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Overseas Holiday Home
Buyers guide



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Living the dream

Many of us dream about owning a holiday home abroad. With endless television programmes showing everyone how easy it is to live the dream life, an increasing number of us are taking the plunge and investing in our own place in the sun.

The number of people who own foreign property has increased by a staggering 85% in the last decade, with three-quarters of a million Britons having homes in Spain alone - and half a million more in France. One fifth of all re-mortgages taken out in the UK are used to fund an overseas property and up to two million overseas properties are owned by Britons.

While Brits have always been interested in buying abroad, we're now casting the net wider than ever before, with countries like Bulgaria, Romania, Poland and the Czech Republic featuring heavily on the property radar - and now even Dubai and other Middle Eastern destinations appear on the dream list.

And it's not just where we're buying that's changing. With house prices continuing to rocket in the UK, we recently conducted a survey that identified a growing trend in today's Britain: younger people who are now looking to get on the property ladder by buying abroad, whilst renting in Britain.

"At Hiscox we've worked with thousands of customers to help provide advice and proper protection for their new holiday home. We know that while there's plenty of property out there to choose from, it's not always easy to get the place you want and there are a number of considerations you will need to take into account along the way. This guide has been designed to give you a heads-up on the hottest locations, as well as highlighting some of the pitfalls you should watch out for. We hope it will provide some sound advice to help your purchase go smoothly and make sure your dream doesn't become a nightmare."

Steve Langan

Managing Director, Hiscox UK

Ten simple steps to buying and protecting your dream holiday home

Buying a home is rarely straight forward, but our tips will help you navigate some of the biggest challenges you may face when buying abroad.

- 01 Use qualified professionals to help you make the purchase. You can find details of good agents through the Federation of Overseas property Developers, Agents and Consultants (FOPDAC). Visit www.fopdac.com.
- 02 Get your mortgage agreed in principle before you go shopping. That way when you do find your ideal home you can move on it immediately.
- 03 One of the most popular ways of financing a second home purchase is to remortgage the main home in Britain. However, it may be worth considering a mortgage in the local currency. This avoids exchange rate risk and, as some local banks offer fixed rate mortgages for very long periods (e.g. 25 years in France), it can help reduce financial risk.
- 04 Do your homework thoroughly before you commit and take your time. There are lots of properties out there, so make sure you see a good range of what's available. Try to view the property area at different times of the year and check for possible changes or developments to the area. Take time to think things through before you put a deposit down. It's easy to get carried away when you think you've found the perfect place.
- 05 Beware of expensive additional fees and taxes. These vary in different countries and can be up to 20% in Italy and Spain. Buying abroad can take longer than buying in the UK so factor that into your costs and build in contingency.
- 06 Make sure your lawyer speaks good English. You need someone who can explain any complicated legal quirks and local regulations and can check your paperwork thoroughly.
- 07 Be wary of estate agents promising guaranteed rental yields or capital growth. Never rely on such promises to finance your purchase and make sure you read the small print. Foreign property is not guaranteed to keep rising the way it has in the UK.

Local inheritance laws may well vary with those in the UK.
- 08 Ask your lawyer how this will affect you and your family, and make an additional will to complement your UK one if necessary.

Don't forget to insure your property and make sure you are aware of the level of cover you are buying. Don't be pressured by the estate agent or notary to pay for a policy you don't understand.
- 09 If you're not familiar with the local language choose an insurer that can provide you with a policy and claims support in English.

Transferring money abroad can add thousands to the cost of purchasing a home. Compare the currency transfer specialists with your bank to ensure you don't pay over the top in fees.
- 10

Insuring your dream home

Once you've found your dream property it's absolutely crucial that you get it properly covered. Without the right insurance policy, you could have problems when you come to claim and find out you don't have the cover you thought.

What do you need to consider?

Wherever you choose to buy your holiday home, you're not going to live there full time and need to know your investment is properly protected. Having the right insurance is all about understanding what assets you own, what liabilities you are exposed to, and what external events can occur which will put you at risk. Local insurance policies can include variations and exclusions relating to burglary, accidental damage or personal liability claims.

In Spain, for example, natural events such as storms, floods or earthquakes are covered by a state-backed insurance pool, but the cover is restricted and you could end up footing a large part of a claim yourself.

Other pitfalls include inadequate levels of liability cover (Spanish, Portuguese and Italian policies generally provide £200,000 of cover - which will not be enough if a guest suffers a serious bodily injury), small-print which can leave you seriously out pocket (Italian policies normally only pay half the sum insured in case of earthquake damage) or theft cover which is restricted when the property is left unoccupied. Hiscox provides public liability cover up to £5 million, which also includes any staff you may employ to look after your property. Hopefully any claim you make will not be this serious, but even smaller claims - such as accidental damage to contents can be problematic if it turns out that they are not covered by your policy.

To avoid disappointment when a claim occurs, check that what you assume to be covered actually is, and compare policies offered locally with those offered by UK insurers specialising in overseas properties. Don't assume that what is covered under your UK home insurance will automatically be covered abroad, as the expectation of what should be standard cover differs greatly country to country.

What level of cover do you need for your holiday home?

For buildings insurance, the sum insured should be sufficient to rebuild all buildings as well as all outdoor structures such as swimming pools, terracing or perimeter walls. This is often quite different to the price you have paid for the property, so it is recommended to get professional advice.

Selecting the market value as your sum insured may lead to underinsurance - in which case you will be penalised if a claim occurs - or to overinsurance, where you will pay unnecessary premiums. Check your policy to decide if you need to add an amount to pay for any professional fees.

Contents should be insured for their replacement value as new - not the value you paid for them or their second-hand value.



Should you protect yourself against being sued?

Most policies provide liability cover to protect you as owner of the holiday home should someone be injured by, for example, a falling roof tile. However if you rent out your property, or if you employ domestic staff, you should check that you have cover in place should a guest or an employee get injured.

How do you plan to use your holiday home?

Whether you plan to use your new home only for holidays, or to rent it out, you need to have confidence that your insurance policy gives you proper protection. In France and other countries, theft cover is often restricted if a home is unoccupied for more than 90 consecutive days, which is not much use for your home if it will only be occupied for a few months a year. Hiscox theft cover applies even when the property is unoccupied for extended periods and we will even pay your travel expenses if you need to get out there in an emergency.



What if you need to make a claim?

If you're not fluent in the local language, making a claim through a local insurer can be problematic.

At Hiscox, we have a dedicated team who specialise in overseas holiday homes. Not only are our policies written in plain English, but our claims team is UK-based and able to make decisions and settle claims quickly. If we need a local loss adjuster to visit your property then we will make sure that an English speaking person is appointed to guide you through the process.

"The number of requests we receive to insure holiday homes abroad is growing every year and the destinations in which people are buying are becoming more adventurous. Dubai and Egypt are two examples, but recently we started insuring properties in Montenegro and Morocco to complement more traditional locations such as the Med and Eastern Europe. We monitor new locations as they become popular with British buyers and constantly update our product range so that our products are available in the greatest number of territories."

Laurent Schonbach

Head of Overseas Holiday Home insurance, Hiscox

The hottest new holiday home locations

A holiday home in the Mediterranean is still the ultimate dream for most of us, but times are changing. A recent Hiscox study found that Dubai and Egypt are the unexpected up and coming hotspots for holiday homes in non-English speaking countries after traditional Western European favourites like Spain, France, Italy and Portugal. Dubai in particular has become increasingly popular in recent years, with celebrities like David Beckham, Robbie Williams and Brad Pitt adding their names to the list of holiday home owners.

Eastern European destinations such as Bulgaria were considerably less popular in Hiscox's survey, failing to make an appearance in the top ten despite being considerably closer than Dubai and Egypt with reportedly good investment potential. Property in Croatia is still extremely affordable with experts predicting a rise of 200 to 300 per cent in the next few years. Similarly, prices in Poland and Bulgaria are steadily climbing.

The top ten holiday home hotspots

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|--------------------|----------------|
| 01 Spain | 06 Greece |
| 02 France | 07 Switzerland |
| 03 Italy | 08 Turkey |
| 04 Portugal | 09 Egypt |
| 05 Southern Cyprus | 10 Dubai |

Source: Hiscox/ICM poll (April 2007)

www.holiday-homes-insurance.eu

Whilst care has been taken to ensure the accuracy of the information within this publication, we cannot accept responsibility for any errors or omissions. We may not offer overseas holiday home insurance for every country.

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