



# NORTHERN NECK INSURANCE COMPANY

*Insuring Families from the Bay to the Blue Ridge since 1896.*

## **Why Every Policyholder Needs Umbrella Insurance**

Today, lawsuits are everywhere. Lawyers are awarding larger amounts of money than ever. Homeowners, auto, and watercraft policies have a limit on liability insurance. If an unfortunate accident should happen that is your fault, do you have enough liability insurance from your current policies to cover your costs for negligence? Since no one can predict how much a judge may award the injured person, umbrella insurance is not just for the wealthy anymore, but a needed protection for every policyholder.

Umbrella insurance is designed to give one added liability protection above and beyond the limits on homeowners, auto, and watercraft personal insurance policies. With an umbrella policy, depending on the insurance company, one can add an additional 1-5 million in liability protection. This protection is designed to “kick-in” when the liability on other current policies has been exhausted.

Liability insurance is the portion of a homeowners or auto policy that pays for expenses such as the injured persons medical bills, rehabilitative therapy, and lost wages due to the negligence of the at fault person. The liability portion of an insurance policy also covers a legal defense representative if the negligence would happen to land the at fault person in the court room. After adding up all of the medical expenses for the injured and the legal fees of the negligent person, the standard liability in one’s homeowners or auto policy is often not enough. Almost every state has financial responsibility laws that will hold drivers accountable for bodily injury and property damage resulting from car accidents and the at fault driver could be sued for the damage. Personal assets from the at fault driver could be seized resulting from a lawsuit. Similar laws are also in force for home and watercraft owners.

There is good news. A personal liability umbrella insurance policy can give one added liability protection without a large added cost. Additional liability insurance is often inexpensive, especially compared to the added coverage one gains. Furthermore, liability insurance covers one’s non-business activities anywhere in the world. Having the added protection of a liability umbrella policy is coverage no one should go without.



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## **Information You Will Need When Purchasing an Umbrella Policy:**

- First Name, Birth Date, Sex, Marital Status, Years Licensed, State Licensed, and Occupation of all drivers in your household.
- Violation and Accident information for the last 5 years of all drivers in your household.
- All the property you own including: Home, Auto, Watercraft, Recreational Vehicles (RV's), Rental Units, Land, and Motorcycles.
- Information about your current insurance company including: Expiration Dates and Losses and Claims in the past 5 years.
- The liability limit you are requesting which is typically 1-5 million.

## **Questions Typically Asked by the Insurance Agent When Purchasing an Umbrella Policy:**

- Besides your auto, do you own any other motorized vehicles like motorcycles or mopeds?
- Do any drivers in your household have mental or physical impairments?
- Are you in the farming business?
- Do you have any employees at your residence?
- Are you caring for any property that is not your own and it exceeds \$1,000?
- Are there any business activities conducted at your home or in any property that you own?
- Do you have any non-owned business or professional endorsements on your current insurance policies?
- Do any of your current insurance policies have reduced liability limits or exclude coverage for specific events?
- Within the last 5 years, have you been denied insurance coverage or been canceled or not renewed?
- Are there any drivers on your current insurance policies under the age of 25?
- Do you own, lease, or charter an aircraft?
- Do you use your property, vehicles, watercraft, or aircraft for business?
- Do you have any vehicles, watercraft, aircraft, or property that is owned, hired, leased or used on a regular basis that is not covered by insurance?



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## WALL STREET JOURNAL ARTICLE 10/17/2007

### GETTING GOING

## Protecting Your Assets in Case You Find Yourself in Court

**W**hat if you're sued—and lose?

This is one of our big fears. Over 80% of Americans believe there are too many lawsuits, according to a 2006 survey undertaken for the U.S. Chamber Institute for Legal Reform. An earlier survey, conducted for insurer Fireman's Fund, found that 67% of homeowners were concerned they might personally be sued.



By Jonathan Clements

In truth, while certain occupations—notably doctors and small-business owners—are frequent legal targets, most of us are unlikely to face a personal lawsuit because of, say, a car accident or because a neighbor tumbles down our stairs.

Still, if it happens, it could be financially devastating. Here's a look at which of your assets would be at risk—and how you can protect yourself.

■ **Losing it.** Let's start with the good news: Under federal law, the value of your 401(k) plan or your traditional "defined benefit" pension should be protected from creditors. And if a hefty legal judgment forces you into bankruptcy, your rollover individual retirement account and up to \$1 million in a regular IRA should also be protected.

Unfortunately, that's pretty much the end of the good news. With most assets, state law comes into play—and legal pro-

tections are all over the map.

For instance, Florida and Texas residents enjoy ample protection for homes, annuities and life insurance. By contrast, residents of California, New Jersey and Pennsylvania are far less protected.

Because state laws vary so much, it's hard to generalize. But as a rule, the simpler the form of ownership, the more vulnerable the asset is.

Suppose you have a fat portfolio in your name in a regular taxable account. "The creditor is just going to grab it," says Gideon Rothschild, an attorney with Moses & Singer in New York. "There's no leverage there."

By contrast, if you have money in a variable annuity, life insurance, a limited partnership or a limited-liability company, creditors may settle for less, because these assets are harder to get at, says Chris Riser, an Athens, Ga., attorney and co-author of "Asset Protection: Concepts and Strategies for Protecting Your Wealth."

■ **Taking precautions.** Getting nervous? Here are five ways to protect yourself.

■ **Get a personal umbrella-liability insurance policy,** which might cost \$200 to \$400 a year for \$1 million of coverage. These policies provide extra protection, over and above the liability limits on your home and auto policies.

"That's the first line of defense,"

says David Handler, an attorney with Kirkland & Ellis in Chicago. "It's the insurance company's attorneys who are going to court. They're the ones with the first dollars on the hook."

■ **Max out retirement plans,** starting with your 401(k). This is

not only good investment advice, but also a good asset-protection strategy. "That's always the first thing I tell people to do," says Pittsburgh accountant and attorney James Lange.

■ **Know your state's laws.** Getting information is surprisingly difficult. A good place to start is [apbook.com](#), the Web site

for Mr. Riser's book. You may be able to dig up further information by sticking your state's name and the words "asset protection" into an Internet search engine.

■ **Consider owning assets jointly with your spouse,** especially if your state allows you to title your home or other assets as "tenants by the entirety." This latter form of ownership can provide solid protection against creditors.

One warning: Joint ownership can hurt other legal arrangements you've made. "It's easy to mess up estate plans and prenuptial agreements by retitling assets," cautions Holly Isdale, head of the wealth-advisory group at Lehman Brothers. "Check with your attorney before you do that."

■ **The truly wealthy—those with, say, \$5 million or more in assets—may want to talk to a lawyer about more sophisticated and more expensive techniques,** such as setting up trusts, limited partnerships and limited-liability companies.

### Feeling Vulnerable?

A lawsuit could derail your financial future.

■ **86% of Americans say they're concerned about protecting their home and savings.**

■ **But only 13% have an umbrella-liability insurance policy, which could cost \$200 a year for \$1 million of coverage.**

Source: Hanover Insurance