



## Personal Risk Management

# Proper Insurance for a “Sale and Leaseback” Situation

*The “Sale and Leaseback” Situation: A seller lives in his home beyond the closing date and the recording of the title to the buyer.*

### The Proper Insurance Solution

#### **The Seller**

Before closing, the seller maintains Homeowners coverage to insure the structure, his personal property, and his personal liability. After closing, the seller becomes a renter and only needs insurance for his personal property and liability; as such, the seller needs the policy form called Renters Insurance.

#### **The Buyer**

After closing, the buyer only needs coverage for the structure and his liability. This form of coverage is called Dwelling/Fire coverage.

The format of this situation is “everyone insures his own property and liability.”

### Common Mistakes & The Importance of Proper Coverage:

#### **The Seller**

Frequently on closing, the seller (and now renter) will drop his Homeowners policy, which means that his property and liability at the rented location goes uninsured. Rather, the seller/renter needs to change his policy to the Renters format. Of course, if he subsequently moves from the rented premises and purchases another house, he needs to have a Homeowners policy.

#### **The Buyer**

Frequently on closing, the buyer of the property in a “sale and leaseback” situation will buy a Homeowners policy to satisfy his lender; in doing so, he will incorrectly assume that the personal property coverage extends to his current location as he waits to move into the new property.

In reality, the buyer’s personal property coverage does not fully extend to his current location. At best, about 10% of the personal property limit extends to his current residence. Therefore, the buyer in this situation needs to retain his Homeowners coverage at his current location, and also purchase a Dwelling/Fire policy to adequately insure his newly purchased property.

### Helping You With the Details

MacCorkle Insurance Service is very familiar with unique situations such as this and has been responsive to the needs of our clients for over 35 years. Let us help guide you through your coverage options and make sure you’re adequately protected. Contact MacCorkle Insurance Service at 650-349-2364.