Umbrella liability insurance is a type of personal catastrophe insurance that provides extra liability coverage ($1 million to $5 million+) beyond the limits of standard auto, homeowners, or boat insurance policies. It protects your assets and future earnings from major lawsuits and costly claims, such as severe car accidents or injuries on your property. It also covers claims not included in standard policies, such as libel, slander, or false arrest.

Key Usage Examples

- Umbrella insurance acts as a safety net in scenarios where standard policy limits are exhausted:
- Major Auto Accident: If you are at fault in a pileup and damages exceed your $250,000 auto limit, an umbrella policy covers the excess.
- Property Incidents: A guest is severely injured in your swimming pool, or a tree on your property falls and damages a neighbor's house.
- Libel/Slander/Defamation: Covers legal costs and damages if you are sued for damaging someone's reputation.
- Lawsuits: Pays for legal defense fees and legal judgments if you are sued, such as in a dog bite case.

Common Synonyms & Terms

- Personal catastrophe liability insurance
- Excess liability insurance (Note: While often used interchangeably, excess liability usually only covers the same risks as the underlying policy, while umbrella can expand coverage to new types of risks)
- Personal umbrella policy

Key Features

- Requires Underlying Coverage: Most insurers require you to have high underlying liability limits (e.g., $250k–$300k) on your auto/home policies.
- Cost: Generally, it is cost-effective, often costing between $300 and $500 per year for $1 million in coverage.
- Exclusions: It does not cover your own injuries, intentional damage you cause, or business-related liability.