

Insurance status for flips unclear

BUYING a house to fix up and resell at a profit is a grey area when it comes to insurance. Because it is not a principal residence, it will not typically be covered by normal home insurance, says an insurance broker.

"(Flipping homes) is a relatively new phenomenon," says Peter Tessier, a broker who sits on the board of directors for the Insurance Brokers Association of Manitoba. "No situation is identical. There's no one solution for how to proceed in this situation."

Tessier says would-be flippers should sit down with their insurance brokers and tell them exactly what they want to do.

"Some people will tell us that they are moving into this home to fix it up, and not let us know that they are going to flip it, which

is actually a commercial venture."

More often than not, an insurer will require the buyer to get commercial insurance for the property because it is a money-making venture, he says, adding the houses often sit vacant for months, a situation that tends to invite criminal activity.

He also recommends making sure tradespeople are insured for liability and being as organized as possible when applying for the insurance.

"Have a firm start date, know what you want to do and when you are going to finish," he says. "That way, it can be presented at the time you want to insure the home. It shows that you are organized and ready to take action."



Be honest with your lender and your insurance broker about your plans for the property.