

Ea\$y Money – Insurance: Personal property/Liability insurance

What it is: A good rule of thumb for insurance is if you can afford to replace it – don't insure it. Personal insurance covers many articles the homeowner's policy may not cover such as: furs, cameras, jewelry, musical instruments and is often purchased for an affordable rate. Some policies, like umbrella insurance, provide an additional layer of personal liability protection. These policies can cover all underlying policies you own (auto, home, motorcycle, boat, etc.) and will help cover liability as well. Often, these policies provide \$1 million in coverage for as little as \$150 to \$300 a year.

How it works: Liability insurance can also provide protection from risk of being sued or held legally liable for injury or malpractice. These policies usually cover legal costs and settlements but not contractual liabilities.

If you are at fault for a car accident and injure someone or someone's property, liability coverage will help you cover the costs. There are two components: bodily injury and property liability. An example of this might look like: "100/300/100" on your policy. This means that you are covered for \$100,000 per person for any bodily injury, \$300,000 total per accident for bodily injury, and \$100,000 for property injury.

Why it matters: If you accidentally injure someone or damage their property, you could be the one being sued. Even though your underlying policies may provide substantial liability limits, it is not uncommon today for juries to award damages that exceed those limits. A jury might consider medical expenses, future medical expenses, economic losses, property damage and lost income to derive a settlement value and the figure could reach millions of dollars!

Who should care? Anyone who owns assets that exceed the liability coverage included in vehicle or property insurance should consider a personal umbrella policy. These assets can include home equity, college and retirement savings, a second home, stocks and bonds.

For more information

- Iowa Insurance Consumer Advocate <http://insuranceca.iowa.gov/>

- Iowa State University Extension and Outreach Money Blogs tips
<http://blogs.extension.iastate.edu/moneytips/>
- Iowa State University Extension and Outreach website at
www.extension.iastate.edu/humansciences/
- National Association of Insurance Commissioners, www.naic.org