

# Umbrella Coverage

A Critical Shield Against Unforeseen Risks

CCIG's Curious Corner

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As insurance advisors, our goal is to protect and preserve our clients' financial longevity. We work alongside attorneys, wealth managers, and other trusted advisors to develop an overall wealth strategy that shelters clients' assets and lifestyles. And there's one area of insurance we tell clients again and again not to overlook – umbrella policies.

Worst-case scenarios aren't a fun topic of conversation, but it's a critical discussion. A motorcyclist recently received a \$47.5 million judgment for injuries from a car accident. The vehicle's occupants (all minors) were intoxicated and leaving the defendant's home, where alcohol was served, when the accident occurred.

Lawsuits of this magnitude used to be rare, but personal injury and product liability cases [surged by 97%](#) in 2020. With the increasingly litigious nature of our society, umbrella policies are an essential way to safeguard assets.

## Umbrella Policies: The Basics

Umbrella policies essentially attach to existing policies (auto, home, boats, toys, or any underlying liability policies) to expand coverage where those policies leave off. We often see clients with an unfortunate gap between their existing liability coverage and umbrella coverage, so we ensure those policies work together seamlessly to maximize their protective benefits.

Many traditional insurance companies offer umbrella limits up to \$5 million, but that amount can fall short of our clients' needs. A man in Florida received a \$7.7 million judgment after being attacked by his neighbor's dogs – demonstrating that typical umbrella coverage limits aren't right for everyone. High net worth individuals and families may need a higher coverage amount, which is why we work with specialized carriers that offer policies up to \$50 million or even \$100 million.

## Calculating an Umbrella Limit

There's no perfect equation for determining the right umbrella policy amount for each client or family. It's a nuanced combination of qualitative and quantitative, understanding our clients' risk tolerance, future goals, and overall net worth.

It's important to remember that umbrella limits shouldn't be static – they should evolve alongside our clients' lifestyles and financial circumstances. If someone receives a large inheritance or sells their company, they need to revisit their limits and potentially update those policies in alignment with their new financial position.

## Other Essential Liability Coverages

In addition to umbrella policies, additional coverages often round out a strategic insurance approach. These can include:

- **Uninsured/Underinsured Motorist Coverage:** It's estimated that [one in eight drivers](#) across the U.S. don't carry insurance or don't carry enough to cover the costs of an accident. This coverage can offer support for medical expenses, vehicle repairs/replacement, and more if you are injured in an accident with an uninsured or underinsured driver.
- **Directors and Officers Coverage:** Do you serve on a non-profit board? Many small non-profits don't carry insurance policies, and decisions you make for the organization could put your personal assets at risk in a lawsuit. For example, if the board votes against installing wheelchair ramps and the non-profit is sued for lack of accessibility, the board members' personal assets could be on the line.
- **Employment Practices Liability:** Anyone who employs nannies, drivers, chefs, housekeepers, or other staff has the same employment exposures as a business. From wrongful termination to harassment, these policies protect you from employment-related risks.

You can also add LLCs and trusts to umbrella policies, which offers enhanced protection for businesses and assets. While LLCs, trusts, and entities can separate ownership interest, they do not separate liability exposure. Each entity, LLC, or trust structure is unique, so speak with your personal and/or commercial advisor(s) to ensure that all entities are appropriately protected.

Umbrella policies are one of the easiest and most cost-effective ways to preserve wealth and protect against the unexpected. While no one wants to consider the possibility of facing a multi-million dollar lawsuit, umbrella coverage can offer peace of mind and financial protection.

## *Did You Know?*

### 5 Ways Cyber Security Controls Can Impact Property & Casualty Insurance

Did you know that your cyber controls can impact other aspects of your insurance coverage? Here are five crucial considerations that show just how interconnected coverage can be.

- 1. Risk Mitigation:** Implementing robust cyber controls helps companies reduce the likelihood of cyberattacks and data breaches. This proactive approach minimizes vulnerabilities and strengthens the company's overall security posture, which is attractive to insurance providers assessing risk levels.
- 2. Premium Determination:** Insurance companies consider a company's cyber risk profile when determining insurance premiums. Effective cyber controls demonstrate a commitment to cybersecurity, leading to lower premiums. Companies with weaker controls might face higher premiums due to increased risk exposure.
- 3. Coverage Eligibility:** Insurance policies often come with specific eligibility criteria. Companies that have well-defined cyber controls aligned with industry best practices are more likely to qualify for comprehensive coverage. This ensures that the company's cyber risks are adequately addressed in the policy.
- 4. Claims Processing:** In the unfortunate event of a cyber incident, having established cyber controls can expedite the claims process. Insurers may require evidence of preventive measures in place before approving claims, and strong controls can validate the company's efforts to prevent and mitigate damages.
- 5. Legal and Regulatory Compliance:** Many industries are subject to cybersecurity regulations and standards. Maintaining effective cyber controls not only helps companies comply with these regulations but also provides evidence of due diligence. This can be crucial in legal disputes and potential liability scenarios.



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# Employee Benefits

## What Employers Need to Know About the Weight-Loss Drug Craze

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Obesity prevalence has soared in America, from 30.5% in 1999 to 42% in 2017, [according to the CDC](#). That has led to the emergence of and hysteria with several weight loss medications such as Ozempic, Mounjaro, Wegovy, Saxenda, and Rybelsus.

### Why Should You Care?

As the popularity of these medications increases, it's likely to become a hot topic of conversation for your company's health plan over the next 12 months. Depending on the size of your company and the flexibility of your benefit plan, you may have to [take a position](#) on whether or not to cover these medications.

### What's All the Fuss About?

At the heart of the issue is the financial impact on employer-sponsored health plans. Weight-loss medications carry a hefty price tag, ranging between **\$12,000 to \$18,000 per member per year**, leaving it up to the largest employers to take decisive action.



### What Actions Are Employers Taking?

[The University of Texas System](#) recently ceased coverage for Wegovy and Saxenda. Their costs spiked from **\$1.5 million to \$5 million per month** over the last year and a half for these two medications. UT System's decision mirrored that of Ascension Healthcare, the second-largest private healthcare system in the U.S., which discontinued coverage for the same medications earlier this year.

### Why Specifically Wegovy and Saxenda?

They are the only two FDA-approved "weight-loss" medications, while Ozempic, Mounjaro, and Rybelsus require an accompanying Type 2 Diabetes diagnosis.

The increased popularity has already [led to shortages](#). Individuals that truly need these medications may not be able to fulfill their prescriptions due to the low supply.

### What Can You Do?

As an employer, it's crucial to understand how the fast-changing pharmacy landscape can dramatically impact your overall claims spend. We have experience implementing pharmacy programs that focus on maximizing clinical value and total net cost to both the employer and plan members.

Reach out to us for a pharmacy contract and opportunity analysis.

### Want to Learn More? Check Out This Interesting Video!

[Check out this 30-minute video by Dr. Eric Bricker.](#)