

Why should you care if your tenants have renters' insurance?

As a landlord, you take precautions every day to protect and maintain your properties. Whether you lease apartments to tenants or office space to businesses, your primary objective should be transferring your risk of damage to the structure through property insurance. Additionally, you should procure liability coverage for the exposure of an injury that occurs on your property, and even purchase additional liability limits through an excess or umbrella policy.

But, once you've taken care of the obvious, your priority should be making sure your tenants have renters' insurance. Here's why:

It lowers your exposure to lawsuits.

Depending on the cause of loss, tenants are more inclined to bring a lawsuit against their landlord if they have no other means of replacing their damaged belongings. For example, if the cause of a fire is faulty wiring, a tenant without renters' insurance to cover their personal property would likely bring a claim against the landlord, claiming the damage was a result of a building defect or landlord negligence. Conversely, a tenant with renters' insurance would have coverage to replace their property.



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It helps you transfer liability when the tenant is at fault.

Furthermore, basic renters' insurance would include coverage for liability, which, for example, would protect a landlord for repairs following a fire caused by the tenant. Renters' policies often contain liability coverage for personal injury lawsuits as well, which would prove advantageous to both landlords and tenants. Transferring this risk to the tenant eliminates the need for you, the landlord, to submit a claim to your carrier and absorb the deductible costs.

It makes cleanup easier and more likely.

Imagine that a tenant moves out following a fire they caused, leaving the landlord with a unit full of ruined belongings. In addition to covering tenant's personal property, some renters' insurance policies include the removal of damaged prop-

erty. The cleanup and disposal of these items, paid by the renters' insurance policy, would allow landlords to quickly recover from the damage and expedite the rental of the unit. An uninsured tenant might opt to leave the entire cleanup to the property owner and, while their security deposit might cover some of the expense, it likely wouldn't account for all of it.

A thorough lease should contain a clause informing tenants that their belongings are not covered by their landlord's insurance policy and requiring them to obtain their own policy. In addition, property owners should ask to be named as an additional insured on the renter's policy. This would protect the landlord in the event they are held liable for tenant negligence. Being named as an additional insured would also guarantee that a notice will be given to the landlord in the event the policy is cancelled for non-payment of premium. In this case, neglecting to carry renters' insurance would be a violation of their lease terms and grounds for dismissal.

As a landlord, you might assume that this requirement would scare off potential renters due to the expense to the tenant. In reality, the cost of renters'

insurance is very reasonable; a typical apartment dweller would likely pay \$100 – \$200 annually, or just \$8 – \$16 per month. Most would agree this is equitable given the protection that renters' insurance provides.

When an accident occurs, the focus should be indemnifying all parties through the risk transfer of insurance. Landlords spend considerable time and expense making their properties comfortable and safe for their tenants. By requiring tenants to purchase renters' insurance coverage, both tenant and landlords can reduce financial risk, avoid frustrating legal headaches, and benefit from the piece of mind that insurance provides.

It's your investment. Protect it.