Top 10 Considerations When Buying Coastal Property

1. **Shore markets are different**

- Direct writer restrictions for proximity to water
- Markets are Lloyds of London or other surplus lines companies
- Surplus lines companies must meet financial requirements of the state, but are not covered under the NJ Guaranty Fund
- Expect a longer quotation time for surplus policies
- Minimum earned premium applies

2. **Wind deductibles are different at the shore.**

- Percentage deductibles are the norm, and are usually 2-5% of the dwelling limit
- Is it a wind or hurricane deductible?
- Hurricane deductible applies to damage caused by a <u>named</u> hurricane

3. **Buying a condo unit? Know what you need to insure.**

- Determining responsibility for interior building items is the #1 problem.
- The master deed <u>*usually*</u> identifies responsibility for interior building items.
- However, check to see if the Association insurance supersedes the master deed wording and provides coverage for interior building items.

4. **Buying an investment property?**

- Liability from Rental usually excluded unless disclosed
- Disclose rental use to your agent to be sure the proper policy form is used
- Theft and vandalism damage from tenants is excluded
- Ask for Loss of rents coverage
- No coverage for tenant's property
- Winterize or maintain heat to avoid claim denial (Show Utility bill)

5. **Do Dock's need special coverage?**

- Disclose docks for liability coverage
- Fire coverage is probably not available
- Flood coverage is not probably available

6. Building ordinance or law coverage

- A new worry- coverage for loss caused by enforcement of ordinances or laws regulating construction and repair of damaged buildings.
- Is your building ordinance limit sufficient if you have to raise your home if required by city ordinance?
- If provided, Building Ordinance coverage is usually limited to 10% of the Building limit. You may be able to buy more.
- Some policies offer no coverage.

7. With flood insurance, 1975 is the magic date

- FIRM is Flood Insurance Rate Map. Properties are categorized as being built or substantially improved before (PRE) the FIRM for the community was adopted, or after (POST) the FIRM was adopted. 1975 is the year that most communities adopted the FIRM and entered into the National Flood insurance Program (NFIP).
- Pre-FIRM are subsidized rates moving toward true-risk rates.
- Post-FIRM rates are more in line with true-risk rates already, and have the lowest rate increases.

8. Which homes are getting the highest flood insurance rate increases?

- Because Pre-FIRM homes were built before the NFIP existed, rates have been subsidized by the NFIP. These homes are now seeing larger increases in premium as the subsidies are removed and the rates move toward "true-risk" rates.
- Post-FIRM properties were for the most part built in compliance with the NFIP building regulations and are closer to "true-risk" rates. However, Post-FIRM properties that are not in compliance with the NFIP will see premium increases. Examples of non-compliance are finishing the area below the lowest living floor, and having equipment below the lowest floor.
- For the best rates, homes need to have a lower risk of flooding. Ways to achieve this are adding proper flood vents to a crawl space, raise heating and air conditioning systems and add proper fill under house.

9. Start early for smooth settlement and be involved in the process

- We recommend 2-3 weeks to get all markets shopped
- Some banks want paperwork 12 business days in advance

10. Shop local

- Local knowledge have the pulse of a changing market
- Superior flood knowledge
- Are near your property after a claim for meetings and inspections
- Can help with choosing contractors after a claim

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