



GAPS IN COVERAGE AFTER THE REAL ESTATE TRANSACTION

Leasebacks and Renovations

NEW HOME PURCHASE



Congratulations you just bought your new home! But wait, you agreed to be a LANDLORD for the next 60 days, or you want to renovate the kitchen and bathrooms before you move in. Do you have the proper insurance coverage to make sure your new asset will be covered if the worst were to happen?

The Issue:

Insurance policy agreements and pricing are partially based on occupancy of the property the carrier has agreed to insure. In fact, there is often specific wording in a policy that stipulates how the policy coverage will be adjusted due to the change in occupancy from that which was agreed upon.

Occupancy Options: Owner, Tenant & Vacant

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RAMONA SMART



THE LEASEBACK

LANDLORD POLICY

As a landlord, you are essentially a business owner, and as such, have different risk factors, liabilities, and negligence than a homeowner. This type of policy provides liability coverage for you as a landlord, as well as your investment in the property. In the event of a fire, you will more likely be fully covered, as you and the insurance carrier have entered into an agreement based on the residence being TENANT occupied.

RENTERS POLICY



New Owner: You want to make sure your new tenant has this type of policy in place and have listed you as additionally insured on this policy. It helps protect you in the event of liability risk, as well as if the prior owner destroys your property. You will be able to file a claim against their Renters Policy.

Prior Owner: You no longer own this home...you are now a RENTER. Your personal property and liability were covered under your home policy when you owned that property. However, you have sold this property and no longer have an insurable interest. A Renters Policy will cover your personal property and liability in the event of covered claim. And the property itself is now covered by the new owner.

RENOVATIONS



The issue: When are you going to fully take occupancy of the home? How long is it going to be VACANT? How extensive is the renovation project? All of these items are addressed in the fine print of your insurance policy. You are given strict guidelines, exclusions and stipulations based on your answers to these 3 questions. The good news is that if you do not have full coverage in your homeowners policy, based on your answer to these question, you have options. You can purchase a VACANT POLICY or a BUILDERS RISK POLICY.

BUILDERS RISKS POLICY

This policy covers your home in its current state, as well as mid-project, all the way up to completion. It also covers you for liability specific to construction. I often recommend that my clients make sure this policy is in their name, as the contractor may need to be changed mid-project and it's difficult to get a new policy mid-project. And if there is a claim payout you may not want that check to be in the contractor's name, if he was the policy owner. This is something you want to control and you want to make sure your contractor has his own GENERAL LIABILITY POLICY in which you are named as additionally insured.

