



**CORPORATE
EXPOSURE:
Personal
Umbrella
Liability
Protection**

Harry P. Mirijanian

Individual personal liability insurance policies have been in existence for several years. These policies have gained publicity in the media through well-known policy holders including famous sports figures and even the President. We make no judgments or offer opinions here about the alleged actions of these individuals—but we think that we can best illustrate our point by using highly publicized examples.

The purpose of umbrella liability insurance is to protect the policy holder beyond the limits normally purchased through conventional homeowners, automobile, or other personal line policies. In the past, professionals such as attorneys and physicians were the primary purchasers of these policies to protect the assets they had accumulated. Today, however, umbrella policies are being sold to just about everyone, including teachers and even members of the clergy.

The policies usually provide coverage for "personal injuries" and most notably slander/defamation of character suits. The policies have been expanded to define personal injury as "sickness, disease, shock, mental anguish or injury, and bodily harm." The definition in these policies must be carefully reviewed to understand what triggers coverage. Not all carriers offer similar definitions for the term "personal injury."

Until recently, there was no exclusion for sexual harassment; thus, if the individual was accused of such an act, it

would trigger automatic coverage. (Allegedly this is why the President's personal umbrella policy responded to defray a portion of the legal expenses he is incurring in defending allegations.) We understand, however, that some carriers are now attaching exclusions for sexual harassment actions because of the significant increase in these types of suits.

Further, a more "restrictive bodily injury" definition is also being offered, with specific inclusions for mental anguish. Similar to traditional personal liability policies, these new umbrella policies usually offer no coverage for punitive damages assessed against the policy holder unless permitted by state law. Since punitive damages are usually assessed to penalize the individual or corporation,

*Some policy holders need
additional protection.*

whatever the case may be, if such actions were covered by the policy it could be argued that the accused would feel "no pain" for his or her actions. One famous ex-athlete who was involved in a highly publicized murder case reportedly had a business umbrella coverage policy that covered his organization and also offered a \$1 million personal liability protection as an extension to that policy. Evidently, because the allegations against him did not arise out of his business activities, the policy will not respond. But it would have responded if, say, his company had engaged a contractor who in turn brought suit against the company and him personally. But because in his situation the company is not named in the action, the policy does not have to respond.

In these types of combined

business/personal policies it is crucial to understand how coverage is triggered. Will the umbrella policy pay in excess of the primary policy or limits? If so, is the policy covering *all* underlying terms and conditions?

We are aware of a professional who several years ago purchased a personal umbrella policy—one that was believed to increase the limits of liability beyond the \$1 million automobile policy limits he had secured. Unfortunately, after an automobile accident, it was determined that the umbrella policy did not cover all of the items listed under his individual automobile contract. Since the award was in excess of his primary limits, and since it named him specifically, he had no protection. Subsequently, he brought suit against the insurance company, seeking coverage.

Personal liability umbrella policies have become an excellent form of asset protection for high profile individuals. Direct writers (insurance companies offering coverage directly to the policy holder without using an agent or broker) have responded by lowering their premiums to make those policies affordable to the general public. Caution must be exercised, however, since what may be given on one hand can often be taken away or reduced substantially by the other. We believe the services of a professional agent or broker are invaluable in assisting policy holders in determining whether these types of personal policies will protect their personal assets as intended. In addition, the insurance professional can work with the policy holder to understand the exclusions in the policy before binding coverage. ■

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