

**PERSONAL
UMBRELLA
LIABILITY MANUAL**



**SECURITY
MUTUAL
INSURANCE
COMPANY**

Established 1887

STANDARD

JANUARY 2022

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PART I PRINCIPLES OF UNDERWRITING

I. GENERAL

- A. Umbrella Liability is a form of excess third party liability which provides coverage in excess of a schedule of underlying insurance (Primary Insurance) and in excess of a self-insured retention, commonly referred to as an S.I.R. It is catastrophe insurance by design, not a supplement to inadequate first dollar insurance.
- B. Due to its inherent scope of coverage, it must be properly insulated by adequate primary limits to cover known or expected frequency and severity of losses. All potential exposures must be properly insured by underlying insurance, such as, but not limited to:

Personal Umbrella

1. Comprehensive Personal Liability
 2. Personal Auto Liability
- C. Generally speaking, Umbrella Liability has its own insuring agreement, exclusions and conditions; therefore, it is not solely a follow-form excess, (although some current policy forms are on a follow-form basis) but is exposed to drop down on non-insured areas. Therefore, the underwriter must correctly:
1. Determine all catastrophic hazards and their loss potential.
 2. Assess all the risk characteristics beyond those covered by underlying insurance.
 3. Evaluate adequacy of underlying coverage, limits, and premiums.
 4. Evaluate underwriting and claim expertise and reputation of the underlying carriers for the type of risk and coverage involved.
 5. Seek to minimize drop down coverage by restricting coverage offered. Such proper amendatory endorsements.(i.e. Personal Injury under Homeowner Policy)
 6. It would be the expectation of the Company, that on any underlying policy specifically excluding a particular exposure, that exposure should also be excluded in the corresponding Umbrella where forms and state statutes allow.

II. UNDERWRITING CONSIDERATION

- A. Detailed information is required on every risk and must be updated at approved regular intervals. Therefore, thoroughly completed applications on every new risk are mandatory. These applications have been designed to provide all pertinent information, including the following:
1. Complete name(s) and location(s)
 2. Loss history – *regardless of fault for the last five years*
 3. Details on all liability related losses
 4. Adequacy of underlying coverage and limits on all hazards-
The underwriter should pay particular attention to the catastrophic loss potential that might be inherent in the operations, materials used, or types of products. Common sense should generally rule.
 5. Effective dates of underlying coverage and issues of concurrency
 6. Special hazards involved with a risk that requires a special type of primary insurance (e.g., Incidental Business Exposures)
 7. Information on addressing additional exposures (i.e. pools, trampolines, aircraft, exotic animals, etc.)
 8. The reputation and ability of the primary carrier to underwrite, service (including claims handling), and price its coverage.

III. POLICY FORM

A. Coverage:

1. The Company will pay on behalf of the insured for ultimate net loss in excess of the underlying limit or self-insured retention, whichever is greater because of:
 - (a) Bodily Injury
 - (b) Property Damage
 - (c) Personal Injury
 - (d) Advertising Liability

to which the insurance applies, caused by an occurrence which takes place anywhere in the world.

B. Exclusions:

1. Workers' Compensation, Unemployment Compensation, or Disability Benefits
2. Personal Injury - employee suing employee unless underlying affords coverage
3. Watercraft over 50 feet, away from owned premises
4. Property Damage to goods or products manufactured, sold, or handled by the insured
5. Products recall
6. War

C. Conditions:

1. First dollar defense is provided for defense coverage in those areas which are uninsured in the primary policies, but which are covered under the broader coverages of the Umbrella Liability
2. Maintenance of underlying - each policy described in the declarations shall be maintained in full effect during the term of the Umbrella Liability.

PART II

PERSONAL UMBRELLA LIABILITY

I. GENERAL

This program contains the rules and rates governing the writing of Personal Umbrella Liability Policies. This insurance is designed to cover personal (non-business) liability of individuals. Umbrella Liability Insurance is provided over declared Primary Liability Insurance.

II. SCOPE OF COVERAGE

The policy will pay on behalf of the insured the ultimate net loss in excess of the retained limit which the insured shall become legally obligated to pay as damages because of Personal Injury or Property Damage. Retained Limit is the limit on other policies that the insured is required to carry, or the Self-Insured Retention (Deductible) for those exposures where primary coverage is not required. Ultimate Net Loss is the amount actually paid in settlement or satisfaction for a loss in which the insured is liable.

III. LIMITS OF LIABILITY

Manual rates and minimum premiums are for the basic policy limits of \$1,000,000. Increased limits up to \$3,000,000 may be provided in accordance with the applicable rating rule. These limits contemplate that the basic Self Insured Retention, (Deductible), shall be \$250 of the Ultimate Net Loss.

IV. UNDERWRITING

- A. All underwriting is reserved to the Company.
- B. The Company should endeavor to write the primary liability policies on standard forms, except those lines of business for which the Company does not normally write in their course of business. Those lines which the Company does not write must be written by a B+ or better Best's rated Domestic Insurer on standard forms.
- C. Insured signed application forms are required on all risk submissions: Quotations will be made based on information contained in the risk application. It is, therefore, mandatory that it be thoroughly completed on every new risk. Renewals will require approved questionnaires every year signed by the agent or insured. Specific risk exposures may warrant additional underwriting information. Any incomplete application will not be considered.

D. On all Umbrella risks, Motor Vehicle Reports (MVR's) will be required on each operator on every new risk and at renewal thereafter as follows:

1. Youthful operators (age 25 and under) - *every year*
2. Any operator with current or past at-fault accidents or violations - every year until record is clear for three years
3. All other operators - every three years.

E. Unless prohibited/restricted by law, the following exclusions should be added on respective Umbrella policies where excluded on the underlying:

- Pollution Exclusion
- Trampoline Exclusion (ML-52A or ML-52)
The liability arising out of the ownership or use of a trampoline is excluded.
- Lead Paint Exclusion (ML-59)
If a policy contains a lead exclusion, a 2% credit from the applicable premium will be applied.
This exclusion can only be attached to policies insuring structures built prior to 1980 which have significant potential lead exposure and have not undergone lead abatement procedures.

Any risks having exposures indicated as excluded hereunder may be submitted for special consideration.

V. **BINDING AUTHORITY**

- A. All Binding Authority will rest solely with the Company.
- B. Backdating of binders or policies is not permitted.

VI. INELIGIBLE EXPOSURES

The following exposures are not eligible for coverage under this program:

- A. Politicians (not including town assemblymen, city council members, or Selectmen for towns < 10,000)
- B. Public Lecturers
- C. Radio and TV Broadcasters and Telecasters
- D. Newspaper or Magazine Reporters, Editors or Publishers
- E. Labor Leaders
- F. Prominent Figures – Actors, Actresses, Professional Athletes, or others who are in the public limelight
- G. Persons who represent a moral hazard or anyone who has been sued for libel or slander
- H. Automobile drivers with more than two moving violations or at-fault accidents in a three year period or any convictions for reckless driving or driving while intoxicated within the last 10 years or as limited by state law.
- I. Law Enforcement Officials (not including: judges, bailiffs, correction officers, probation officers, fire personnel, or state/town inspectors)
- J. Home Day Care exposures involving more than three children, or as prescribed by state law
- K. Bed and Breakfast exposures unless the following conditions have been met:
 - 1. Each risk shall be inspected by the company
 - 2. Each room shall contain a Smoke Detector
 - 3. Liquor Law Liability is to be excluded
 - 4. With no more than four rooms held for rental
- L. 1-2 passenger designed jet skis exceeding 100 horsepower/ 900 cc, or 3-4 passenger designed jet skis exceeding 120 horsepower/ or 1000 cc
- M. Risks with unfenced in-ground pools or above ground pools (including temporary inflatable) without a removable ladder or deck with gate. **Any Pool with slide (All inforce Umbrella Policies effective prior to 12/31/06 with slide are exempt from this restriction and are subject to additional charge.)**
- N. Any risk in which the underlying policy contains restrictive endorsements or exclusions, such as animal liability, that would cause the umbrella policy to drop down to provide primary coverage
- O. Any assigned risk government sponsored or non standard auto risk
- P. Trampolines unacceptable unless all these requirements are met:
 - i. Netting Required: these minimum standards vary, but a full netting covering the sides would be standard procedure
 - ii. The trampoline has to be located somewhere on the property and fenced so not to be in a location that proves not to be an attraction hazard to other children
 - iii. Properly tied down
 - iv. Require they be located on a soft surface. A concrete base is unacceptable.
- Q. Skateboard Ramps

VII. MINIMUM REQUIRED UNDERLYING LIMITS

The following limits are absolute minimums. Higher limits may be required on certain risks. Sub-limits offered on primary underlying policies will not cause the umbrella policy to drop down below the following required underlying limits:

A.	Personal Liability – Comprehensive Personal Liability or Liability Section of a Homeowner Policy	\$300,000 each occurrence
B.	Automobile Liability	
	I. With youthful drivers present (age 25 or under) with one moving violation within a three year period	\$500,000/\$500,000 BI \$100,000 Property Damage or \$500,000 Combined Single Limit
	II All other	\$300,000/\$300,000 BI \$100,000 Property Damage OR \$250,000/\$500,000 BI \$100,000 Property Damage or \$300,000 Combined Single Limit
C.	Non-Licensed Recreational Vehicles (Off Premises Liability)	\$300,000 each occurrence or \$250,000/\$500,000 BI \$100,000 Property Damage
D.	Watercraft Liability	\$300,000 each Occurrence
	<u>Note</u> – No Personal Umbrella Coverage is available For any watercraft greater than 50 feet in length or any watercraft requiring a crew, except sailboats that otherwise qualify.	or \$250,000/\$500,000 BI \$100,000 Property Damage
E.	Business Pursuits Those added to CPL or Homeowners by ML-71 Or other filed endorsement. This includes Home Day Care and Bed and Breakfast exposures	\$300,000 each occurrence
F.	“INCIDENTAL” Business Property <u>Note</u> – not intended to cover more than 5 personally owned rental dwellings.	\$300,000 each Occurrence

VIII. RATING

A.	Personal Liability	
	1. Initial Residence	\$55
	2. Each add'l owner occupied residence (seasonal)	\$11
	3. Principal Residence located in Territory 1	\$11
	4. In-ground & above-ground (including temporary inflatable) swimming pools. * Hot tubs – no charge Pools w/slides first written prior to 12/31/06	\$25 \$5 Additional Charge
B.	Automobile, Motor Homes, Motorcycles owned and leased, furnished or regularly used by insured, spouse, ward or resident relative.	
	1. Initial vehicle	\$50
	2. Each additional vehicle	\$33
	3. Antique vehicles registered for use on public roads (in place of #2 above)	\$22
	4. Each youthful operator (under age 25)	\$22
	5. Each vehicle registered in Territory I	\$17
	6. Trailers (25 ft. in length or greater)	\$20
	• Less than 25 ft.	No Charge
	• Multiple trailers (Regardless of number of trailers)	# of veh. w/tow hitch x
	• Owned, only charge for # of trailers equivalent to The properly equipped vehicles on underlying PAP	\$20 subject to 25 ft or greater
	7. Motor Homes	\$50
C.	Recreational Vehicles (registered or non-registered)	
	All snowmobiles, Dune Buggies, All Terrain Vehicles (ATV's,) Minibikes, Trail Bikes, or any other vehicles not licensed for highway use insured for use off of the insured's premises	\$17
D.	Watercraft Liability	
	1 Under 26 feet and max speed of 40mph/35 knots	
	a. Non powered or < 25hp	No Charge
	b. Each outboard in excess of 25 hp and less than 50 hp	\$11
	c. Each inboard, outboard, inboard/outboard (50-300hp)	\$22
	d. Above 300hp	\$Submit for approval
	2. 26 to 50 ft and max speed of 40mph/35 knots	\$Submit for approval
	If approved, the rating will apply as follows, multiplied by	\$35 minimum charge
	The primary watercraft liability premium:	
	<u>Underlying Limit</u>	<u>Factor</u>
	1. \$300,000	.45
	2. \$500,000	.40
	3. \$750,000	.35
	4. \$1,000,000	.30
	3. Jet Skis	
	1-2 passenger not to exceed 100hp or 900 cc	\$35 each
	3-4 passenger not to exceed 120hp or 1000cc	\$40 each

E.	Trampolines	\$40 each
F.	Home Day Care	
	1. Up to 3 children	\$39
G.	Bed and Breakfast – per available room (4 maximum)	\$6
H.	“INCIDENTAL” Business Pursuits	
	1. Each professional office located in insured’s home with business invitees	\$6
	2. Each residence rented or leased or held for rental or Leased to others (subject to max of 5 dwellings)	
	a. 1 or 2 Family (each dwelling)	\$12 each
	b. 3 or 4 Family (each dwelling)	\$24 each
	c. Owned farm land from which insured is remunerated but does not farm personally	\$25
I.	All other approved business pursuits including Home Based Business with business invitees	\$30
J.	Available credits	

Higher limits must apply to all similar insured exposures for credit deductions. Maximum of one credit per policy, for each of the following:

1.	CPL limit of \$500,000 or higher*	\$10
2.	Auto limits of \$500,000/\$500,000 BI*	\$10
	or	
	\$500,000 CSL or higher	

* Not applicable when required minimum limits

3.	Increased Self-Insured Retention	
(a)	\$500	\$3
(b)	\$1,000	\$5
(c)	\$5,000	\$7
(d)	\$10,000	\$9
4.	Trampoline Exclusion (ML-52A or ML-52)	Credit \$2 per location
5.	Lead Paint Exclusion (ML-59)	Credit 2% of Initial and Additional Residence premium built prior to 1980

K.	Minimum Premium for a \$1,000,000 limit policy	\$135
	With increased underlying limits of:	110
	CPL - \$500,000 each occurrence AND	
	Auto - \$500,000/500,000 BI or \$500,000 CSL	

L.	Increased Limit Factors	
	EACH additional \$1,000,000 in excess of \$1,000,000 to the maximum limit of \$3,000,000 (\$5,000,000 max for program where permitted)	50% of the premium charged for the first \$1,000,000 for EACH additional \$1,000,000 of coverage

Security Mutual Insurance Company

M Other Exposures

For exposures not covered in paragraphs A to K and where the application of those rates to an individual risk develops a premium which is not properly indicative of the hazard due to unusual or peculiar conditions affecting the risk, then such risk shall be referred to the Company.

N. Coverages - Other Programs

It is permissible to attach any filed form offering supplemental coverage not included in this section. The appropriate rates are to be used.

O Policy Period

Policies shall be written for one year only

P. Territory Definitions

The following specified counties within the states indicated shall constitute Territory I for purposes of premium determination:

NEW YORK – Bronx, Kings, Queens, New York City, Richmond,
Nassau, Suffolk, Westchester

Territory II shall be comprised of all counties not specified above.