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FARR LAW FIRM *Newsletter*

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DON'T LET YOUR REAL ESTATE CONTRACT BE "BLOWN AWAY" BY INSURANCE ISSUES

Gary A. Kahle
February, 2007



Before we were hammered by Charlie and later storms, obtaining hazard and wind insurance coverage for residential real property was not much of a problem and purchase and sales contracts rarely addressed the issue.

Now, whether you are a buyer or a seller, there is a good chance that your contract for the sale or purchase of a Florida residence may be "blown away" if insurance issues are not dealt with well in advance of closing.

As a seller, you need assurance that your buyer will make timely application for and have insurance in place by the closing date; otherwise, your closing may be delayed or not occur at all.

As a buyer, you need to know that you can:

- (1) obtain hazard and wind insurance coverage (and flood insurance, where applicable);
- (2) at a premium that you are willing to pay; and
- (3) with deductibles acceptable to you.

Notwithstanding their importance for both buyer and seller, most "standard" real estate purchase and sale contracts continue to ignore insurance issues. A contract with a financing contingency may offer some protection to the buyer since a condition of financing will be insurance coverage acceptable to the lender. That will not be much comfort to the buyer, however, if the premium is more than the buyer is willing or able to pay. If the contract contains no financing contingency, there will likely be no provision at all regarding insurance and the unwary buyer may be compelled to close or lose his deposit even if he is unable to obtain insurance or obtain it at a premium he is willing to pay.



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The prudent seller will want a contract provision requiring the buyer to make application for and obtain a binder for insurance coverage well in advance of closing. The prudent buyer should insist on a contract conditioning his obligation to close upon obtaining insurance with premiums and deductibles acceptable to him and with the right to delay closing if insurance underwriting is suspended because of weather conditions.

Whether buying or selling real estate, you should consult with your real estate attorney or broker to make certain that insurance issues are adequately addressed in any contract you sign.

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