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Umbrella Claims Examples

- Babysitter left baby unattended in a walker baby toppled the walker, hit her head and suffered brain damage - babysitter and her parents sued - court awarded \$11,000,000
- Insured's daughter made disparaging remarks about her teacher - teacher sued for personal injury - \$750,000 paid
- Insured's son driving the insured's vehicle with girlfriend as a passenger – accident occurred and the girlfriend hospitalized for over a month with multiple fractures and internal injuries – now walks with a drop foot – \$1,000,000 umbrella limit paid
 Insured's friend dove into an above–ground pool, struck his
- head and became a quadriplegic sued the homeowner and the pool manufacturer - homeowner 60% responsible/manufacture 40% responsible - court awarded \$10,000,000

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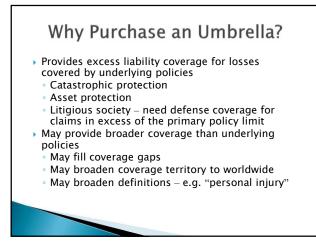
Umbrella Claims Examples

- Insured's tenant became ill because of carbon monoxide leaking from a faulty furnace – suffered permanent brain damage and demanded \$750,000
- Teenager sued her softball coach because his "incorrect teaching style" ruined her chances for an athletic scholarship – she demanded \$750,000
- Insured's hillside covered with concrete to prevent erosion - concrete installed prior to the home purchase - 5 feet of the concrete fell and hit a neighbor's home, knocking it off the foundation claim settled for \$950,000

Umbrella Claims Examples

- Insured permitted her children and their friends to play paintball in the backyard – a participant removed her headgear to better hear someone calling her name – she was hit in the eye – resulted in a \$575,000 settlement
- Insured hosted a beach party for their daughter one of the attendees found a propane tank that appeared to be empty and threw it in the fire – it exploded and injured several guests – the insured was sued for \$20,000,000 for failure to supervise the party

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Qualifying a Client for an Umbrella

- Identify exposures assets, earning potential, activities, high-profile identity, contractual obligations
- Review primary policies review limits and gaps
- Determine other needs peace of mind, no longer just for the wealthy, litigious society
- Address the cost of coverage coverage is very affordable – identify factors that may affect the price

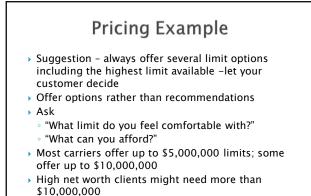
Food for Thought

- Do we always offer a \$1 million limit?
- > What if the insured is sued for more?
- Is the cost of a higher limit prohibitively expensive?
- Because most umbrella losses happen in the first \$1,000,000 limit, higher limits have a lower rate

Pricing Example

- Premium for \$1 million limit = \$350
- Premium for \$2 million limit = \$462 (less than 30% increase)
- Premium for \$3 million limit = \$559 (less than 60% increase)
- Premium for \$4 million limit = \$609 (less than 75% increase)
- Premium for \$5 million limit = \$639 (less than 85% increase)

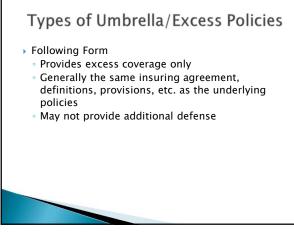
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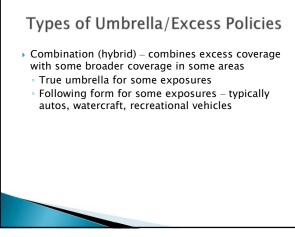


Types of Umbrella/Excess Policies

- > What types of policies do your carriers offer?
- True umbrella
 - Provides excess coverage over underlying policies
 Can provide primary coverage in areas not
 - covered by the underlying policies • Stand-alone policy - has its own insuring
 - agreement, definitions, provisions, etc.
 - Will provide defense if not covered by underlying policies
 - Might share in the defense with the underlying carrier

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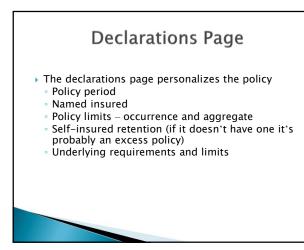




Benefits of Selling Umbrella Coverage

- Added liability protection
- Account rounding = account retention
- Reduces E&O exposure
- Affordability makes it easy to sell
- Low claim frequency
- Increased revenue
- Always sell underlying limits that would qualify the insured for an umbrella

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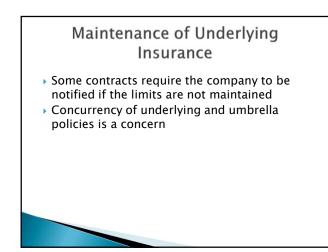
"Underlying" Coverage Requirements

- Underlying policies primary policies must be listed (auto, homeowners, watercraft, recreational vehicle, etc.)
- Underlying limits minimum underlying limits are required
- Underlying carrier
- Financial stability is important
 Some write stand-alone policies some require all the underlying policies Won't "drop down" if the underlying insurer
- becomes insolvent

Maintenance of Underlying Insurance

- Very important provision
- Review the policy conditions does the requirement apply to all family members?
- Most umbrellas require coverage to be in place when the occurrence takes place
- Failure to maintain required limits will force the insured to pay the difference

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Failure to Maintain Required Underlying Insurance

- The insured has a \$1million umbrella policy requiring \$500,000 underlying auto limits
- > The auto coverage is moved to another company, which writes a \$300,000 limit
- The insured is involved in an accident and is sued for \$1,000,000

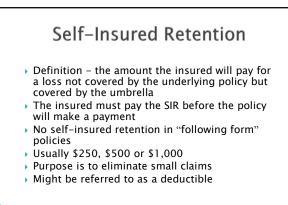
Failure to Maintain Required Underlying Insurance

- The underlying carrier will pay \$300,000
- The insured will pay \$200,000
- The umbrella carrier will pay \$500,000
- Carrying inadequate underlying limits creates a gap in coverage
- Thought: Who is responsible for the inadequate limit - the umbrella agent or the auto agent?

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Example of Non-Concurrency

- An auto policy is written with a \$500,000 limit on January 1, 2021
- The umbrella policy is written "mid-term" with an effective date of March 1, 2021 and a \$500,000 underlying auto requirement
- The insured receives a bodily injury claim for \$1,000,00 on April 1st for an accident that happened on February 28th
- Since the umbrella was not in force on the date of the accident, the insured has no coverage under the umbrella
- The auto carrier will pay \$500,000 and the insured will pay \$500,000



SIR Example

- > The insured has a true umbrella with a limit of \$1,000,000 and a self-insured retention of \$500
- The homeowners limit is \$300,000, which meets the underlying requirement
- The insured is sued for \$1,000,000 by a teacher for disparaging comments he made about the teacher at a PTA meeting
- The homeowners policy does not have personal injury coverage but the umbrella does have it

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SIR Example

- The homeowners carrier pays \$0
- > The insured pays the \$500 self-insured retention
- The umbrella carrier pays \$999,500 because it provides broader coverage than the homeowners policy



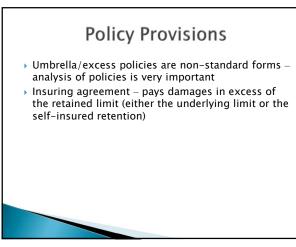
Key Definitions

- "Personal injury"
 Policy exclusions can affect the interpretation of the definition of "personal injury" - e.g.
 - intentional injury exclusions The umbrella may be broader by covering offenses like shock, mental anguish, or humiliation, which are not in the H.O. Personal **Injury Endorsement**

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- Resident family members
- Others stipulated in the definition e.g. vicarious liability of others for the insured's actions

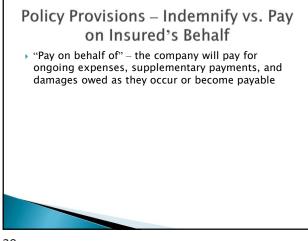


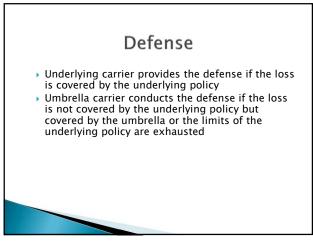
Policy Provisions – Indemnify vs. Pay on Insured's Behalf

Indemnify

- Insurer is not obligated to provide payment for damages until the insured is legally obligated to pay
- Insured must pay defense and supplementary payments until liability is determined
- Once liability is determined, the insurer will reimburse the insured for the defense expenses
- Most "indemnify" agreements do not require the insured to pay damages but only be obligated for them

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Are Defense Costs Paid in Addition to the Limit?

- Defense costs are paid within the limit unless there is a statement that they are paid in addition to the limit
- Most policies pay defense in addition to the limit
- Many will pay defense and legal costs if there is no underlying coverage
- If there is primary coverage, the umbrella carrier can elect to participate in the defense
- Some policies may have defense as part of the limit
 i.e. defense costs are considered "damages"

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Common Exclusions

- Workers compensation obligations
- Damage to property owned by the "insured"
- Damage to property in the care, custody or control of the "insured"
 - $^{\circ}$ May or may not give back some coverage
 - The exclusion may apply only to the extent the insured must provide insurance or to the extent the insured is legally responsible
- Intentional "personal injury" or "intentional property damage" – may provide "self-defense" coverage (use of reasonable force to protect persons or property)

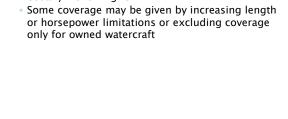


- Aircraft liability
- > Professional services E&O, D&O, malpractice, etc.
- Business
 - Usually "following form"
 - May provide coverage for activities incidental to business - e.g. playing golf with a client

Common Exclusions

Watercraft

Usually "following form"



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Common Exclusions

- Activities of Insureds as Directors and Officers
 May give back coverage for participation on a non-profit board
 - CAUTION: this is not D&O coverage the policy covers bodily injury, property damage and personal injury, not "acts and decisions" of a board
 - Insured may have a personal liability exposure
 - $\,{}^{\circ}$ Insured should make sure there is D&O policy

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Common Exclusions

- War, civil war, insurrection, rebellion or usurped power
- Nuclear and radioactive exposures
- Discrimination, contagious or communicable disease, sexual molestation

Common Exclusions

- Insured vs. insured suits
- Uninsured motorists some insurers will add coverage – some states require that it be offered
 Pollution
- The typical personal auto policy does not have a pollution exclusion
- This might be narrower coverage than the underlying

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Underwriting Concerns

- Recreational vehicles, especially if there are children
- Insureds with accidents/violations
- High powered speed boats
- High powered autos
- Attractive nuisances swimming pool, trampoline, playground equipment

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Exposures that may be unacceptable

- Prior umbrella losses
- Entertainers, professional athletes
- Public officials
- People who are well-known or famous
- Person who has been sued for libel or slander
- Newspaper/TV reporters, editors or publishers
- Multiple small liability losses
- > Persons with major violations such as DUI's
- Persons with felony convictions

Exposures that may be unacceptable

- Persons with custody of wild animals
- Owners of certain dog breeds e.g.
 Staffordshires, Akitas, Pit Bulls, Dobermans, Rottweilers, Chows, Wolf Hybrids
- Persons who own aggressive dogs
- Persons who have had a dog bite claim
- Persons who do not meet the underlying policy underwriting guidelines

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