

HOW MUCH LIABILITY COVERAGE IS ENOUGH?



Unfortunately there is no universal “rule” that provides the mathematical calculation to determine your exact liability needs for car and home insurance. The reason why this can’t be accomplished is because it is impossible to predict future claims you may become legally responsible for.

Some choose to obtain the lowest possible limits required by law, while others choose to purchase an umbrella policy to provide additional limits.

Keep in mind that insurance companies will only pay up to the limit you choose. If that limit is not sufficient to cover the property damage or medical expenses of the other party, you will likely need to cover that shortfall out of pocket.

As a general rule of thumb you will want to at least protect your gross assets. Gross assets would include the value of any real estate you own, stocks/bonds/mutual funds/annuities/life insurance cash value/pension plans/money in the bank/jewelry/coin collections/fine arts/antique furniture and so on. (See below example)

Take a moment to use our Gross asset worksheet on the back of this form to determine if you are at least protecting your gross assets. If not please call us so that we can provide information to you on how to do so.

LIABILITY WORKSHEET –Example listed below, blank worksheet on back of this form.

Asset Name	Value
Real Estate:	\$150,000
Business Interest: (If you own a business)	\$0
Checking/Savings:	\$3,500
CD’s/Money Market:	\$0
Mutual Funds:	\$0
Stocks/Bonds:	\$4,000
Life Insurance Cash Value:	\$0
IRA:	\$7,800
401(k):	\$41,000
Pension plans:	\$0
Jewelry:	\$7,000
Coin/stamp collections:	\$0
Fine art/antique furniture:	\$0
Other assets not listed:	\$0
Total	\$213,300

In the above listed example the policyholder should have at least \$213,300 in coverage to pay for any one liability claim. Split limit coverage of \$250,000 per person/\$500,000 per accident would be sufficient in this example, and \$300,000 on your home policy.

HOW MUCH LIABILITY COVERAGE IS ENOUGH?

LIABILITY WORKSHEET –Take 5 minutes to complete this form to determine the minimum amount of liability coverage you need to protect yourself.

Asset Name	Value
Real Estate:	
Business Interest: (If you own a business)	
Checking/Savings:	
CD's/Money Market:	
Mutual Funds:	
Stocks/Bonds:	
Life Insurance Cash Value:	
IRA:	
401(k):	
Pension plans:	
Jewelry:	
Coin/stamp collections:	
Fine art/antique furniture:	
Other assets not listed:	
Total	

Liability Chart

ASSETS	MINIMUM CAR INSURANCE NEEDED	HOME INSURANCE
\$ 10,000.00	\$12,500/\$25,000/\$10,000	\$25,000
\$ 50,000.00	\$50,000/\$100,000/\$50,000	\$50,000
\$ 75,000.00	\$100,000/\$300,000/\$100,000	\$100,000
\$ 125,000.00	\$250,000/\$500,000/\$250,000	\$200,000
\$ 275,000.00	\$300,000/\$600,000/\$300,000	\$300,000

Keep in mind this is the minimum coverage you should retain. If you have no measurable assets due to age, misfortune, or otherwise your future earning ability or wealth acquisition (from inheritance) is not taken into consideration when basing coverage minimums on gross assets. *Choose your liability needs carefully and call us if you have specific questions or concerns.*

\$100,000/\$300,000/\$100,000 - Represents \$100,000 per person and \$300,000 per accident bodily injury coverage + \$100,000 property damage maximum payout.