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Chapter 8: Comprehensive protection with umbrella insurance: Extending liability beyond traditional policies

8.1. Introduction to Umbrella Insurance

Umbrella insurance is a type of additional insurance policy that extends the limits of liability coverage on an existing policy and increases coverage on other types of insurance, including renters, boat, motorcycle, and home insurance. Umbrella insurance provides an additional layer of protection; for instance, if your home is damaged in a disaster and you file a claim for $1M but your home owner's policy only covers up to $1M, your umbrella insurance would cover the remaining $1M (Kimura et al., 2023; Lawson et al., 2024; Osei et al., 2025).

In many cases, umbrella insurance is available at a reasonable cost. For instance, umbrella insurance may be purchased at a fraction of the cost of the original primary coverage. In other cases, umbrella insurance may be purchased for a fraction of the cost of the original primary professional liability coverage when the primary policy limits have been nearly exhausted or more generally when the primary policy is underpriced because of strong competition in the insurance market ((Rahman et al., 2024; Zhang et al., 2023),

8.1.1. Overview of Umbrella Insurance Principles

Umbrella insurance extends liability coverage beyond what is contained in a basic automobile, home, or business policy. The name umbrella comes from the concept of a large umbrella covering many different potential liability vulnerabilities, often at a low premium. Umbrella premium is relatively low, generally in the range of $20 - $60 per $1,000,000 of coverage, when added to regular commercial or personal lines premiums. Because it is a liability policy, it does not provide the first dollar of risk. Instead, it requires that the underlying risk be insured in other policies. The umbrella liability insurance industry collectively writes about $10 billion in premium and undertakes about $80 billion of risk. Umbrella insurance is in a hard market cycle. The intellectual challenge of umbrella insurance is that you are buying a thin layer of insurance over a giant tower of risk.

Umbrella insurance differs from regular liability insurance in that it has fewer risks, but very high liability. The risks it covers are those that are currently excluded from regular liability insurance. For personal lines, the primary categories of risk are libel, slander, and false arrest defense; invasion of privacy defense; and telephone harassment. Umbrella insurance is generally only available to well-off individuals with large net worth and income. It is available from personal lines insurance agents in commercial packages. The premium can be bundled into packages, and may be discounted based on volume, just as collateral grew in importance for strategic market entrants. Other insureds still served by the repositioned, integrated carriers would help keep volume, and thus also premiums, steady.

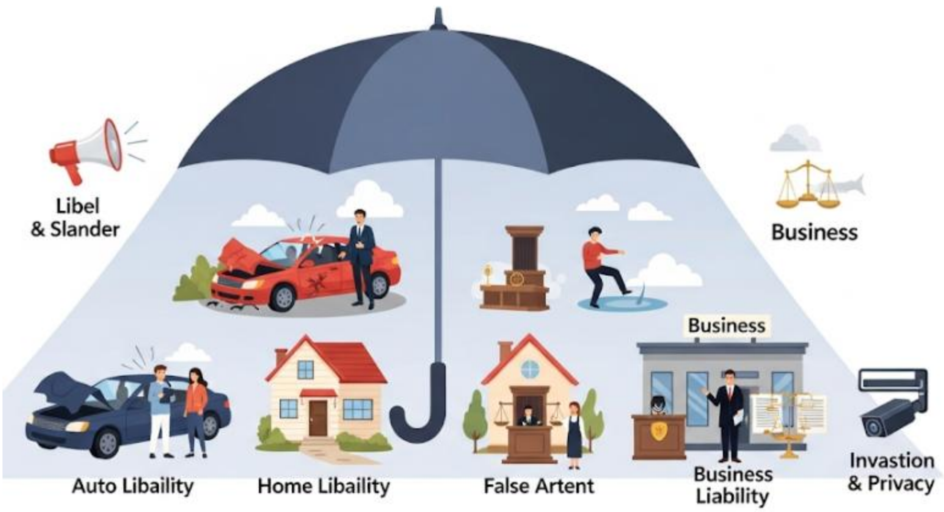

Fig 8 . 1 : The Power of Umbrella Insurance

8.2. Understanding Liability Coverage

An essential aspect of insurance protection, liability coverage safeguards the insured from financial ruin arising from unforeseen accidents occurring at their home, place of business, or elsewhere. Under a typical homeowners policy, individuals are covered for liabilities arising out of their property or under circumstances over which they have control. A potentially more devastating exposure results from liability that exists during mobile activities—while driving a car, conducting business negotiations, traveling for business, or engaging in personal activities. Every individual or company with operating assets and financial resources is almost certain to be subject to liability claims arising out of their operations; at the very least, the danger of being sued for large amounts of money exists, particularly in today's permissive society. The potential for liability should not be taken lightly, given the very large amounts of money awarded as damages. These exposures should not be taken lightly, particularly in view of the very large amounts of money awarded as damages by juries in the event a lawsuit is brought against the insured protecting against loss.

The various types of liability coverage responding to claims made for different areas of exposure are too numerous to list completely. Liability coverage is provided through a number of different types of insurance. The coverages most commonly demanded and purchased by individuals are prepared, standard coverage forms that are written by professional liability insurance writers. These policies protect the insured against losses arising from claims brought for activities of some specific nature—homeownership, automobile violations, or personal business advising. The coverages are also available for other specific areas of exposure—workers' compensation, fire and marine operations, and bailment and surety work. In addition, businesses can and should expand the protection made available under some of these liability coverages, as the risks are generally considerably greater than for individuals.

8.2.1. Exploring the Essentials of Liability Protection

Liability insurance mitigates the risk of personal financial loss by providing coverage for a number of insured events. Damage to non-property aspects, such as bodily injury and pain of a third party, the defense costs incurred in responding to a third-party lawsuit, and the damage caused to a third party that has been injured while using a product of yours and has engaged in an activity that is otherwise risky, are the most common sources of claims made against a liability insurance policy. The liability coverage provided by specialty liability insurance policies, like employment practices liability insurance and visitors' medical expense insurance, is often the sole source of coverage for the events they protect against. Because these specialty policies cover only specific exposures, they are not considered to be the core business liability insurance coverages. The core business liability insurance coverages are third-party bodily injury and property damage liability and personal and advertising injury liability.

There are two traditional ways in which a tort victim may be compensated for the harm caused to them by the tortious actions of another. The first way is by way of the personal wealth of the tortfeasor. The second way is by way of insurance, which allows the tort victim to recover, not solely from the tortfeasor's personal wealth, but also from the tortfeasor's insurance company. The insured tortfeasor is said to have a "bargained-for protection," and the victim is said to have "the benefit of the tortfeasor's bargain." Because the financial protection provided by liability insurance is controlled by an insurance policy, it is important to realize that a liability insurance policy is simply a legal document. In fact, virtually all liability insurance claims are governed by the law of contracts. These contracts are drafted and sold nationwide by insurance companies that seek to maximize their profits.

8.3. The Need for Additional Protection

Umbrella liability insurance offers an extra layer of protection when you've exhausted your underlying liability insurance limits. For example, if your automobile or homeowners policy has limits of $250,000 for bodily injury to a third party, and a judgment against you allegedly in that person's favor is for $500,000, you would have $250,000 too little to pay the claim. If the umbrella policy covers that type of claim, it would pay the excess, up to the limit of the policy. In this simple example, that coverage would protect you from personal bankruptcy.

Coverage provided by an umbrella policy may be available only after underlying policy limits are reached. In addition to providing extra money in the event of a covered judgment against you, umbrella liability policies generally have many other features that also make them desirable. For example, the defense costs of lawsuits against you are almost always paid by the insurer in addition to the limit of coverage you bought; that means you can win the case while running out of money, as your lawyer fights the case for you.

In contrast to the underlying policies most people buy, umbrella policies protect you from getting sued especially bad. In other words, the risk of loss that the insurance company is taking on is that there will be a great many people who are sued, but who get no money because they have limits that are low enough, and because the jury feels very sorry for the plaintiff, to make the jury want to give the plaintiff a big judgment, even if it hits someone else. Insurers will often do these because some people, especially wealthy people, want to have a great deal of insurance money to back up their liability at all times.

8.3.1. The Importance of Umbrella Insurance in Financial Security

The most basic policies in homeowners, automobiles, boats, motorcycles, rental units, or businesses for liability normally provide under $300,000 in coverage. In today's world, that is a very small amount of money when it comes to an injury to a spouse and potential loss of income, pain and suffering, mental anguish, etc., that may last for years or in a wrongful death suit. And, unfortunately, attorneys are not bashful about suing for those large amounts. They are also aware of what policies may be available that the defendant possesses. If they sense that the amount of coverage is small, they are also not bashful about taking them on. The amount could involve corporate holidays or the defendant's personal automobile insurance if they have a poor record or inspect their driving record.

What an umbrella policy does is act as a second line of defense. The umbrella does not cost much but gives greater peace of mind. Assume that you are liable and your personal property or future income is going to be subjected to a lawsuit. If your lower coverage policy should be exhausted and beyond the limit, the other party may continue to attach your assets to collect on the judgment. In addition, the umbrella will cover other items not covered under the individual policy. A good example is libel or slander. That should not be people's intent, but it does happen, and if it is done by a party to a lawsuit that is liable for a statement or act, you need protection. It is quite common these days for reports about the court to be posted and are open to any and every one who may be browsing. If it shows a negative light on the plaintiff and they feel they need to sue for defamation, the reporter is liable, and you need insurance just like any other bad act.

8.4. How Umbrella Insurance Works

Umbrella insurance can be viewed as additional coverage for other personal insurance policies that help pay for major expenses, often giving policyholders peace of mind in the event of a catastrophic occurrence. Even the best insurance coverage does not fully insulate individuals from risky behavior that could lead to financial ruin. Car accidents, dog bites, acts of defamation or other negligence, or even an unexpected lawsuit can erode or exceed the limits of a personal liability policy of such coverage. For example, if a homeowner's policy has a claim limit of $500,000 and a lawsuit results in a payout of $750,000, being left to come up with the remainder out of pocket could cause devastating financial repercussions. Umbrella insurance is designed to assume that additional liability when traditional policies cannot in order to protect individuals from having their assets, investments, and even wages garnished.

Umbrella coverage works in two different ways: as primary coverage in certain situations where no other policy applies and as excess coverage if the payouts of underlying policies have been exhausted. In fact, umbrella insurance may provide more coverage on incidents that other policies claim do not apply. Consider a case where a boat causes damage. Boat liability coverage may point to the fact that heavy equipment liability is not provided under the underlying policies to deny coverage on a claim. However, the umbrella policy, which could include heavy equipment liability and pollution liability, may step in to settle the loss amounts in excess of the primary policy limits. The case is complicated further would be if the umbrella policy claimed that the claim is actually a result of yacht liability and would plead that that coverage was primary.

8.4.1. Mechanisms of Umbrella Insurance Coverage

Umbrella insurance is liability insurance for high-risk individuals, which covers incidents that exceed the limits of their primary insurance. Umbrella policies are not a replacement for regular liability but rather serve as a supplement, expanding the coverage available under the limits of the primary insurance. In many cases, umbrella insurance may be the only way to obtain excessive coverage, especially in the current litigation-happy society.

Umbrella insurance provides increased coverage and additional perils not typically found in general, automobile, or professional liability insurance. These policies are typically much cheaper than traditional policies. However, before entering into a contract with an insurer for an umbrella policy, one should examine the underlying coverage of the primary policies. If the primary policies are inadequate, then the umbrella policy would be inapplicable to a claim; and if additional coverage is needed either under the primary insurance or an umbrella policy, the premiums would not be as cheap as they seem. Umbrella liabilities do not need to be triggered by the additional perils discussed above; however, the coverage of the umbrella policy typically does differ from the primary insurance policy. An insured should always read the fine print of any insurance policy, whether primary or excess, since that is where an insurer will likely try to exclude its liability to protect its own financial interests. Umbrella insurance does not necessarily cover any incident or accident but extends liability for certain types of coverage and increases caps on certain losses above the limits of the primary policies. Umbrella policies only step in when primary insurance has been exhausted or is otherwise inapplicable.

8.5. Key Features of Umbrella Insurance Policies

Insurance products come with various features, some inherent in the insurance itself while others are determined by the insurer. The most common features associated with an umbrella insurance policy include coverage limits and exclusions. Some other features may include a lack of a self-insured arrangement and the minimum coverage limit associated with the underlying policies. The experience and underwriting guidelines adopted by the insurer can also determine the features of an umbrella insurance policy.

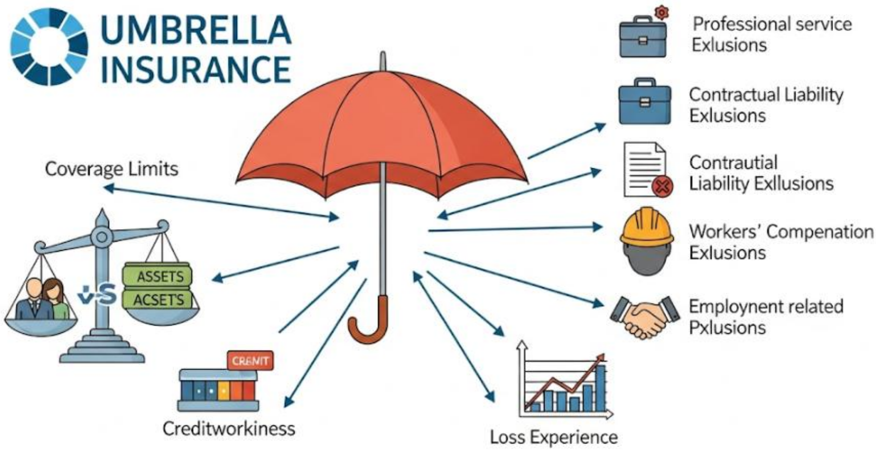

Fig 8 . 2 : Diving Deep into Umbrella Insurance

Coverage Limits

The preliminary step in deciding the coverage limit of an umbrella insurance policy is to conduct a thorough risk assessment. This step allows the policyholder to evaluate the risk involved with their current asset value. Insurers typically advise policyholders to purchase a coverage limit commensurate with the risk value. The coverage limits might also be influenced by other factors including the underlying insurance policy features. These include the underlying insurance policy's limits, the territory of the underlying insurance policy, the underlying insurance company's financial standing, other alternative underlying insurance products available, the business structure of the insured party, the insured party's creditworthiness, and the insured party's loss experience in relation to the total exposures.

Exclusions

Professional service exclusions are aimed at excluding coverage for services offered by professionals where the basis for the injury claim is negligence in performing the professional duty. Similarly, the contractual liability exclusion restricts coverage to liability-related lawsuits such as interpretation of the terms and conditions of the oral or written contract. This coverage exclusion is preventative or risk-reduction in nature since it encourages contracting parties to include sufficient liability coverage along with the agreed-upon terms and conditions in the contractual language. The workers' compensation exclusion is intended to prevent umbrella insurance policyholders from avoiding state workers' compensation programs. Finally, the employment-related practices exclusion is also aimed at excluding certain employees from coverage under the umbrella insurance policy.

8.5.1. Coverage Limits

As the name suggests, umbrella insurance provides liability coverage beyond the limits of your homeowners, auto, and other personal insurance policies, but how far does that coverage extend? The limits of umbrella insurance policies vary widely, covering liability in increments of $1 million. Most insurance companies offer limits up to $5 million for personal, rental, or vacation homes and up to $10 million for business properties, but you can get higher limits for additional costs. When you're looking for added coverage, it’s best to contact your insurance agent for the best recommendations. Some insurance firms will recommend a million-dollar policy, while others will cover you for $10 million or $100 million. Umbrella insurance is designed for a high-risk market and offers the larger limit for those whose risk profile demands it.

While umbrella insurance is affordable and offers a great deal of peace of mind for most, it's important to understand what it can and cannot protect against. Umbrella policies offer liability protection over and above the limits of your existing homeowners, auto, and boat policies. They go into effect when the liability coverage limit for one of those policies is reached. For example, if your auto insurance has a $300,000 limit, but you have a $2 million umbrella policy, any costs above $300,000 in expenses from an accident will be paid by the umbrella policy. An umbrella policy could also cover damage to someone else's property that is not auto-related, such as something that happens in your yard.

8.5.2. Exclusions

While umbrella policies address many of the costly liability exposures not covered by standard policies, exclusions still exist. Exclusions vary by policy form and are subject to state regulation. The following are the most common exclusions found on an umbrella policy:

- Care, custody, control. Umbrella policies do not cover claims for bodily injury or property damage to property owned by, rented to, or in the insured's care, custody, or control, such as property frequently left in a coat pocket or in a person's car or home.

- Crime.Umbrella policies do not cover damages due to theft, fraud, or other dishonest, criminal, or intentional acts.

- Electronic data or media damage. Umbrella policies typically do not cover damages arising from the reduction of, damage to, or loss of electronic data or media containing electronic data.

- Expected or intended injury. Umbrella policies generally do not cover damages for bodily injury or property damage expected or intended by the insured. This exclusion does not apply to bodily injury resulting from reasonable force used to protect persons or property.

- Insured versus insured. Umbrella policies typically do not cover claims made by one insured against another insured, such as a parent against a child.

- Mold. Umbrella policies generally do not cover damages arising from the exposure to or existence of mold, fungi, or bacteria.

- Contracts or agreements.* Umbrella policies do not cover liability assumed under any contract or agreement, other than an "insured contract" under the underlying policy, which is a contract under which a party agrees to indemnify another party for damages arising from property damage to a vehicle operated by the first party.

- Liquor liability. Umbrella policies generally do not cover damages resulting from the sale, manufacture, distribution, or use of alcohol.

These are some but not all of the more common exclusions. Other, different or additional exclusions may apply under specific policies or for specific states or industries.

8.6. Differences Between Umbrella and Standard Insurance

To implement a plan for all-encompassing liability coverage, an understanding of how umbrella insurance works in conjunction with standard liability protection is essential. Umbrella insurance policies extend liability coverage beyond the limits of standard policies. While general and auto liability policies focus on protection related to a specific area, umbrella insurance expands coverage for various types of situations. Unlike other liability policies, umbrella coverage guards against broader risks. It protects against liability from claims excluded in your standard policy and provides for defense in claims excluded from general liability insurance. Because of its extensive coverage, umbrella insurance is sometimes referred to as catastrophic insurance.

The most significant difference between a personal umbrella policy and a general liability policy is that the umbrella insurance policy is meant to simply offer additional coverage over and above the limits of existing liability policies. Coverage differs from policy to policy, but some areas typically covered by your umbrella insurance policy that aren't covered at all or not fully covered under regular liability policies include: rental liability, slander or libel lawsuits, claims involving a certain degree of negligence, lawsuits involving large damage amounts, lawsuits regarding injuries resulting from certain watercraft, and defense costs unpaid by standard insurance policies. Personal umbrella insurance protects against a wider variety of claims for higher damage amounts and also pays for defense costs that other liability policies won't pay.

8.6.1. Comparative Analysis

Those examining a general liability policy and an umbrella liability policy might easily be unsure as to the kind of coverage an umbrella provides. An umbrella expands liability coverage over a business's existing general liability policy above policy limit. It also expands coverage into areas not normally covered or completely excluded under the general liability policy. A comparison of these two policies might be useful in helping people determine whether their business could benefit from an umbrella liability insurance policy.

Umbrella insurance offers coverage that exceeds the standard liability policy limits. For example, say you received an award of $1 million because of a negligence claim against your company. Your liability policy provided coverage up to the maximum limit of $500,000. Your insurance company would pay only $500,000. If you had purchased the umbrella insurance policy, the umbrella insurance company would pay the $500,000 balance up to the official limit of the umbrella insurance policy. An umbrella policy may cover claims made even after the liability policy ceases to provide coverage; that is, while the liability policy is in effect, the claims and the consequent payments by the insurance companies are made within the liability policy limits.

You need umbrella insurance coverage if your company has sizeable assets that could be at stake in the event of a serious injury to someone. An award could be substantial. People involved in commercial enterprises have been severely injured in automobile accidents and as a result of faulty products manufactured by businesses. If the assets of the business or the employees are subject to an award in favor of the injured person, the availability of an umbrella policy ensures that sooner or later there will be additional dollars available to the plaintiff.

8.6.2. Cost Considerations

Umbrella insurance is typically a low-cost option to extend your insurance coverage substantially past the limits of your home and auto policies. However, insurers can certainly vary in cost, and umbrellas may not be the best deal for everyone. Interestingly, the premium for umbrella insurance is often less than the total increase in premium for the underwriting policies. This reflects the risk pooling nature of heinous events that can produce large liability loss amounts. Insurers encourage umbrella purchases because, when a multitude of claims for small-to-moderate amounts occur, it costs an insurer far more to settle each separate claim than it does to settle one big claim. But self-insured retention amounts can be significant, especially for less wealthy insureds, and they'll be inconvenienced by the larger liability loss as well.

Umbrella insurance can also be quite expensive for some successful businesses and self-employed professionals. Limiting such people to sorely inadequate insurance amounts isn't fair, but one can sympathize with insurance companies who must pay large liability losses when so few such amounts exist. People with significant personal interests can purchase business policies that raise the limits of their business liability, thereby reducing the price of self-insured retention amounts. An optional strategy, whereby such individuals increase their business premiums and decrease their personal umbrella premiums by sharing loss amounts, or, perhaps, their businesses account for a large share of their family income, could also be used for them.

8.7. Who Needs Umbrella Insurance?

Many people mistakenly think that umbrella insurance is just for celebrities, athletes, and other high-profile individuals, but that is not the case. Anyone with exposed assets can benefit from an umbrella policy. Umbrella insurance kicks in where your standard underlying policies end, so the more exposure you have, the more important it is to have insurance payments to help protect your assets. Keep in mind that an umbrella policy does not cover everything; it comes into play only when the liability exceeds specific limits of bodily injury and property damage provided by your basic insurance packages covering automobile, boat, motorcycle, rental property, home, or other liable activity. Each of these policies must have a minimum level of coverage before you can purchase an umbrella policy.

1. High Net-Worth Individuals

High net-worth individuals with substantial assets can suffer a significant loss in the event an injury claim exceeds their non-superior limits of general liability coverage. Reasons people purchase umbrella insurance may vary, and some people may not need more than a few million dollars in coverage while others may need $25 million to $50 million or even more in coverage. Aside from a high risk of being sued, people in this category also have a high stake in protecting their assets because the risk of loss is significant. Some high net-worth individuals may have assets they don't want to jeopardize or spend dollars to replace if an insurance payment does not cover their loss. For them, extensive personal liability protection makes good financial sense.

2. Business Owners

Another group of people who everybody agrees should have umbrella liability are business owners who have insured the business for one or more million dollars or more and who themselves are either owners of the business or personally liable in some other way. Business owners also need to be concerned about their risk of being sued for damages. Often, the lawsuits are the result of negligence on the business's part. While it does not have to be true that business is at fault and personally liable, it does have to be true that they could be liable, thus allowing the injured person to sue them.

8.7.1. High Net-Worth Individuals

Umbrella insurance policies can be life-savers for high-net-worth families. A good umbrella policy will extend the protection for your regular policy to levels that make sense for a high-value house and other equally costly assets. Regular insurance policies tend to have caps in the range of $300,000 to $500,000, which are inadequate to protect lavish lifestyles and financial assets. The extra protection you get when you take out an umbrella policy is inexpensive to buy because it covers risks that are very unlikely to happen, such as a devastating car accident that wipes out the lives of several passengers and burdens your auto insurance with catastrophic payouts.

You can't put a number on the high cost of being sued for wrongful death or for other auto and property infractions, but it is distressingly easy to be "tripped" into that situation. Young, rash blitzers that cause multi-vehicle pileup disasters are just one flavor of risk. More common are older drivers, distracted by cellphones or who knows what, backing out as you come careening down your cul-de-sac on a daily patrol. The lawsuits are almost inevitable if your car is found liable for any casualties, and the amounts may be huge. Your naked assets, such as a lot of marketable securities, may be under siege, and so may parts of your salary if you happen to be working for a bank, consulting firm, or law firm whose clients can afford to sue you and jeopardize the firm's standing.

8.7.2. Business Owners

Business owners are facing repercussions of lawsuits that grow in volume and severity. A small business today is just as liable for a lawsuit as a large company. And because small businesses also have fewer assets to pay for legal judgments, they are prime deterrents for lawsuits. Many small business owners protect themselves from liability risks with commercial general liability insurance and other specialized policies. However, CGLs can have gaps, especially when it comes to business operations conducted in other locations. This is concerning with the increase of working remotely. Having personal umbrella insurance allows you to have greater peace of mind and protect greater business interests.

Business and personal finances are sometimes hard to separate. If your business incurs a liability loss that is not covered completely by CGL insurance, the personal assets of the business owner – such as cars, houses, and bank accounts – can still be targeted in a lawsuit. More and more state courts have rejected or restricted corporate shield laws that are designed to protect personal assets from judgments against businesses. Potential personal liability exposures include hiring an employee who claims to have been discriminated against; defamation against a business rival or client, such as libel or slander; negligence in your business dealings that prompt lawsuits like breach of contract; or professional errors from bad advice you give clients as a professional service provider.

For special types of businesses, commercial insurance may not cover certain liability scenarios. For example, potential losses still exist for franchise owners who specialize in conducting financial businesses like banking, credit, and money services. Inadequate general liability coverage policies are also common in real estate services. Many mistakes affect real estate agents whether through fraud or overdue maintenance. Lastly, hired and non-owned auto exposures from transport are sometimes neglected in courthouses.

8.8. Conclusion

Concluding a book on umbrella insurance hardly seems necessary. Who wants to read an entire book on such a relatively simple coverage? What more is there to say? Well, it's certainly true that umbrella insurance is relatively easy to define; the hard part is understanding the practical need for this coverage and putting it to use properly. Hopefully, this book has accomplished that goal.

Umbrella insurance fills a unique and invaluable niche in the world of capacity expansion. When clients feel they are in need of additional liability limits due to a heightened exposure to risk, and when they want to purchase that additional capacity in a manner that will not force them into the one-size-fits-all category of a specialty excess policy, we, as brokers, have a solution in umbrella insurance. A solution that protects the most vulnerable but successful of a population against the worst possible things happening to them or their families. Life is full of twists and turns, and that's just as true for our clients as it is for us. The last thing we want is for a client to experience a total loss of trust in the insurance industry because they were left exposed to risk when their proverbial ship came in.

Just remember to stay cognizant of the nuances of umbrella insurance and its application to your clients' various situations. Additional coverage can be bought at any time, but it's going to cost more and will most likely provide diminished application of the coverage.

Regardless of the relationship you have with your clients, there will be times where informed discussion and advisement is crucial, and the need for an umbrella policy may not be on the forefront of their minds. However, with any luck, this book has begun to fill that initial awareness gap as well.

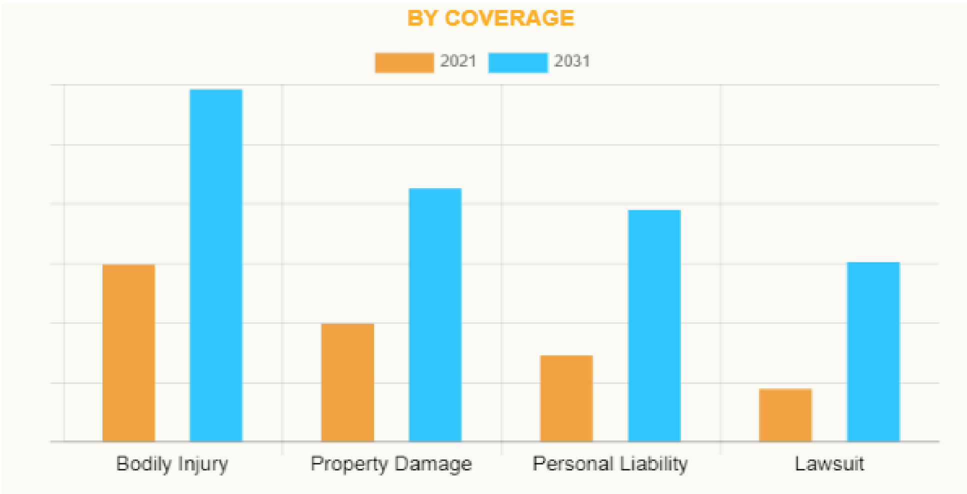

Fig 8 . 3 : Umbrella Insurance Market Size

8.8.1. Final Thoughts on the Value of Umbrella Insurance

Recognizing that we live in an increasingly litigious society, the purpose of this book was to help you understand and appreciate just how serious the potential loss could be following premises liability suit like a slip-and-fall or an auto accident bodily injury lawsuit, and understand that you are likely not financially prepared to withstand that lawsuit. Now that we have that foundation, we can complete the discussion by asking a critical question: In light of this knowledge, is umbrella insurance the solution to the problem? In other words, is umbrella insurance worth the cost? The answer will largely depend on where you live, your financial profile, and your carrier.

For every person crying "Enough!" out there, there are others who counter, "More!" And some areas will push the envelope of reasonable losses farther than others, with awards in the high profile cases immunity from both common sense and social realism. It's said in the industry that the greater portion of the average person's wealth is accumulated in assets of real estate. Additional physicians and medical providers will begin to question the rationality of participation in high loss risk areas. For those financially incapable of absorbing unusual loss, the umbrella is an answer. It fills in the gap between inadequate liability limits on the primary policy and the exorbitant actual loss, and it does it with recognition of the fact that the actual loss and the ability of the named insured to pay are very closely related. The insurance industry attempts to evaluate the loss with the experience factor provided by the company. But how much can we absorb? How extravagant can awards become?

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