

## Packrats Create a Growing Self Storage Market

Self storage is one of the fastest growing businesses in the world. People simply have way too much “stuff.” According to the Self Storage Association (SSA), 1 in 10 U.S. households now rents a self-storage unit, and in 2011 those units generated more than \$22 billion in revenues in the nation. There are currently more than 50,000 self storage facilities in the United States alone—about 7.3 square feet of storage space for every man, woman and child in the United States. The typical self storage facility is not a chain—75 percent of all self storage companies are small businesses, operating just one “primary” facility. “Primary” facilities are those where the primary source of revenue is self storage. However, there are numerous national chains offering franchise opportunities.

There are a number of coverage concerns for self-storage business owners that need to be addressed.

### **Damage to customers’ property**

The self storage business owner may be held legally responsible for damage to the renters’ property. Damage to customers’ property is normally excluded in standard policies.

### **Removal/sale and lock out**

This coverage is needed to protect the business owner should the unit renter fail to pay their rent. State laws require that the contents of such units be sold at auction. Examples of these auctions can be seen on the popular *Storage Wars* television program. The owner will place their



own lock on the unit prior to the auction, thereby “locking out” the delinquent tenant. The owner is only entitled to the amount owed by the tenant. Any proceeds in excess of the amount due must be paid to the tenant. The tenant is entitled to catch up with their delinquent payments any time prior to the auction. Auctions increase the premises liability exposure for the unit owner.

### **Lock replacement**

Customers may lose keys or locks supplied by the storage unit owner. These may be keys to the exterior fences and gates, or the unit itself. If the keys are electronic, the cost to replace them could be significant.

### **Dangerous contents**

Another concern is what is actually being stored. The materials could be hazardous, flammable or create a pollution exposure. This presents a loss control opportunity. Does the self storage business owner have access to the units, or review what is

being stored? Probably not. Coverage for pollution damage caused to the unit or other unit renters’ property by spilling or leakage of customers’ goods may need to be added to the storage business owner’s policy.


### **Equipment breakdown**

Not all self-storage is the same. Storage requirements vary depending on the items being stored. For example, electronic equipment is sensitive to temperature extremes. Temperature-controlled self storage means there is a need for equipment breakdown coverage. This could be provided as an endorsement to the policy or on a stand-alone basis.

There are a few additional types of coverage that can relate to the self storage business outside of the coverage protecting the actual business.

In some cases, the self storage business owner may live at the same location as the rental units. Coverage





for their own personal property and personal liability may be required.

Another sales opportunity is to provide coverage for the renter's property inside the unit. For anyone who does not have a primary homeowners or tenants policy, separate coverage is required. Military personnel rent more than 700,000 units. Employees on extended assignment outside the United States may also put their belongings in storage. College students frequently put their belongings in storage during breaks in the school year, or while they are on co-op or study abroad programs. Corporations who store business property may not have off premises coverage in their primary business policy. Giving the self storage business owner the tools to offer such a product in conjunction with the self storage business owner's agreement with the renter could be an ideal match in these situations. Even in cases where there is a primary homeowners policy, the value of the property in storage could exceed the coverage available.

Although most personal or business items put in storage are eligible for inclusion under a standard policy, this would not be true for such property as boats and vehicles. The renter may need special coverage for these big ticket types of items.

For cases where the renter does have a primary homeowners or business policy that covers the stored items, there could be an advantage to purchasing separate coverage. The deductible on the storage policy may be much lower than their primary policy, and claims made against the storage policy would not impact the primary policy. Property in transit to and from the storage unit may not be covered under the primary policy, but could be included in the coverage offered by the storage business.

Self storage can be a great marketing opportunity. Understanding the unique exposures and coverage needs and providing proper coverage at an adequate price is essential to a successful insurance program for the insurance company.

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