

Special Circumstances: Property Under Construction and Rental Property

You probably know that a homeowner's policy is essential. But you might also own other types of property with special coverage needs. If you are in the process of building a new home, or if you own a rental property, you should think about safeguarding your investment.

Building a Home

Property owners can face significant financial losses if a new home is damaged or destroyed before it is completed. One way to protect an unfinished home is to purchase a standard homeowner's policy that covers damage, up to the policy limit, to the structure, theft of building materials, and liability — for injuries to people visiting or even trespassing on your property. Any contractors should have their own insurance for their workers. You would need to reevaluate the policy once the home was completed to make sure you have adequate coverage amounts.

A "dwelling and fire" policy is another option. These policies cover damage to the physical structure and some liability, but don't provide coverage for theft. If you still live in your previous home, the homeowner's policy you already have may provide coverage for theft at the construction site. Some companies offer specific "builder's risk" policies that cover both the structure and theft on the building site, but not liability. However, liability coverage under a current homeowner's or renter's policy can often be extended to cover the construction site.

Rental Property

Rental property owners also have a unique situation to consider. In many cases they will want to cover their property for damage and have plenty of liability protection. Unless the property is rented out with furnishings, theft insurance is probably not necessary. Some companies will provide basic hazard or "fire" insurance that does not cover theft. You may be able to add endorsements to your own homeowner's policy that extend liability coverage to rental properties. Other companies offer specific "landlords" packages that are designed for one- to four-family rental property. Some mortgage lenders require insurance for rentals that includes a "rent-loss" provision. If a rental is damaged and unlivable, the insurer reimburses the owner for rent that is lost while repairs are being made to the property.

Variations in the names and details of these policies can make it confusing and difficult to compare policies against each other. When shopping for a policy, it's a good idea to carefully consider the specific kinds of coverage you need — in conjunction with what you already have for your own residence.

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