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HOME AWAY

## Insuring Second Homes

By AMY GUNDERSON

When a 3,100-acre wildfire roared through the southern end of Lake Tahoe, Calif., last June, residents were instructed to evacuate the area. “My house was about a half mile from the fire,” said Fredy Buraye, the owner of a three-bedroom vacation home in the area. “It was pretty close.” Mr. Buraye said his anxiety about losing his home was slightly quelled because he knew he was adequately prepared for the situation. “I knew I had the right insurance coverage.” Mr. Buraye said he was lucky; the fire never made it to his home.

While securing insurance is a fact of homeownership, lining up coverage on a vacation home is not always a straightforward process. Vacation homes can be expensive to insure and some companies will not offer coverage if the home is regularly rented out. And when owners do find insurance, they may have to pay extra for extended liability or coverage that will protect the home in case of a flood.

### GETTING STARTED

The best time to start thinking about insurance is before closing on a property. “The reality is that a lot of what makes vacation homes appealing are the same reasons that can make them expensive or difficult to insure,” said Jean Salvatore, a spokeswoman for the Insurance Information Institute. A house in a gated community close to a fire station would likely be less expensive to insure than a home that is in a remote location. And homes along the east coast, a flood prone area, have also become increasingly expensive to insure.

### RESEARCH INSURANCE CARRIERS

Your primary insurer is a good place to start because of the established relationship: the process will be more seamless, and insurance providers may offer the best rate for owners who insure all of their property and cars under one provider. Although there could be drawbacks to that if an incident leads to the cancellation of all the insurance, leaving the holder widely exposed. If your insurance company will not cover a vacation residence, turn to local providers in the area of your second home. Be prepared to answer questions about how often the home will be used, if it will be used as a rental and who will be responsible for managing the property.

### SECURING LIABILITY COVERAGE

For owners who rent out their properties — even for just a lucrative month in the summer — securing the proper liability coverage will help protect assets in a lawsuit.

Cindy Pieper, the owner of State Farm Insurance in Palm Springs, Calif., works with second homeowners

buying retreats in the southern Californian desert. She recommends a minimum of \$1 million dollars in liability coverage and encourages owners to take out personal umbrella liability coverage reflecting an owner's total net worth. Those policies typically start at \$300 a year for the first million dollars and \$150 a year for each additional million dollars worth of coverage.

## INSURING A CONDO

A condo insurance policy will cover the interior of the unit and personal property in the residence in case of, say, a fire or smoke damage, since most homeowners' association coverage does not extend to the interior of a dwelling. Condo owners may also want to add what is called loss assessment coverage to their policy, according to the Insurance Information Institute. This can help cover a large assessment issued by the condo association. Owners renting out their property may also consider a policy that covers loss of rental income if the dwelling is damaged, says insurance industry agents.

## OTHER FACTORS TO CONSIDER

A house with a swimming pool is seen as a higher risk, and a house with a pool that is not protected with a fence and locked gate will not get any coverage. Risk of wildfire can also push up premiums or make coverage difficult to obtain if the house does not have easy access to a local fire department, according to State Farm Insurance and the Insurance Information Institute.

If a property is in a flood zone, most banks will require flood insurance as a condition of the mortgage, according to most insurance agents.

Flood policies are available through your insurance agent but are actually backed by the National Flood Insurance Program. Policies run anywhere from \$1,100 to \$1,800 in coastal areas and as low as \$600 a year in non-coastal communities.

## KEEPING POLICIES UP TO DATE

Any improvements made to a home — from adding a new bathroom to building out a deck — is a reason to call your insurance agent; so is redecorating the interior or purchasing kayaks and new bikes for the family.

Mitch Jawitz, a vice president at The Hartford, an insurance provider, said to keep a running inventory of belongings in the house and review coverage once a year because, "You may need to purchase more insurance."

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