on your property, would your insurance cover the support he would have provided his children as they grow up? We'd all like to believe that such catastrophic losses would happen only to other people. But there is nothing we can do to totally eliminate the risk of this type of event in our own lives.

Consider what would happen if there were a settlement (or judgment, if it goes to court) of \$800,000 as a result of an auto accident for which you were liable. Let's say you have insurance with a limit of \$300,000 per accident. What would happen? The auto insurer would pay its \$300,000. Then virtually everything you own would be fair game for seizure to pay off the additional \$500,000, except for assets that may be protected in some states, such as your home. Furthermore, your earnings could be garnished for years to come. With stakes this high, and considering the relatively modest cost of additional liability coverage, it just makes sense for many people to purchase the added protection of an umbrella policy.

An umbrella policy is insurance that provides additional coverage once the liability limits on your homeowner's or auto insurance policy are exhausted. Umbrella policies are typically sold with limits of \$1 million to \$10 million. In the example above, if you had a \$1 million umbrella policy, once you satisfied the deductible, the auto insurer would pay the auto policy limit of \$300,000, and your umbrella insurance would pay the other \$500,000 of the \$800,000 settlement or verdict. Your assets would not be at risk.

One myth about an umbrella policy is that it's only needed by the wealthy. These days the cumulative value of homes, vacation homes, rental property, cars, boats, savings, investments, and so on, owned by many people, who don't consider themselves wealthy, make them vulnerable to liability beyond their auto or homeowner's insurance limits. A good question to ask yourself is whether you have assets that you don't want to put at risk in the event of a catastrophic liability.

Lifestyle also plays a role in determining liability risk. Do you have a swimming pool, trampoline, swing set, or other recreational equipment that



can lead to accidents? Are there frequent guests on your property? Do you engage in sports that could injure others? Do you live in a wealthy town where you might be more of a target for a liability lawsuit?

### How Much Do You Need?

People often reason that the amount of umbrella coverage they need should be the value of their assets, but this might not be adequate. If, for example, you have assets of \$1 million and buy \$1 million of coverage, what happens if you're found liable for a \$2 million judgment? Insurance would pay the first \$1 million, plus the limit of the underlying homeowner's or auto policy, but you could lose a significant amount of your assets for the second million. If you were found liable for \$3 million, you could lose

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## Welcome to The Insurancenter Newsletter!

It is with great satisfaction that we bring this newsletter to you. In this issue and in coming months, we will discuss pertinent risk management topics which may affect you and your family. We sincerely hope that you will find this newsletter informative and please do not hesitate to contact us should you have any questions or needs.

**You Can Do It Better With Us!**

# Example of Homeowners Liability that Goes Beyond Your Home

One misconception about homeowners liability insurance coverage is that it only covers incidents in the home. In actuality, the Comprehensive Personal Liability (CPL) coverage under a homeowners insurance policy is really not associated with any location, other than the limitations and exclusions on the policy. Here are some examples of what probably would be covered by CPL:

- Sports Incidents: For example, you are playing golf and you drive the ball that hits someone in the head and disables them. If you are found liable, as long as you were not doing it professionally, your policy will likely provide coverage.
- After shopping at your local market, you accidentally drop a bottle of olive oil in the parking lot, and it shatters and bleeds the oil onto the pavement. Another shopper comes long, slips and seriously injures themselves on the pavement. While the assumption is the injured party will take action against the market, the typical practice of attorneys is to go after everyone associated with the incident.
- You are on vacation at a hotel, and you are so excited to leave the room to enjoy a sightseeing tour that you forget to turn off the faucet. The running water causes significant damage to the hotel structure. The hotel decides to go after you for damages; your CPL will defend you and may pay out damages if you are deemed liable.
- Your kid lends his skateboard to a friend, and the friend, who may not be experienced with the skateboard, gets seriously injured trying to make a maneuver. Parents can be held liable for this injury and there is a very good chance this will be covered by the CPL coverage.
- If your dog bites a stranger at the park, your CPL will cover you as the owner and responsible party for the dog, as long as the policy does not exclude coverage for your

dog breed. Some homeowners policies exclude coverage for breeds deemed “dangerous,” such as pit bulls.

Additionally, the CPL coverage will usually extend coverage for the following items, even if an incident happens away from the insured premise. Here are some examples:

- Trailers that are not attached to a motor vehicle
- Motorized golf carts are typically included in coverage
- Watercraft that does not have a motor or is not more than a specified amount of horsepower
- Sailboats below a certain length
- A vacation residence; however, certain conditions may apply; you also may need to schedule it
- Non-motorized bikes

Here are examples where coverage does not exist and is excluded by nearly every homeowners insurance policy:

- Your cars are clearly excluded. This is exactly why there is need to get a separate auto insurance policy.
- Motorized recreational vehicles, most especially if they are off premise.
- Any incident related to business. Almost all homeowners policies exclude business incidents.
- Intentional acts. Most policies have language against intentional acts.

Policies vary, so it is important to review your policy to see what may be covered and what may not be covered. Additionally, some policies allow you to endorse a coverage that may not be on the policy. This is why it is so important to sit down with your agent to address additional risks you may have and make sure coverage for those risks is addressed. Liability coverage is perhaps the most important coverage you should have, simply because most of these cases involve attorneys and if coverage exists, the insurance companies provide for your defense,

as well as any settlement for up to the limits of your policy. This is why it is so important to review your risks with your agent.



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not only a significant portion of your assets, but you'd still owe \$1 million. Both your future income and any inheritance you might receive would be jeopardized. Just how much coverage you need depends on all your risk factors, your own financial planning, and your tolerance for risk.

There is usually a substantial premium discount if you buy your auto, homeowner's, and umbrella policy all from the same company. Additionally, if you have a claim, you eliminate the potential problems of dealing with different insurance companies where each might be trying to shift payment responsibility to the other, leaving you caught in the middle.

The cost of an umbrella policy depends on such criteria as the amount of coverage, the insurance company issuing the policy, and your own 'personal risk factors' (such as the number of traffic

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# The Deadliest Driving Distractions Every Driver Should Avoid

Passengers, pedestrians and other motorists are endangered by distracted drivers. Statistics show that drivers who are holding electronic devices while driving are four times more likely to experience a serious accident. Teen drivers are more likely than any other age groups to be in fatal crashes resulting from distractions. There are several dangerous distractions that every driver should avoid.

## Smoking

Recent research shows that about 10 percent of people who are in fatal crashes are distracted. Only about one percent of crashes result from smoking. However, drivers who are trying to light cigarettes or dispose of ashes are in greater danger of causing an accident.

## Moving Objects

Moving pets, children or various objects are the culprits of some crashes. Only about one percent of accidents occur due to moving objects. Drivers should make sure children remain in their seats and have their safety belts securely fastened. Pets should be kept in carriers or in seat restraints.

## Adjusting Controls

About one percent of crashes occur as a result of drivers adjusting buttons or other controls in the vehicle. It is important to ensure these controls are set before driving. Some features may not be possible to set ahead of time. For example, setting the cruise control or using the windshield wipers while driving may be necessary. When this is the case, drivers should be aware of their surroundings.

## Eating And Drinking

Approximately two percent of distracted drivers were eating or drinking at the time they crashed. Drivers should stop if they need to

eat or drink. Even when stopping for coffee, it is important to either wait until arriving at a destination to drink it or drink the beverage before pulling out of the parking lot.

## Searching For Lost Items

People who were searching for maps, electronic devices or other items while driving accounted for about two percent of fatal crashes. Drivers should pull over to a safe area and stop before searching for any items in the vehicle.

## Friends

Drivers who were distracted by or talking to their passenger friends while on the road accounted for about five percent of fatal crashes. Although it may be tempting to converse with friends while driving, it is important to stay focused on the road and surroundings at all times.

## Outside Event

Almost every person has seen a distracting billboard, crash or other event outside. Many people crane their necks or slow down to look. These are dangerous habits, and about seven percent of accidents were caused by such behaviors. Drivers should always avoid slowing down for outside distractions.

## Cell Phones

Talking, texting or reading cell phones while driving are all common ways people cause accidents. In several states, it is illegal to use a handheld mobile phone while driving. Texting while driving is illegal in almost 40 states, and about 12 percent of fatal crashes happen as a result of this practice. A person who is texting and driving is more likely to cause an accident than an intoxicated driver. In addition to this, more than 11,700 teen deaths per day and 1.5 million accidents per year are caused by drivers who are texting. To avoid the

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tickets you've gotten in the past few years, and possibly your credit report). A million dollar policy often costs less than a dollar a day.

For some people another attractive feature of an umbrella policy is that it provides coverages not found in their homeowner's or auto policies. You are covered if you cause bodily injury, property damage, or personal injury. Generally, the types of personal injury covered include false arrest, false imprisonment, malicious prosecution, defamation, invasion of privacy, wrongful entry, or eviction. Some umbrella policies also provide coverage if you face liability arising from your service on the board of a civic, charitable, or religious organization.

Your insurance agent can help you decide whether an umbrella policy makes sense for your life style and financial needs.

temptation, consider installing special software to disable the phone while the vehicles is moving.

## Lost In Thought

There are an endless things a person could possibly be thinking about while driving. Whether a driver is looking for an address, trying to listen to the radio or daydreaming, accidents caused by general distractions account for more than 60 percent of all fatal crashes. It is important to stay mentally focused at all times.

Avoiding harmful practices is a good way to not only stay alive on the road but also to keep insurance rates lower. To enjoy the lowest possible rate, drivers need to consistently maintain a record that is free of negligent accidents. It is also important to stay vigilant and watch for distracted drivers in other vehicles on the road. To learn more, discuss concerns with an agent.

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