

## Personal Insurance Policies

These are the most common types of personal insurance policies:

- Homeowners
- Personal auto
- Personal watercraft
- Personal umbrella

Personal insurance policies are designed to cover personal loss exposures such as those that arise from buildings, personal property (including contents of the home), physical damage to vehicles, and **legal liability** arising from the ownership of a home, vehicles, or watercraft as well as the activities of individuals and families.

A homeowners policy provides both property and liability coverage. The property coverage protects insureds for damage to the home and its contents caused by fire, wind, lightning, and other causes of loss (**perils**). Most homeowners policies also include coverage for burglary of the contents of the home. Homeowners policies usually exclude or limit coverage for certain classes of valuable property that must instead be covered under a different policy. For example, if an insured owns expensive items of jewelry or an art collection, a personal articles policy or endorsement would be needed to cover the items because the homeowners policy would not provide full coverage for these items. The personal articles policy would cover more perils than the homeowners policy and would include sufficient dollar limits to cover these items. The homeowners policy also includes **personal liability coverage** for legal liability that may arise if someone is injured while on the property (for example, when a visitor falls down the front steps outside of the home or is bitten by the family's pet dog).

A personal auto policy (PAP) covers losses due to bodily injury to another person(s) or damage to property of others arising from an auto accident for which the insured is liable. It also covers damage to the vehicle that results from a **collision** or from fire, theft, wind, contact with a bird or animal, and other causes of loss. A PAP covers only an insured's personal vehicles and excludes commercial vehicles used in connection with a business operation.

The personal liability coverage in the homeowners policy and the auto liability coverage in the PAP exclude or limit coverage for operation of any watercraft. Therefore, an insured who owns a boat may need a separate watercraft policy that covers not only legal liability that may arise from accidents involving the boat but also physical damage to the boat.

An insured that requires higher limits than those available under personal liability or personal auto coverage may also purchase a personal umbrella policy, which provides additional liability limits over those provided by the homeowners, PAP, and watercraft policies. Umbrella policies provide broad coverage and contain relatively few exclusions. Typical limits for a personal umbrella policy are \$1 or \$2 million or more, which provides an additional level of protection for a very large or unusual type of loss.

### Legal liability

The legally enforceable obligation of a person or an organization to pay a sum of money (called damages) to another person or organization.

### Peril

The cause of the loss.

### Personal liability coverage

Coverage for damages, plus costs of any defense, related to a claim or suit brought against the insured that resulted from bodily injury or property damage caused by an occurrence covered under the policy.

### Collision

Damage to a motor vehicle caused by its impact with another vehicle or object, or by the vehicle's overturn.

