

'Deep Pockets' Need Strong Liability Cover in Current Litigious Climate



Litigation is one of the most common causes of personal bankruptcy.

A multi-million dollar lawsuit can easily wipe out a successful individual's nest egg and personal assets amassed over decades, causing significant emotional and financial stress, as well as reputational damage.

Recent trends show personal injury awards are increasing. According to the Insurance Information Institute (III), in 2013 and 2014, 18% of all personal injury awards exceeded \$1 million. During the same period, about 11% of premises and personal negligence liability-related cases resulted in verdicts of a million-dollars or more.

Since standard insurance policies do not provide adequate financial protection against large legal settlements and awards, the purchase of umbrella or excess liability becomes important. Generally, a million-dollar personal umbrella liability policy costs an additional \$150 to \$300 per year, according to III.

Personal umbrella liability insurance provides financial protection against major claims and lawsuits, above the limits of primary policies, like home or auto insurance. Offering broad coverage and higher limits, the umbrella policy sits above existing primary policies and pays out when the primary limits are exhausted.

Deeper Pockets, Frequent Targets

Successful individuals often find themselves on the receiving end of high-stakes lawsuits because they are perceived by injured parties and the plaintiffs' bar as having so-called deep pockets.

These lawsuits can be triggered by any number of incidents, including auto accidents; residential slip and falls; a domestic employee's actions; dog bites; and even children's behavior in school, at home or on social media. For high net worth individuals, properly managing these various risks requires a comprehensive asset protection plan that

not only accounts for all assets within the estate but also their lifestyle.

Take the recent case of a high-earning couple who frequently hosted parties with more than 100 guests at their large home in an affluent suburb of a major city.

During one of the large parties, an attendee overindulged in alcohol. Upon departing the party, the guest lost control of his vehicle and collided with another vehicle that had stopped at a traffic light. The guest, who caused serious injury to himself and the driver in the other vehicle, sued the host for over serving alcohol.

Fortunately, the couple, on advice of USI Insurance Services, had secured excess liability coverage on top of its homeowners' insurance policy. The coverage, which included legal expenses of \$100,000, was obtained following a thorough assessment of the couple's potential risk based on size and frequency of entertainment. The policy also covered

the property damage, medical costs and court awarded damages for injuries to guests and the other driver in excess of \$1,000,000.

How Much Coverage is Enough?

Determining exactly how much liability coverage one needs depends on many different factors, and often requires input from experienced personal risk advisors.

For instance, an individual's liability exposures can be assessed based on their physical assets such as homes, autos, boats, art, wine, jewelry, earnings, investments, and inheritance, as well as lifestyle, activities and future earnings. Lifestyles that frequently lend themselves to lawsuits include golfing, skiing, boating, recreational vehicles, swimming pools, entertaining, participation on nonprofit boards, and personal use of social media.

USI leverages proprietary analytical tools and extensive market access to help its clients choose appropriate limits and coverage terms.

Recently, USI's Personal Risk team worked with a senior executive of a national bank to secure a Personal Directors Liability Policy (PDL) for his wife, who served on two separate non-profit boards for a middle school and high school. Non-profit boards typically purchase minimal professional liability limits due to cost and availability.

When USI reviewed the non-profits coverage and board by-laws to assess the risk and mitigate potential losses, it found the existing board D&O limit was shared by all board members, leaving the client's wife only a fraction of the limit for coverage. Based on this, USI recommended the client purchase the PDL for liabilities arising from her fiduciary responsibility as a board member.

This decision to obtain the PDL turned out to be a crucial one when the local government conducted a review of the school boards' financials for misappropriation of funds. With the PDL in place, the client had adequate limits for defense coverage (which did not erode the liability limit), amounting to \$25,000 in legal fees and \$5 million in protection if needed.

This is a brief overview of some of the major causes of lawsuits against individuals and a few of the specialty coverages available to protect against such risks. It is not intended to be a comprehensive list and there is no substitute for working with an experienced personal risk advisor.

To learn more about USI's personal liability solutions for individuals, contact your local USI Personal Risk specialist.



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