

If you are one of the lucky few out there who can afford a second home, then congratulations. If you are thinking of purchasing a vacation home, or even if you already own one, this blog article may help you identify some of the insurance issues associated with owning vacation homes.

There are a number of unique insurance issues associated with insuring vacation homes. These issues can arise due to the location of the house and how the property may be used. We also see issues related to how the property is titled. Other considerations that can generate insurance coverage issues are the market value of the property compared to the replacement value of the home. The personal property inside the home can also create insurance issues. Let's take a closer look at each of these potential problem areas.

Beginning of course with location, most vacation homes are on the coast, or in the mountains or near rivers and lakes. Each of these kinds of places can present geography based insurance issues. At the beach, the big property risk to your home is wind and flood loss, primarily due to hurricane exposure. If your vacation home is located in the mountains, then you may have reduced fire protection there as the trucks may even have to carry the water up the mountain as your house burns. If you are located near a river or lake, then there are flood consequences to consider. These risks can mean a huge insurance price tag and in some cases even lead to insurance unavailability at any price. You should carefully review these risks with your agent before you purchase your secondary home.

How the vacation property is to be used is another area of concern. Is the property going to be rented to others? If so, then you may need a dwelling fire policy instead of a homeowners policy to insure this property. Dwelling fire insurance is generally more restrictive in coverage and often more expensive to buy than homeowners insurance. Make sure that you understand the insurance costs involved in this type of venture before you start signing papers to create it.

Another thing that can dramatically affect your insurance costs can be the way in which you title the vacation property. Often when multiple families buy a property together, they will set up an LLC to own the property. The problem with this approach is that there are only a handful of insurance companies that are willing to insure vacation homes that are owned by an LLC. So you might be limiting your insurance marketplace and thus end up increasing your insurance costs.

The market value versus the replacement value of the home can also generate problems. Many vacation homes sit on land that is much more valuable than the house itself. We see this at the NC beaches where a half acre of land might cost as much as \$1,000,000. If you put a \$500,000 beach house on that property and borrow \$1.3 million to do the entire deal, then the bank might require you to carry at least that much insurance. But in fact the insurance company is not insuring the land (although I have seen land at the beach disappear after a hurricane), so the insurance policy cannot be written for enough coverage to satisfy the bank. These issues can be resolved easier by getting your insurance agent involved early in the process.

Last of all is the personal property issue. This issue will only arise if you have multiple owners of the property or if you decide to rent the property to others. In those cases, special care should be taken to make sure that the insurance company understands who owns which property and that the insurance is set up to handle this situation correctly.

It's clear that when it comes to insurance on vacation homes, you will need an experienced, independent agent who understands the issues associated with secondary homes and who has the access to the marketplace that you will need to obtain a good price for this insurance. Clinard Insurance Group has this expertise and we have access to the markets that you will need. Please call us, toll free, at 877-687-7557 and let us help you with the insurance on your vacation home.