

Insurance Check-Up for Landlords and Property Owners

If you haven't checked your policies lately to make sure you've got what you need, you may be wasting a lot of money paying for insurance. Just because your premium goes up every year doesn't mean your coverage does too. Your coverage may be outdated and there may be new exclusions for important things like water damage in the current version of your policy. And, if you have a low deductible, you're probably overpaying. Spending even a half hour on the phone with your insurance company asking a few simple questions and keeping notes from the conversation in a safe place will make you and your property a whole lot safer. In an ideal world, you could be confident that your insurer, agent or broker was taking care of all your needs for a fair price, but we live in this world.

After a fire or other disaster, you'll want to repair/rebuild as quickly as possible so tenants can return to their units and keep paying rent. Insurance will be your main source of money to fund the work and recoup lost rental income. Here's how to make sure you are fully protected:

Questions to ask:

1. Are my Property Coverage limits A, B and C high enough for today's prices?

The dollar amount limit of your "A" (Buildings) coverage should be as close as possible to what it would cost to repair or rebuild the structure(s) in the event of a total loss. Here are some of the ways you can check if this number is right:

- Get a specific commitment from your insurance company to calculate it for you. Ask them to send a professional replacement cost estimator out to your property.
- Pay a professional home inspection company to do it for you.
- Get a local contractor to come out and estimate the replacement cost of your property.

The limit of your "B" (Business Personal Property) should be enough to replace all removable items on the premises that you own: washers and dryers, refrigerators, window drapes, trash cans and business

equipment. The limit of your “C” (Loss of Income) coverage should be enough to replace the income you would lose if your building became uninhabitable during the recovery period after a total loss.

2. Does my policy have a “co-insurance” clause and if so what is it?

Co-insurance is a penalty provision built into some commercial policies. The penalty is applied against you if you have a loss and your insurance limits are too low to cover it. Your best bet is to buy a policy without a co-insurance clause, but if you have one, keep your limits up to date to avoid the penalty in the event of a claim.

3. Is my liability coverage enough and do I need an Umbrella?

Liability coverage is your protection against a lawsuit if someone gets injured on your property and files a claim (lawsuit) against you. How much coverage you need depends on your personal assets, your property’s features, how many tenants you have, and whether they have renters insurance. If someone is injured in an apartment on premises you own, rarely do they only sue the potentially responsible tenant. You, as the property owner, almost always get sued too. Commercial umbrella insurance gives you extra coverage and is especially worthwhile if you own more than one property.

4. Has my policy changed in regards to water damage?

Your insurance policy may only cover certain kinds of water damage. Over the years, water damage coverage has changed quite a bit. Find out what you are covered for in regards to water damage.

Insurance extras that are definitely worth the cost:

Extra or Extended Replacement Cost coverage: Most insurance companies give you the option of buying extra replacement cost. This provides you with a cushion against inflation & increased costs of labor and building materials over time. This additional coverage is fairly inexpensive to add.

Building Code Upgrade/Code Compliance: The building codes in your area may change almost every year. Making sure your policy has an extra provision for building code upgrades will make sure that you have enough money to repair and rebuild your building to today’s building codes.

Insurance extras that you must consider adding:

Earthquake Insurance: Your standard property insurance policy does not cover any damage caused by earthquakes. To protect your property we recommend buying earthquake insurance AND retrofitting your building. Get an estimate for both and remember doing at least something is better than doing nothing at all.

Flood Insurance: If your building is near any body of water, it is wise to get a quote for flood insurance. Flood insurance will protect your property from any damage to your home caused by outside sources of water. If you live near a hill, flood insurance will protect you from any mudslides or earth movement that is excluded in your homeowners policy.

What you can do to NOW to be better prepared:

Require or Strongly Recommend Renters Insurance to Tenants: Your lease agreement can require or strongly recommend that your tenants buy renters insurance. Your property insurance will not cover any of your tenant's belongings. Make sure your tenants know this. Renters insurance and earthquake insurance are fairly cheap for renters and as a landlord you will benefit from their liability coverage.

Hot Tip: Offer a discount on their rent if they name you as an additional insured.

Keep Good Rental Records: If your building has been damaged, and your tenants have to move out, your insurance company will pay you for "Loss of Rent." Keeping good rental records and copies of your rental agreements will ensure you get paid. Remember to keep records for vacant units too. Even if no one is renting a unit, if it is in rentable shape, it is considered "Held for Rent" and you can claim "Loss of Rent."

Maintain Your Property: By maintaining your building's smoke alarms, fire extinguishers, fire escapes, elevators and fire systems you are protecting your property and your income. You may be entitled to discounts for these efforts. Keep records of this maintenance offsite.

To make sure your policy includes the above items, read your insurance policy, or call your insurance agent and ask. Keep notes on your conversation in a safe place, like your email. Making sure you have the right kind and right amount of insurance is a vital part to recovering from a natural disaster or fire.



Protect your assets and your income today.

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