

BUYING AN ADDITIONAL PROPERTY? AVOID POLICY PATCHWORK



THE RISK IS CLEAR

If you own properties in multiple states, it's crucial to work with a broker who has access to national expertise to help address risks in various locations through a single program and avoid the risks that arise with policy patchwork.

When purchasing a secondary or vacation home in various parts of the country and abroad, owners commonly find a local insurance agency to handle the insurance for that home and any vehicles registered there. What many people don't realize is that by insuring each property separately — creating patchwork plans — they are not only missing out on savings often available when placing multiple homes and risks with a single insurer, they are also opening themselves up to potential gaps and overlaps in coverage.

CONSIDER YOUR RISKS

If you own or are planning to purchase a second home — or third or fourth for that matter — it's important to talk through some key questions and work closely with a single insurance advisor, one who understands your entire personal risk portfolio and insurance program.

It's not uncommon to own more than one home. In fact, according to a 2014 study conducted by the National Association of Realtors, vacation home sales jumped 29.7% last year and accounted for 13% of all transactions.

Where is the property located?

There may be specific insurance issues related to the catastrophe risks and common natural disasters of the area. Let's say you live in California and are purchasing a second home in Florida. You might assume you'll have an increased flood risk, but you may not realize the importance of wind mitigation or know about policy provisions that may require you to have shutters engaged when a storm approaches.

Having property in a foreign country opens up another area of vulnerability. Coverage obtained in other countries is frequently more restricted than domestic policies and may create liability gaps. You'll benefit by working with an advisor who has access to experts across the country and abroad so they can help make sure your properties are properly covered, wherever they may be located.

How will you use the property?

The amount of time you spend there, whether the property is unoccupied for part of the year, if a caretaker is on-site or nearby, and whether you plan to rent it out part of the year, are all relevant factors to discuss with your insurance advisor.

There may be special considerations if you will be renting a property to others. If your furnishings are stolen, the loss may not be covered if the insurance company was unaware you were allowing others to occupy the property. Communicating your plans with your insurance advisor will help ensure you have the appropriate coverage in place.

Properties that will be unoccupied part of the year will be better protected if you arrange for someone nearby to monitor it and handle emergency situations such as leaking pipes or an approaching severe storm. Careful planning can help reduce the likelihood of loss or damage to your home.

If you employ babysitters or other domestic workers who travel to family homes in different states or even countries, make sure you examine the various workers' compensation statutes, which differ by state. Some states require that workers' compensation insurance is in place for workers even just visiting the state.

What belongings will you keep on property?

Your insurance advisor will also want to align your contents coverage depending on what belongings — furnishings, art, collectibles, housewares, etc. — will be kept at the home. Also, auto insurance regulations vary widely by state so be sure to notify your insurance advisor if any vehicles or watercraft will be housed at your secondary properties or if they change locations.

How will the property be titled?

Homes are often owned by an entity, such as a trust, LLC, or LLP, and liability insurance protection is needed for both you personally and the ownership entity. When working with multiple agents, it's easy to forget to add new property to your umbrella or excess liability policy putting you at financial risk if someone decided to sue.

TAKE A COMPREHENSIVE VIEW

Only an insurance broker who has the information — and the expertise — to take a comprehensive view of your entire personal risk portfolio and insurance program will be able to understand your unique interplay of risk and make adjustments in order to adequately protect your home, its contents, vehicles registered in that state, and potential liability threats associated with these assets.

To learn more, contact Marsh Private Client Services or visit marshpcs.com.

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SECURING YOUR HOME

If your secondary home will be unoccupied for an extended period, it's important to take some precautionary measures to help prevent damage or loss due to theft, water, wind, or fire in your absence. Here are just a few suggestions.

- Install a monitored security system.
- Consider monitoring your home with low temperature sensors to protect against freezing, water flow alarms, and gas leakage detectors
- Set interior and exterior lighting with programmable timing devices.
- Turn off the water heater, the washing machine connection, and water to the toilet, leaving water in the bowl.
- Arrange for someone to check that all plumbing fixtures (sinks, showers, toilets and tubs) are working and scan the ceiling, walls and plumbing fixtures for water damage spots
- Install a gas-powered backup generator to power your appliances, air conditioning, minimal lighting, and sump pump in the event of a power outage.
- Reinforce all windows, doors, skylights, and garage doors on coastal properties to withstand high winds.
- To protect against wildfire, some insurers will arrange to have a fire retardant applied and recommend steps to defend the space around your home from fire risk, including suggestions for landscaping and building materials.