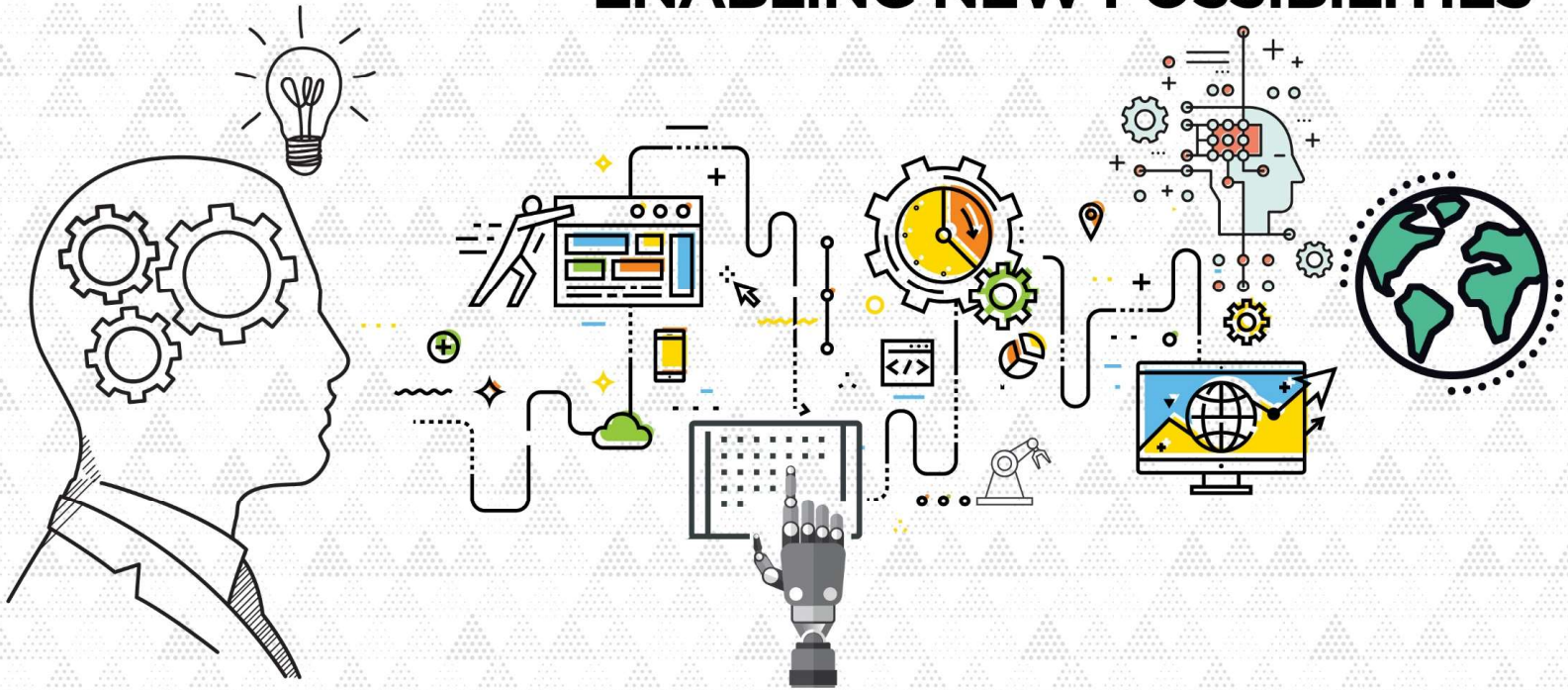


# ENABLING NEW POSSIBILITIES



## Personal Umbrella Insurance Training

08-08-2023

**HCL**

Copyright © 2019 HCL Technologies Limited | [www.hcltech.com](http://www.hcltech.com)



**Personal Umbrella**

# Agenda

---



**Characteristics of Personal Umbrella Insurance**

---

**Concepts and Scenarios**

---

**Rating Factors**

---

**High level Process flow**

---

## Personal Umbrella - Characteristics



Umbrella Insurance is **extra Insurance** that provides protection beyond existing limits and coverages of other Policies.

- It may provide coverages when the Personal Auto, Homeowners and boat insurance policies limits are **exhausted**
- It provide coverages for claims that are **excluded** by other liability policies like false arrest, slander etc.
- A common Personal Umbrella Policy (PUP) can be taken for multiple underlying policies like Personal Auto, Homeowners etc.



Umbrella Insurance is designed, priced and sold to **cover large losses**.



Umbrella Insurance have **limits ranging from \$1,000,000 to \$5,000,000**. They are in increments of \$1,000,000



Umbrella Insurance policies are **Non-standard policies**. So no specific format exists for these policies.

- Depending on the Insurer, same provision are found in different places.
- Example : Defense cost provision may be part of Insuring Agreement or may be found in Conditions.

## Personal Umbrella - Characteristics

---

### Examples where Persona Umbrella Policy would be required

1. A guest has an accident around your pool that requires surgery
  - i. **Situation** : You are legally liable for the accident to your guest and needs to pay for their Medical Expenses.
  - ii. **Claim** : Personal Umbrella Policy would cover if your Homeowners Section II Liability limit is exhausted or pay the difference.
2. You're burning leaves and cause a fire that damages neighborhood homes
  - i. **Situation** : You are legally liable for the damages to your neighbor's property and needs to pay for the damages
  - ii. **Claim** : Personal Umbrella Policy pays for the damages over and above the limit of Homeowners' policy.
3. Your teen driver accidentally hits a pedestrian.
  - i. **Situation** : You are legally liable for the accident caused by your insured teen driver to the pedestrian and needs to pay for their Medical Expenses.
  - ii. **Claim** : Personal Umbrella Policy would cover if your Personal Auto Liability limit is exhausted or pay the difference.



### Coverages under Personal Umbrella

Range of losses, including damages arising of covered occurrence anywhere in the world that one is legally liable to pay because of

- Bodily Injury
- Personal Injury
- Property Damage
- Personal liability situations
- Certain lawsuits



### Underlying Policies

- An underlying policy, such as Personal Auto or Homeowners policy, is primary for Umbrella policy.
- The underlying policy pays its limit of liability before the umbrella pays any part of a claim.
- An underlying policy also conducts and pays for the investigation and defense of claims that are covered by the underlying policy.
- Underlying policy details would be mentioned in the declaration page of Umbrella Policy.



### Excess Liability Protection

- A Policy that provides an amount of Insurance in addition to another Policy or in addition to an amount called self-insured retention
- **Regular Excess Insurance** provide coverages for the **same risks** as per underlying policies and come with **same exclusions**
- **Personal Umbrella Insurance** provides **greater liability coverage** for situations covered in underlying policies as well as **protection for other risks**.



### Type of Umbrella Insurance

- **True Umbrella Policy**
  - A Broader Policy with high limits and worldwide territory.
  - Designed to cover more claims than the *underlying policies* covering the insured.
- **Following form Policy**
  - An Excess policy that is no broader than the underlying policies.
  - Only covers Claims that are covered under the underlying
  - Many Personal Umbrella policies are a combination of True Umbrella and Following Form policy.
    - Ex : A Policy may be a following-form type for Auto and watercraft liability but broader coverage for other personal activates.

## Personal Umbrella – What is not Covered



Umbrella insurance doesn't cover your own injuries or damage to your own property. Here are other problems typically not covered by umbrella insurance:

- **Business losses**
- **Criminal acts by you**
- **Written or oral contracts**
- **Intentional acts or injury by you**
- **Damage due to nuclear radiation, war or terrorism**

### *Snapshot of relationship between Underlying policies and Personal Umbrella*

Scenario	Personal Auto(PA) Policy	Homeowners (HO) Policy	Personal Umbrella Policy	Remarks
Underlying Personal Auto Policy	Active	Active	Can be Issued	Covers all liability claims from both the Underlying Policies
Underlying Homeowners Policy	Active	Active	Can be Issued	Covers all liability claims from both the Underlying Policies
Underlying Personal Auto policy	Not Renewed	Renewed	Can be Issued	Will assume the PA Policy with the limit was renewed and pay only the difference for Auto liability claim
Underlying Homeowners policy	Renewed	Not Renewed	Can be Issued	Will assume the HO Policy with the limit was renewed and pay only the difference for Home liability claim
Underlying Personal Auto and Homeowners Policy	Not Renewed	Not Renewed	<b>Cannot be Issued</b>	If no Underlying Policies are available, Personal Umbrella policy also cannot be renewed.



## Personal Umbrella - Scenarios



**Example :** John and Lisa have the following policies

- Personal Auto with limits \$250,000/500,000
- Homeowners with Section II Liability limit as \$300,000
- Personal Umbrella with limit as \$1,000,000

### Situation

- John is involved in an auto accident in which he is responsible for injury of a pedestrian. The Bodily Injury is valued at \$500,000
- This loss is covered only in Underlying Policy – Personal Auto and not under Homeowners

### How it works

Description	Value
Injured Person's BI Claim	\$500,000
Personal Auto pays	\$250,000
Balance Claim remaining	\$250,000
<b>Personal Umbrella pays</b>	<b>\$250,000</b>
John and Lisa pays	\$0



### Failure to Maintain Required Underlying Policies

Insured is required to maintain the underlying policies. If not active, Personal Umbrella policy would act as if the underlying policies are in force

**Example :** John and Lisa have the following policies

- Personal Auto with limits \$250,000/500,000 - **Active**
- Homeowners with Section II Liability limit as \$300,000 **but didn't not renew the same**
- Personal Umbrella with limit as \$1,000,000 - **Active**

### Situation

- John and Lisa's dog goes next door and bites the neighbor. The Bodily Injury claim is valued at \$400,000

### How it works

Description	Value
Neighbor's BI Claim	\$400,000
Less Amount Homeowners Policy would have paid	\$300,000
<b>Personal Umbrella pays</b>	\$100,000
John and Lisa pays	<b>\$300,000</b>



### Failure to Maintain Required Underlying Policies

Insurance Company would require specific minimum limits of liability on the underlying policies. Most common Limit is \$300,000. If not, Personal Umbrella policy would deduct the minimum limit from their claim.

**Example :** John and Lisa have the following policies

- Personal Auto with limits \$250,000/500,000 - **Active**
- Homeowners with Section II Liability minimum limit as \$300,000 **but renewed only with \$100,000**
- Personal Umbrella with limit as \$1,000,000 - **Active**

### Situation

- John and Lisa's dog goes next door and bites the neighbor. The Bodily Injury claim is valued at \$400,000

### How it works

Description	Value
Neighbor's BI Claim	\$400,000
Less Amount Homeowners Policy would have paid	\$300,000
<b>Personal Umbrella pays</b>	<b>\$100,000</b>
Actual amount paid by Homeowners Policy	\$100,000
John and Lisa pays (\$300,000 – \$100,000)	\$200,000



### Self-Insured Retention

- It is a specific dollar amount mentioned in the Declaration page of the Personal Umbrella Policy
- It is nothing but a deductible applicable when claim is payable **only** in Personal Umbrella policy

**Example :** John and Lisa have the following policies

- Personal Auto with limits \$250,000/500,000 - **Active**
- Homeowners with Section II Liability minimum limit as \$300,000 - **Active**
- Personal Umbrella with limit as \$1,000,000 – **Active**
- Self-insured Retention : \$1,000

### Situation

- John had a serious disagreement with a teacher at the local school and call her as incompetent in front of other teachers and parents. The teacher sues John and wins the judgement of \$300,000.
- There is no Personal Injury Endorsement in John's Homeowners' policy.

### How it works

Description	Value
Teacher's BI Claim	\$300,000
Less Homeowners Policy would pay	\$0
Remaining Amount	\$300,000
John pays Self-insured Retention	\$1,000
Personal Umbrella Policy pays	\$299,000

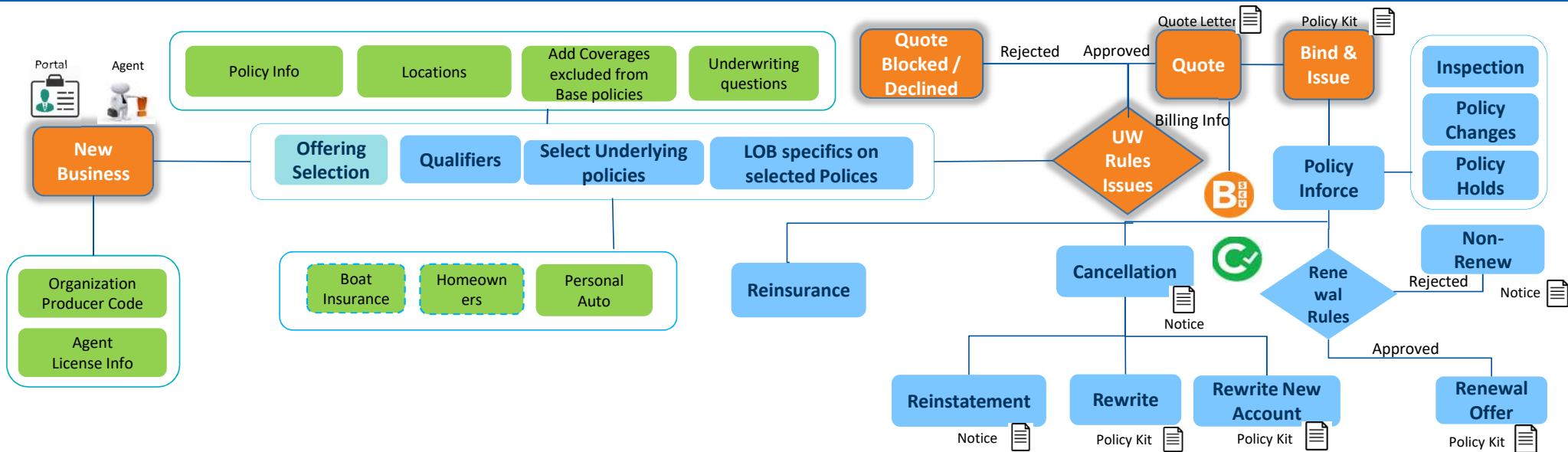
## Personal Umbrella – Pricing Factors



- **General Factors**
  - Limit of Liability
    - Ranges from \$100,000 to \$500,000
    - Incremented by \$100,000
  - Person's Credit
  - Profession
- **Home Related Factors**
  - Underlying personal limit on Homeowners Policy
  - The Number of Homes
  - The Type of Homes
- **Auto Related Factors**
  - Underlying limit of the Personal Auto Policy
  - The presence of teen drivers
  - The number of vehicles
  - The type of vehicles
  - Driving History of all the covered drivers

\*\* The Home and Auto related rating factors are subset of underlying Personal Auto & Homeowners policy

## PUMB - Policy Issuance > Renewals > Policy Change > Cancellations/Reinstatements



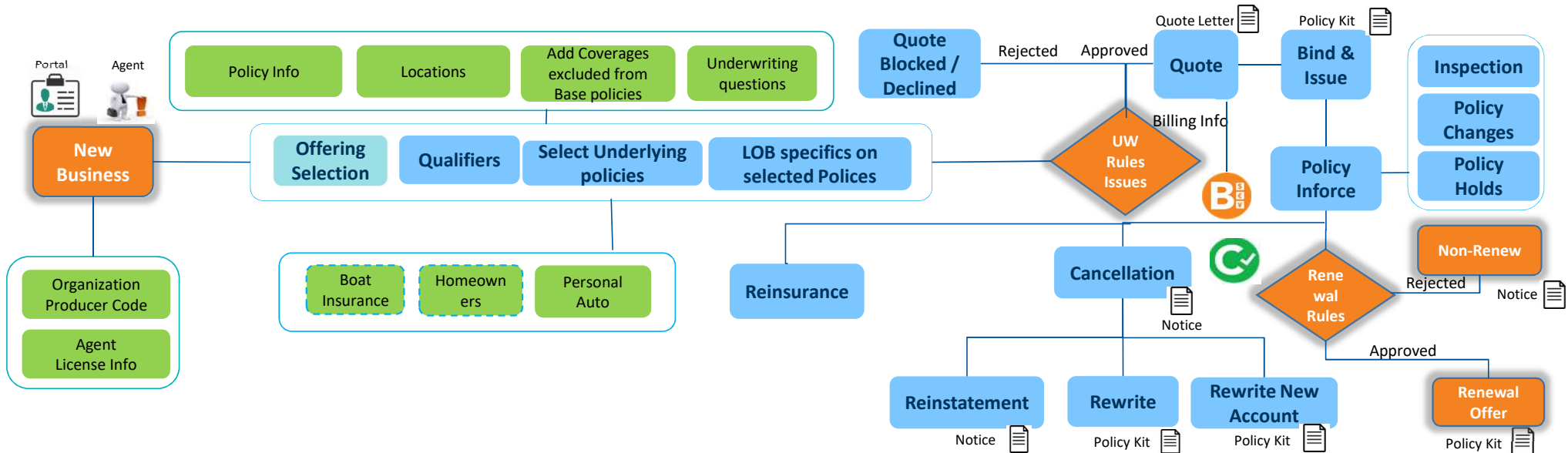
### KEY THEMES

- New Business
- Offering
- Prequalification
- Setting up Coverages & Limits
- Configuring Risk Units
- Underwriting Hierarchy & rules aid to STP
- Agency – Producer Code Hierarchy
- Quote, Bind & Issue Process
- Policy Contract & Notices

### NEW BUSINESS KEY CONSIDERATIONS

- UW Rules and UW hierarchy
- Automatic policy change with regulatory updates(E-mod)
- Efficient new business process which minimizes cost to quote
- 360 degree Incident Summary Dashboard to represent incidents/claims from different sources
- Business process for Generation of Policy Kit vs First Bill

## PUMB - Policy Issuance > Renewals > Policy Change > Cancellations/Reinstatements



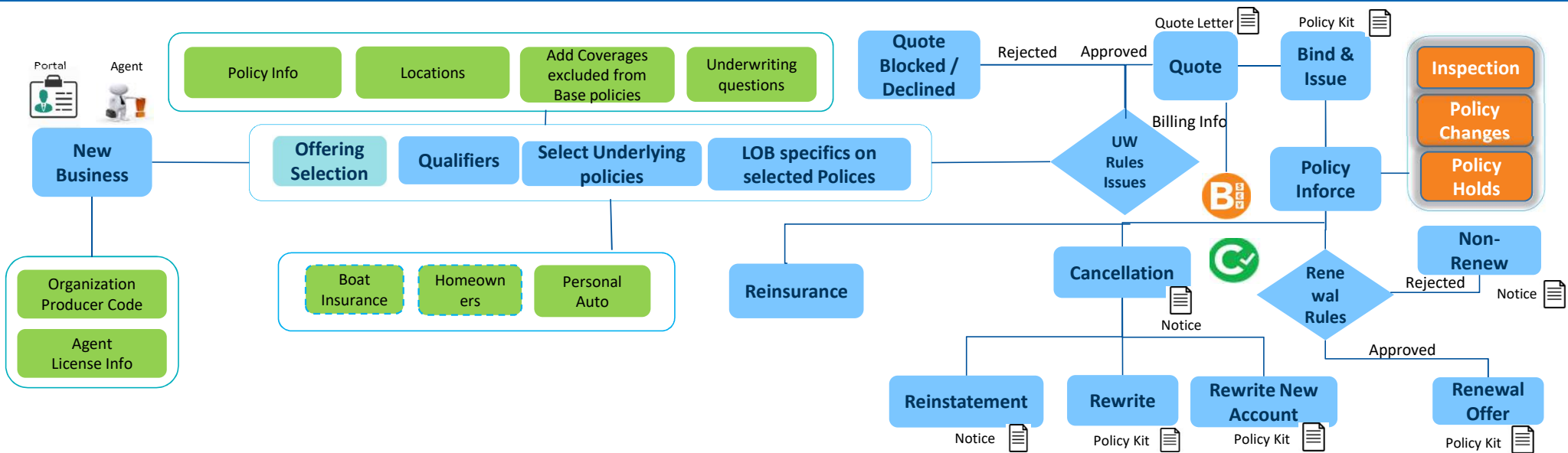
### KEY THEMES

- Renewal State Mandate - Lead Time
- Renewal - Product Model Rules
- Underwriting rules
- Agency Transfer/Termination
- Renewal Contract & Notices

### NEW BUSINESS KEY CONSIDERATIONS

- Maximize automation during renewals & enhance retention ratio
- State specific UW rules and timelines will be overriding the common LOB rules
- Handling Automatic Book of transfers & terminated Agents during renewals
- Handling Non Renewal/Non taken workflows
- Merge Policy Changes in previous term to renewal term
- Billing Counter & Claim verification

PUMB - Policy Issuance > Renewals > Policy Change > Cancellations/Reinstatements



KEY THEMES

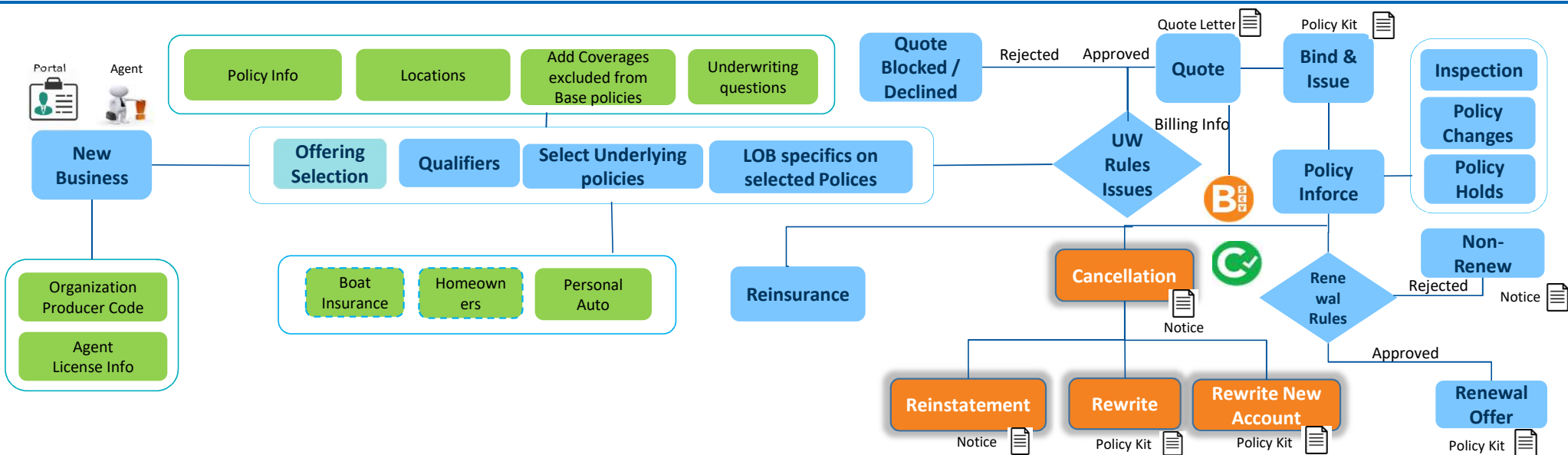
- Policy Changes
- Policy Holds

NEW BUSINESS KEY CONSIDERATIONS

- Out of Sequence special cases to be handled
- Mid term Payer/Payment plan changes to be configured
- Policy Hold – Special handling required for gents trying to bind backdated policies



**PUMB** Policy Issuance > Renewals > Policy Change > **Cancellations/Reinstatements**



KEY THEMES	Key Features	KEY CONSIDERATIONS
<ul style="list-style-type: none"> <li>• Cancellation</li> <li>• Rewrite/Reinstatement</li> <li>• Document Contract &amp; Notices</li> </ul>	<ul style="list-style-type: none"> <li>• Cancellation Workflow</li> <li>• Flat Cancel Vs Mid term Cancel</li> <li>• Rewrite Full/Mid Term &amp; Remainder of term</li> <li>• Overriding Cancellations</li> </ul>	<ul style="list-style-type: none"> <li>• Handling of notices to be sent UW triggered cancellations &amp; reinstatements</li> <li>• Automated Delinquency triggered Cancellation/ reinstatements</li> <li>• Cancellation and reinstatement based UW issues</li> <li>• Rewrite to new account</li> <li>• Agency Transfer during rewrite</li> </ul>

**HCL**

*Relationship*<sup>TM</sup>  
BEYOND THE CONTRACT

**\$8.4 BILLION ENTERPRISE | 132,000 IDEAPRENEURS | 44 COUNTRIES**



**WATCH THE FILM**