

ARTICLES

How Do You Determine Your Limits—and Whether or Not They’re Enough?

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With substantial wealth comes some unique challenges—lawsuits, for instance. The unfortunate fact that we live in a litigious society has important bearing on asset protection for high net worth individuals and families. A personal umbrella policy with adequate limits is an excellent way to achieve peace of mind, but how should you define “adequate”? What factors should you be thinking about when you set your coverage limits?



PERSONAL FACTORS

When you weigh the size of your insurance umbrella against the cost of incremental increases to your coverage, start by tallying against the following basic parameters:

Future income stream—Future earnings may be taken into consideration during a lawsuit settlement. If you’re expecting to earn a lot over the coming years of your career, that potential income will be seen as fair game in a settlement, and you’ll want to have it protected.

Physical assets—Take a hard look at your assets. What’s publicly visible? Are your homes in affluent areas? Are your cars luxury models and/or high-performance vehicles? Notable wealth can prompt bigger claims. Put realistic numbers against those assets and understand that a plaintiff’s attorney will do the same.

Lifestyle—This category includes your occupation(s), activities and family status. Do you work for a public company where your stock holdings or compensation can be found online? Do you sit on a non-profit board? Are you a high-profile athlete or big name in politics? Do you have driving-aged children? Are you in the public eye? Using social media? Any of these can increase the risk of slander or defamation actions. Do you entertain at your residence regularly or host charitable and political fundraisers? Is alcohol served? These increase your liability if someone drinks and drives.

Tolerance for risk—This one is fairly straightforward on its face. Simply put, how much cost are you willing or able to pay out of pocket in the event of a lawsuit? The answer can directly affect the ongoing cost of your umbrella policy’s premium.

RECENT JUDGMENTS

Precedent is an important part of law and thus should be part of the process in determining the appropriate limit. Here are a few recent settlement examples to consider:

- \$26.2 million—California—A woman was struck in the crosswalk by an oncoming vehicle, resulting in a brain injury and above-the knee-amputation.1
- \$50 million—South Carolina—A motorcyclist died after being struck by a vehicle that ran a red light. The driver was sued for wrongful death, resulting in compensatory and punitive damages.2
- \$7.7 million—Florida—A man was attacked by his neighbor's three dogs while taking out the trash. The man sustained multiple lacerations.3

OTHER CONSIDERATIONS

Excess uninsured/underinsured motorist coverage is a smart part of an umbrella policy. Not all insurance companies offer it, but those specializing in affluent and high net worth individuals and families do. Be sure to choose a policy with defense coverage beyond the liability limit. Even as jury verdicts tied to personal liability lawsuits increase across the United States, only a handful of insurance companies sell standard umbrella policies with limits above \$5 million.

For wealthy consumers facing bigger risks, a customized policy is the only practical protection available. In sum, as wealth accumulates, insurance becomes more about risk management than financial coverage. An approach using limits to protect against extreme, atypical cases becomes more practical. At a time when jury verdicts are exceeding \$20 million and are increasing in frequency, it makes sense to evaluate your risk profile and, using the factors outlined above, establish limits that match your exposures.

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From crafting coverage for homes, yachts, ranches and vineyards to fashioning protection against lawsuits, identity theft and reputation damage, Risk Strategies' highly experienced, senior-level practitioners put privacy first while simplifying risk and liability management. Derith (Derry) Wisnom's career has been focused on responsive, hands-on personal service of her clients. Her detailed and methodical approach ensures tailored risk strategies for each situation. A San Francisco native and longtime peninsula resident, Derry is active in regional and community nonprofits including serving on the board of directors of bay.org and the executive board of the prestigious Hillsborough Garden Club (founded in 1922). Richard Valenzuela is a competitive triathlete and cyclist with 29 years' experience in insurance.

He has extensive experience with Fortune 400 clients, including several of the list's highest-ranked individuals. He formerly was managing director of Frank Crystal &

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