

Excess Liability: Protection for the Life You've Built



Excess Liability—often referred to as Umbrella coverage—is a critical component of a well-designed personal insurance program. It provides an additional layer of protection when the liability limits of underlying policies (such as homeowners, automobile, or watercraft insurance) are exhausted.

For individuals and families with meaningful assets, Excess Liability helps safeguard not only personal wealth, but also future earnings and long-term financial security in the event of a significant lawsuit.

Why Excess Liability Matters

Serious liability claims may be infrequent, but their financial impact can be substantial. Even everyday situations can escalate quickly, including:

- Major automobile accidents resulting in bodily injury
- Injuries occurring at a primary or secondary residence
- Personal liability claims involving guests, pets, or recreational activities

Without sufficient Excess Liability coverage, these events may exceed primary policy limits and expose personal assets—or, in some cases, future wages—to risk. In today's increasingly litigious environment, individuals with visible or perceived wealth may face greater scrutiny, regardless of fault.

// Excess Liability is designed for the claims you never expect—but can't afford to ignore. //

How Excess Liability Works

Excess Liability coverage provides an additional layer of protection above the liability limits of underlying policies, such as homeowners, automobile, and watercraft insurance. Once those underlying limits are exhausted, the excess policy responds to covered claims. Coverage typically begins at \$1 million and can extend into the tens of millions, depending on an individual's needs and risk profile.

Beyond covering damages related to bodily injury or property damage, many excess liability policies also provide valuable legal defense coverage, helping address the often significant costs of responding to a lawsuit. Coverage may also extend to personal injury exposures such as libel, slander, defamation, and invasion of privacy.

Protection generally extends to household members, including spouses and dependent children.



Determining the Right Coverage Limit

A common starting point when evaluating Excess Liability is aligning coverage limits with **personal net worth**. However, for many families, this is only part of the equation.

Additional considerations that often warrant higher limits include:

- Multiple residences or high-value properties
- Rental or investment activity
- Board or nonprofit involvement
- Domestic employees
- Lifestyle factors such as events at your home, swimming pools, teenage drivers, high-profile professions, or public visibility

// Net worth is a starting point—not the finish line—when determining appropriate liability limits. //



Protecting Future Income

In the event of a lawsuit, courts may evaluate not only current assets, but also **future earning potential**—including salary, bonuses, equity compensation, and long-term income projections. Protecting future income is a key, and often overlooked, reason for carrying adequate excess limits.

The appropriate coverage amount is highly individualized and should reflect assets, lifestyle, and long-term financial trajectory.



Uninsured & Underinsured Coverage

With the growing number of uninsured and underinsured drivers on the road, Uninsured/Underinsured Motorist (UM/UIM) coverage has become an increasingly valuable component of a personal insurance program. When available, this coverage can help protect you and your family if a serious injury is caused by a driver who carries little or no insurance.

In addition, select excess liability insurers offer broader uninsured or underinsured liability enhancements that can address certain **non-automobile exposures**. Depending on the carrier, these enhancements may provide an added layer of protection for covered personal liability incidents involving individuals who lack adequate insurance. While availability varies by insurer, these coverages can be an effective way to strengthen an overall liability strategy, enhance asset protection, and help close commonly overlooked coverage gaps.



Real-World Scenarios: Excess Liability in Action

- **Automobile Loss:** A pedestrian was struck by the insured's vehicle while crossing the street. The excess liability policy responded to a settlement totaling several million dollars, including legal expenses.
- **Personal Liability Loss:** A houseguest was knocked over by a child, suffering severe injuries that required multiple surgeries and long-term care. The excess liability policy paid damages exceeding the primary homeowners' policy limits.
- **3rd Party Liability Loss:** A man was attacked by three dogs that escaped from a neighboring property, resulting in multiple serious lacerations. When the dog owner lacked adequate coverage, the injured party relied on his own underinsured liability coverage to help pay medical expenses.

// Coverage gaps of \$100,000 or more can arise if underlying limits are not properly maintained. //

These examples underscore how quickly liability claims can exceed base coverage—and how Excess Liability serves as a critical financial backstop.



A Note on Trusts, LLCs & Asset Ownership

Trusts, LLCs, and other entities are valuable estate and asset planning tools, but they do not automatically protect against liability claims or guarantee insurance coverage. When assets are owned by an entity but used personally, ownership, usage, and policy structure must align to ensure coverage responds as intended.

In addition, personal insurance policies often contain business-use exclusions that can create unexpected gaps for LLC-owned assets, rental properties, or other business-related exposures. Understanding who is covered, what assets are covered, and how ownership is structured is critical.

Excess Liability coverage should be reviewed alongside trusts, LLCs, rental properties, and other entity-owned assets to help ensure protection remains coordinated and comprehensive.



Optional & Adjacent Liability Coverages

As families and family offices grow more complex, liability protection must evolve accordingly. Personal excess liability policies are foundational, but many high-severity risks—arising from employment, governance, fiduciary, digital, and personal security exposures—fall outside the scope of umbrella limits. Purpose-built coverages extend protection within a modern, institution-level risk framework.

Personal umbrella policies generally exclude these claims, making the following coverages essential considerations for complex families and family offices:

- **Employment Practices Liability (EPLI)** – Claims brought by household staff or family office employees
- **Directors & Officers (D&O)** – Protection for individuals serving on boards, foundations, or in governance roles
- **Kidnap & Ransom (K&R)** – Kidnapping, extortion, and access to crisis response and negotiation services
- **Fiduciary Liability** – Claims tied to administering trusts, benefit plans, or fiduciary duties
- **Cyber Liability** – Data breaches, privacy violations, ransomware, and related response costs

// Excess Liability works best as part of a coordinated risk management strategy. //



Cost vs. Value

Relative to the amount of protection provided, Excess Liability is widely considered one of the most cost-effective components of a personal insurance program. Many advisors refer to it as the “best buy” in insurance” because it offers significant financial protection for a relatively modest premium.

For many standard risk profiles, the first \$1 million of coverage may cost only a few hundred dollars per year. Yet that modest investment can help safeguard assets, future earnings, and lifestyle against the financial impact of a catastrophic claim. Excess Liability can provide potentially life-changing financial security at a fraction of the cost of many other insurance coverages.



Defense Costs: An Often-Overlooked Benefit

When people think about liability insurance, they often focus on settlements and court awards. Equally important, however, is the legal defense provided by the policy. Even when a claim is groundless, defending a lawsuit can require significant legal resources and result in substantial resources and cost. Most liability and excess liability policies provide defense coverage, helping policyholders navigate complex legal matters without bearing those expenses personally.

Whether reviewing current liability limits, evaluating excess coverage options, or assessing potential gaps related to trusts, LLCs, and other ownership structures, an EPIC advisor can help develop a liability strategy tailored to your unique exposures and long-term objectives.

Disclaimer: Insurance coverage is subject to individual risk assessment and may vary based on specific circumstances. Availability, terms and cost of insurance policies are determined by evaluating factors determined by the carrier/underwriter. The terms and conditions of the policy will ultimately govern the coverage available for any loss.