

## Renters Insurance

The following scenario is becoming increasingly common. Before re-renting a home, a housing provider changes all the locks. One month after the new tenants move in, their apartment is burglarized. They lose over \$3,000 in personal property. There are signs of a forced entry; both the tenants sue the housing provider because they felt the locks were not adequate. Most housing providers would think under this scenario, there is no way the housing provider can be held liable. Don't count on it!

Try another scenario. A guest of your tenant slips on a wet spot created by your tenant on the rented premises. The guest breaks a leg and considers suing the tenant but learns the tenant has no money or insurance, so they sue the housing provider.

Reduce your odds of being sued by requiring tenants to carry personal property and liability insurance. If the tenants in the two examples above had been required by the landlord to carry renter's insurance, there would have been no reason to sue the housing provider because the tenant's insurance carrier would have covered the losses.

Your odds of being sued can be reduced even further by requiring the tenant to list you, the housing provider, as an additional insured to their rental policy. This means that if your tenant's guest falls and decides to sue both the tenant and the housing provider, the tenant's insurance company will be obligated to defend both parties.

Doesn't that sound better than just you, the housing provider, being sued because the tenant has no insurance or assets? Most insurance companies will not automatically add the housing provider as the additional insured but it will do so at no additional costs to the tenant if asked. Another advantage is that everyone listed on the policy will receive a notice of expiration. This is your reminder to contact the tenant about renewing.

Before signing a lease, require tenants to show you an Insurance Certificate, listing you as an additional insured. The certificate will list the amount of coverage, terms and who is insured.

The cost for a tenant living in a one or two bedroom apartment will be approximately \$10.00 a month for \$20,000 worth of coverage. I realize that convincing some tenants, especially at the lower end of the economic scale, that this as a good plan may be difficult.

Let me offer a few suggestions of ways to market this plan to all residents. At the time of renewal, raise your existing tenant's rent \$10.00 a month more and tell them by renewing, you will provide \$20,000 worth of personal property and liability protection as your way of saying "Thanks for being such a good tenant." When there is a tenant turnover, raise this rent an extra \$10.00 higher than protected and include this sentence in the ad: "Move in before \_\_\_\_\_ and receive a \$20,000 renters insurance policy absolutely free."

This strategy has some built-in safeguards. You will be paying for the policy with the tenant's own money, so you won't have to worry about tracking down the tenant each year to make sure the policy is renewed. It also insures that your name will not be dropped as an additional insured.

If raising the rent \$10.00 a month is too steep for your area, raise it \$5.00 and pay the other \$5.00 yourself. This is cheap compared to what your rate would increase to if your tenant carries no insurance and you're sued.

Another overlooked advantage for requiring tenants to carry insurance is that some insurance companies allow the housing provider to collect damages against the tenant's policy if the tenant causes any damage to the premises during the term of the lease. In order to collect, you must have a strong inspection sheet along with pictures to substantiate the condition on move-in day.