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Rain, Sleet, Snow — and Lawsuits?

The winter months are a great time for entertaining. In many areas of the country, they can also be a time for icy sidewalks and slippery steps. Naturally, you should make every effort to help ensure that your house and the surrounding area are safe for guests. But no matter how careful you are, accidents can happen at any time of the year.

You might face increased risk if you have a dog, a swimming pool, a trampoline, teenage drivers, or employ workers in your home. Many states have social liability laws that could hold you responsible for an accident caused by guests drinking alcohol on your property.



Another Layer of Protection

American society is litigious, and some legal judgments seem excessive. Standard homeowners and auto insurance policies generally cover personal liability, but you may not have enough coverage to protect your income and assets in the event of a high-dollar judgment. That's when umbrella insurance could be a big help, providing additional coverage, up to policy limits.

Typically, you can obtain \$1 million in coverage for a couple of hundred dollars annually; higher coverage amounts can be even more cost-effective. Before adding umbrella insurance, however, you generally must purchase a certain amount of liability coverage on your homeowners and auto policies (typically \$300,000 and \$250,000, respectively), which serve as a deductible for the umbrella policy.¹

On top of the liability coverage amount, an umbrella policy may help pay legal expenses and compensation for time off from work to defend yourself in court. It might also cover situations not included in standard homeowners policies, such as libel, slander, invasion of privacy, and defamation of character.

Umbrella insurance is not just for wealthy households; it is also appropriate for middle-income families with substantial home equity, retirement savings, and current and future income that could be used to satisfy a large jury award. (Qualified retirement plan assets may have some protection from creditors under federal and/or state law, depending on the plan and jurisdiction, but you would still be liable for any judgments.)

It might be helpful to consider your assets, potential exposure, and what you consider to be an acceptable risk. Protecting yourself with an umbrella policy could help avoid expensive consequences down the road.

1) Insurance Information Institute, 2019

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