



Attorney Writes

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WHY IS INSURANCE SO IMPORTANT FOR LAKE PROPERTIES?

An amazing number of riparians are underinsured when it comes to liability insurance coverage for their lake property. Many riparians still have liability insurance coverage of only \$300,000 to \$500,000 for their lake property. Where jury verdicts or even settlements in excess of \$1,000,000 (or even more) are not uncommon, prudence dictates that liability insurance coverage below \$1,000,000 (and in many cases, even more) is probably unwise.

Lakefront properties and their appurtenances pose potential injury or death situations which are not present for conventional dry land properties. For instance, riparian properties carry water risks such as drowning, diving into shallow water from a dock or swimming raft and similar situations. Boat propellers, high speed boating, water skiing, personal watercraft, water trampolines and other water “toys” all increase the risk of injury or even death.

Many property owners believe that they can only be sued if they are, in fact, at fault. Even claims which are without merit often end up in litigation, for which the property owner will have to legally defend himself/herself. The attorney fees and court costs alone involved in defending oneself against a tort action can exceed \$50,000, \$100,000 even more, even if you ultimately prevail in court. Furthermore, under the American system of attorney fees, in most cases, each side pays his/her own attorney fees, regardless of who prevails in court. In addition to the legal defense costs for trial, one should also consider the additional attorney fees and costs associated with any appeal (whether by the property owner or the party bringing the lawsuit). Most liability insurance policies cover not only potential damages judgments against the insured, but also usually pay for the legal defense costs (although there are always policy limits). Whether or not a property owner is at fault for the injury or death involved is a question of fact to be determined by a judge or jury, and the results can often be unpredictable.

Proper and sufficient liability insurance coverage can also give you peace of mind. If one is unfortunate enough to have a damages verdict rendered against them in court for an injury or death occurring at their property and the insurance coverage is not sufficient to cover the damages verdict, the property owner would normally be personally liable for the portion of the verdict which is not covered by insurance proceeds. In some situations, that can financially ruin a person, prompt bankruptcy or both.

A common minimum recommended liability insurance for lake properties in Michigan is \$1,000,000, although some experts recommend \$1,500,000 or even \$2,000,000. Quite often, a liability insurance policy “umbrella” can be purchased which is on top of your normal homeowners or other liability insurance (for example, a \$1,000,000 liability insurance umbrella on top of a basic \$300,000 liability coverage for the lakefront house). Of course, if you have a teenage driver or drivers in your family, liability insurance premiums can be dramatically higher.

It should be noted that general liability insurance for lakefront property will not cover any damages, lawsuits or related matters arising out of use of a boat, personal watercraft, snowmobile or other vehicles—normally, a person must purchase separate policies (or policy riders) for coverage for such vehicles.

You should also confirm with your insurance agent that your liability insurance policy will cover lake appurtenances such as docks, shorestations, swim rafts, water trampolines and similar items. If there is an injury or death at or involved with your lakefront property, notify your insurance carrier immediately. That might not only be required by the insurance policy itself, but it is often helpful to have the insurance company potentially investigate the facts and circumstances soon after the accident rather than some time later. ♦