

How Much Is Enough?

It Depends

While it's one thing to have insurance for specific risks, it's quite another matter to have *enough* insurance. How much is enough? The answer is different for everybody. It depends on what you want to protect and how much risk you're willing to assume yourself.

Let's say you have a net worth of \$1 million. (Congratulations, by the way.) That's the total value of your various possessions: home(s), car(s), furniture, art, stock and bond holdings, mutual funds, etc. One million dollars is also how much you have to lose.

* **Imagine this.** Say that famous person you hit in the intersection sues you for loss of income, pain and suffering, etc. Basically, the most this person can get from you is . . . \$1 million.

Let's say your current auto insurance policy has a limit of liability that will pay a maximum of \$100,000 to any one person involved in an accident with you. (That's a pretty common limit, by the way, although not for people with seven-figure net worths.) If you're sued for \$1 million, your auto insurance will pay a maximum of \$100,000, which leaves you holding the bag for \$900,000.

Ideally, your liability insurance limits should come close to matching your net worth. After all, someone can't sue for something you don't have. You may be willing to assume some risk here, believing that you're very, very unlikely to ever be sued for anywhere near your net worth.

* **Tip.** Remember that your net worth is basically a target for attorneys representing someone who has suffered injuries, lost wages, and had pain and suffering as a result of something you did. In addition, **it can cost only a few hundred dollars more a year to have a liability limit of \$1 million as opposed to \$100,000.**

In deciding how much insurance to buy, you must consider what you have and what it costs to provide the level of coverage you're comfortable with.

Keep in mind that most people who have significant assets and decent incomes can afford to purchase liability limits high enough to equal their net worth. Whether they choose to is another matter.

How Do You Find the Right Insurance Company For the Right Price?

Even if you know exactly how much insurance you want or need, there's another crucial element in this process. You have to find an insurance company that will provide the coverage you want at the best price.

An insurance agent can be invaluable in helping find the right company.

* **Note.** There are thousands of insurance companies in this country that sell auto, homeowners and other coverages individuals need. No two companies offer all of the exact same policies. Some companies want only certain types of drivers or homeowners. Some offer higher limits. Some offer what might be described as bare-bones coverage.

* **Note.** There are at least six different coverages that are part of auto insurance!

* **Note.** Homeowners insurance policies have limits on what they will cover in terms of possessions, particularly jewelry, fine art and computer equipment. Many insurers offer

substantial discounts (10%, even 20%) if you have both your auto and homeowners policies with them.

Does the insurance company offer so-called umbrella policies, which provide additional liability coverage over the limits of your homeowners and auto policies? Do you even need an umbrella policy?

Call or email our agency today so we can send you a personal “Liability Exposure Worksheet” so you can have some answers to the above questions.