

Liability: Peace of Mind Coverage

The liability promise is the biggest commitment an insurance company can make.

“We will pay up to the limit of liability for the damages for which the insured is legally liable.”

Liability coverage is designed to pay when an insured hurts someone or damages another’s property. The “damages” referred to are those sums paid to the claimant, the person who has sustained damage.

- A neighbor slips and falls on the ice on your sidewalk; you are liable for their damages.
- Your teenaged son loses control of your boat and collides with another; you are liable for the damages.
- Your over-active eight-year-old propels a loaded shopping cart down the aisle, hitting a little old lady and sending her flying; you are liable for the damages.



In addition to paying the damages for a covered loss, your liability coverage pays for all the attorney fees and defense costs. With most liability policies, the entire limit of liability shown on the front of the policy goes to pay damages; defense is paid in addition. Today, the cost of defense is often more than the amount of the damages.

There are always expenses involved with a liability claim: claims expenses, investigation expenses, and court expenses. A liability policy will pay for these and the payment does not come out of your policy limit.

As with any insurance contract, there are exclusions in a liability policy. Generally, liability policies do not cover intentional damage. In addition, a homeowner’s policy does not cover any business-related claim. An auto policy excludes coverage when carrying people or property for hire. When buying an insurance policy that includes liability, you should always ask what is excluded. But, despite the exclusions, the coverage provided by a liability policy is very broad.

There is liability coverage on an auto policy, a homeowner’s policy, and a recreational vehicle policy. You can also purchase a Personal Umbrella liability policy which provides excess limits. One of the most important insurance decisions an individual makes is the amount of liability coverage.

The Liability promise is the biggest promise an insurance company can make. It is true “peace of mind” coverage.