

Why You Need Umbrella Insurance

The Motley Foll

By Elizabeth Brokamp

Most folks know all about securing adequate insurance coverage for their cars, homes, and other personal property. After all, the tangible nature of these items is a reminder that someday they could be lost, stolen, or damaged, leaving you scrambling for a replacement.

But what about insurance for the valuables you can't replace, put a price on, or purchase at the store? Things like peace of mind, quality of life, standard of living, and protection for your future? Enter the personal liability umbrella policy.

For a small premium (at the time of this writing, **Geico** offered a quote of just over \$200 a year for a one million dollar policy), umbrella policies supplement the insurance that you already have through your home and auto coverage, adding another layer of protection for you and your assets. Think that sounds like overkill? It could be. But then again, what if someone decides to sue you for an amount higher than your existing policy will cover? Then suddenly your whole way of life could be at risk.

It's a myth that umbrella policies are for the rich; these policies offer peace of mind for anyone who could be held liable for serious injury to another person - whether than injury is caused by you, your pet, or your child. Say a guest falls and sustains an injury in your home, your dog attacks a neighbor, or one of your children's friends is seriously injured in your backyard pool. An umbrella policy could allow you to weather the threat with very little damage to your financial future.

Umbrella policies typically cover:

Umbrella policies *don't* typically cover:

Looking into it

As with all types of insurance policies, you'll want to familiarize yourself with its inclusions and exclusions to determine if an umbrella policy is the right kind of coverage for you. You'll also want to determine whether the cost of an umbrella policy is comparable to simply paying to raise the liability coverage on your primary auto and home policies. Compare coverage and cost, assess your risk, and factor in your risk tolerance to make an informed decision between upgrading your existing policies or adding umbrella insurance.

If you think umbrella insurance is the way to go, you'll want to start by gathering information from the insurance carrier that maintains your current auto and homeowner's policies. You'll likely get the best rate and the most seamless coverage, meaning that, in the event of disaster, you won't also have to contend with

different insurance companies battling it out over which one must assume liability. But, for comparison purposes, you may want to call another carrier and see if the fees are in the same ballpark. An umbrella policy isn't fool-proof protection, of course, but another layer between you and a financially devastating lawsuit is a very good thing.

Want to learn more about insurance? Try:

[Insurance Basics](#)

[Auto Insurance](#)

[Life Insurance](#)

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*Fool contributor [Elizabeth Brokamp](#) is a licensed professional counselor with a special interest in Robert Brokamp, editor of *The Motley Fool's Rule Your Retirement* newsletter.*

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