O'MALLEY BOLDT INSURANCE
GRANT MARSHALL | RETIREMENT & WEALTH PLANNING
FRIDAY FINANCIAL FACTS | CONSUMER EDUCATION SERIES

Are Your Liability Limits Enough?

Liability insurance is designed to protect more than your car or your house. It can help protect your income, savings, investments and other assets when you are legally responsible for injuring someone or damaging their property.

The question is not simply, "Do I have liability insurance?" It is, "Do I have enough if something serious happens?"

Minimum limits may not be enough

Every auto policy has liability limits, and homeowners policies normally include personal liability protection. But a legal minimum or a low policy limit is not the same thing as an adequate amount of protection. A serious auto accident can involve medical bills, lost income, rehabilitation, property damage and legal expenses. If a covered judgment or settlement exceeds the amount your policy will pay, the remaining exposure may become your responsibility, subject to applicable law.

Why this deserves another look today

Liability claim costs have been under pressure from more than ordinary inflation. Swiss Re Institute describes **social inflation** as growth in insurance claim severity beyond what can be explained by economic factors alone. Its research points to factors such as larger litigation awards, increased access to litigation funding, changing legal and social trends, and legal advertising. Swiss Re estimated that social inflation increased U.S. liability claims by 57% over the decade studied and reached an annual peak of 7% in 2023.

That does **not** mean every accident becomes a lawsuit, nor does it prove that attorney advertising by itself causes more lawsuits. It does mean that the potential cost of a serious liability claim deserves attention when deciding how much protection to carry.

Think beyond your current bank balance

Liability protection is especially important for households that have accumulated assets or have meaningful future income to protect. Your review should consider savings and investments, home equity, rental property, household income, young or inexperienced drivers, recreational vehicles, a swimming pool, pets, entertaining at home, volunteer activities and other circumstances that can increase liability exposure.

What about an umbrella policy?

A personal umbrella policy generally provides an additional layer of liability coverage above qualifying underlying policies such as auto and homeowners insurance. The Insurance Information Institute notes that an umbrella can help when a covered judgment exceeds the liability limit of an underlying policy, and may also cover certain personal liability exposures not covered by the underlying policy. Insurers typically require specified minimum underlying limits before an umbrella can be purchased.

A simple liability checkup

1. Review your auto limits.	Look at bodily injury and property-damage liability - not just deductibles and premiums.
2. Review home liability.	Know the personal liability limit on your homeowners or renters policy.

3. Identify special exposures.	Teen drivers, rentals, pools, dogs, boats and other activities can change the conversation.
4. Compare limits with what you are protecting.	Consider assets, income and the financial effect of a claim that exceeds your policy.
5. Ask about an umbrella.	For many households, an additional layer of liability coverage may be worth evaluating.

The takeaway

Liability insurance is one of the places where buying only the minimum can create a large gap between what is insured and what is at risk. As your income, assets and lifestyle change, your liability limits should be reviewed as well. A few minutes spent reviewing those limits today may prevent a major financial problem after an accident tomorrow.

Trusted sources & more information

- Insurance Information Institute - Should I purchase an umbrella liability policy?
- Swiss Re Institute - Social inflation: litigation costs drive claims inflation
- Swiss Re Institute - Liability excess inflation
- National Association of Insurance Commissioners - Consumer insurance resources

O'Malley Boldt Insurance
Independent insurance guidance for auto, home, umbrella and other personal insurance needs.

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