

Private Client Group

OCTOBER 22, 2021



Ensure You are Sufficiently Protected with Personal Excess Liability Insurance

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Insurance advisors are often asked how much personal excess liability someone should carry, but the answer is not always straightforward. The appropriate coverage limit is a subjective decision based on your unique situation, and there are many factors that each individual and family need to consider.

PERSONAL EXCESS LIABILITY INSURANCE

The purpose of personal excess liability coverage is to protect your assets and lifestyle against a large, severe liability claim. When your primary liability limit is exhausted, you are still legally liable for the remaining portion of the judgment. Courts will liquidate assets, including vacation homes, rental properties, and valuable collections, and may garnish income. Although uncommon, large judgments can force a radical change to financial security and lifestyle. It is crucial to have adequate coverage to protect your financial security.

FACTORS TO CONTEMPLATE

No one thinks they will be involved in a lawsuit; however, we live in a litigious world, and they do happen. We recommend that you adopt the mindset that you could be sued. What about your lifestyle makes you more or less at risk? If, for example, you are a public figure, have teenage drivers, own a swimming pool or pets, entertain at your home, or live on the water or a golf course, then you may be at higher risk.

HOW MUCH IS ENOUGH?

Generally speaking, it is recommended to have a limit equal to your net worth and possible future income. The high net worth insurance carriers can often offer limits up to \$100 million. Be sure to also consider your personal tolerance for risk. Would you rest easier knowing that insurance covers your entire net worth, or is that not necessary for your confidence? Remember when weighing these decisions to ask yourself how much you are willing to lose.

ABOUT PARKER, SMITH & FEEK PRIVATE CLIENT GROUP

We focus on high net worth clients and partner with affluent market insurers, whose products and services are specifically designed for the affluent client with complex insurance scenarios.

Our goal is to protect client assets through a comprehensive risk management process and a custom-crafted insurance program for each Private Client.

We are knowledgeable in the insurance markets and trends that affect our clients and are positioned to respond with up-to-the-minute analysis and solutions.

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It is also important to keep your insurance current. Your coverage limit should be reviewed and adjusted as your financial situation and life change. Some events that would trigger a review include an increase to your net worth, such as an inheritance or selling your company, children who start driving, marriage and divorce, career change, retirement, and the legal trends in your resident state.

HOW ARE DEFENSE COSTS HANDLED?

Another important consideration when setting limits is how the carrier that provides your personal excess liability coverage handles defense costs. For example, many high net worth insurance carriers provide legal defense fees and costs outside of coverage limits. This means that the full coverage limit is available for a potential judgment and, if the limit is exhausted for legal expenses, the carrier will not walk away before the suit is decided. This structure of placing defense costs outside of limits saves you from having to pay legal fees out of pocket and potentially being left on your own before the case is settled.

EXAMPLES OF U.S. JURY VERDICTS

Below are some recent examples of liability claims that exceeded the policyholder's primary liability limit. These examples represent just a sampling of what types of claims could happen.

- While traversing a crosswalk, a woman was struck by an oncoming vehicle. The impact resulted in a traumatic brain injury and damage to one leg that ultimately necessitated an above-the-knee amputation.

 **Judgement:** \$26.2 million

- A man was snorkeling when he was struck by a jet ski. He suffered multiple vertebra fractures, a herniated disk, and quality of life loss.

 **Judgement:** \$3.2 million

- A woman at a party suffered a foot fracture and developed reflex sympathetic dystrophy syndrome after the intoxicated party host fell on her. The host's negligent behavior was determined to be the cause of the woman's injuries.

 **Judgment:** \$5.0 million

- While riding his motorcycle through an intersection, a man was struck by a vehicle that ran a red light. The man was thrown from the motorcycle and passed away at the scene. His family sought wrongful death, compensatory, and punitive damages from the driver for motor vehicle negligence.

 **Judgment:** \$50 million

These jury verdicts are not presented to frighten you, but rather to demonstrate why having proper coverage is so important. If you haven't already, take some time to think about your own position and what you have at risk, I encourage you to discuss your own unique situation and personal excess liability limit with your insurance advisor. Together you can establish an insurance plan to protect your lifestyle and resources.