



EXPERIENCE, EXPERTISE AND ENERGY!

Insurance for an Outer Banks Home

If you are thinking of investing in a home on the Outer Banks, you have probably wondered about insurance coverage and costs. You will probably be surprised by how easy and inexpensive it is to insure beach property.

Working with a reputable, local insurance agent is a critical step in finding the policies that you need to adequately cover your investment. Most homes on the Outer Banks are covered by two or three policies to protect against the special conditions here. It is best to use one agent for all of the policies. Usually, you will need three types of coverage: flood, homeowners/hazard, and wind. Many owners offer have a liability policy or a liability rider. These types of policies are generally very affordable.

Occasionally it is possible to see a seller's insurance costs. However many owners are over or under insured. Generally, most owners are paying 1% to 2% of the replacement value of the structure in annual insurance costs. This can vary given different flood zones, deductibles, types of policies, construction standards, age, etc.

Flood Insurance

Flood insurance may be required by the lender if your home is located in federally designated flood zone. The zones are determined based on the elevation of the lot. Most homes are in the "AE" zone which roughly corresponds to the "100-year floodplain." Lots in the "C" or "X" zones are outside of the floodplain, and most lenders do not require flood insurance on these properties, although it is still a good idea to have it.

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The flood insurance policy of the previous owner may be assumable by the buyer. If a new policy is written, an elevation certificate is generally required. The seller may have one, or a surveyor may need to prepare a new one.

Flood insurance is federally subsidized and very reasonable in most areas on the Outer Banks. In some areas called COBRA zones insurance is not subsidized. Although coverage is usually available, it is quite expensive. Your real estate agent should inform you if your property is in a COBRA zone.

Homeowners/Hazard Insurance

"Homeowner's" insurance may be available if your house is classified as a second home and is rented for fewer than 25 weeks each year. A homeowner's policy, when written with a separate wind policy, offers the broadest coverage available.

A "hazard" policy covers only named perils such as fire, wind, smoke, etc. The coverage is less comprehensive, but is often the best option if the home is considered an investment property. Hazard policies usually do not cover "wind-driven rain." Unlike the homeowner's policy, a hazard policy does not cover the owner's liability exposure. Separate policies are needed to cover liability and "crime."

Wind Insurance

Wind insurance is important and necessary since it is generally excluded from homeowner's policies. Much of the damage caused by hurricanes is considered wind damage. On the Outer Banks, you are far more likely to suffer a wind loss than any other kind.

Liability

Liability insurance is not required but is prudent to protect your assets in case a tenant becomes injured or unhappy. Many Outer Banks owners add liability insurance for their beach property to their primary residence policy. Separate policies are also available through your Outer Banks insurance agent.

Your real estate agent will work with your insurance agent and closing attorney to see that your new investment on the Outer Banks is properly protected. *Gray Berryman, Broker*