

The Case for Tenant's Insurance

It is estimated that as many as 60% of all tenants in this country do not have insurance coverage for their personal property. It is hard to imagine the value of all of those uninsured assets. Providing coverage for your clients' assets - protecting not only their tangible property but perhaps more importantly their liability exposures, is another value-added service of the successful insurance professional.

There are many reasons why people do not carry tenant's insurance. Here are responses to some of the most common arguments a tenant may use as to why they do not have coverage:

My "stuff" is not worth much.

Many tenants may not think that they have valuable possessions. They do not consider the high cost to replace stolen or damaged property such as computers, stereo equipment, clothing and furniture when multiple items are stolen or damaged at the same time. Appliances, pots and pans alone can cost thousands of dollars, and that is just one room. The cumulative effect of individually low valued items can quickly add up when a fire strikes.

No one told me I needed insurance.

One of the conditions of obtaining a mortgage on a home is the purchase of adequate amounts of homeowners insurance. As long as the loan is outstanding, the mortgagee has a financial interest in the home. Tenants are not always under the same requirements.

Insurance is too expensive.

In reality, tenant's insurance is not very expensive. According to the Independent Insurance Agents and Brokers of America (IIABA), the average premium is \$12 per month for \$30,000 in property coverage, \$6,000 in loss of use coverage, and \$100,000 in liability coverage.

Doesn't the landlord cover me?

While it is true that the landlord should carry insurance on the apartment building and common areas, their policy does not



cover the tenant's personal property. First of all, the landlord would have no insurable interest in the tenant's property and second, the landlord would have no knowledge of the extent and value of the tenant's property.

If someone falls on the property, shouldn't the landlord pay?

The landlord may be responsible for certain conditions of the property but suppose a guest in the tenant's apartment trips over an electrical cord and injures his back. A simple accident could end up as an expensive lawsuit. What if the tenant's dog bites a visitor causing severe injury and permanent scarring to the individual? According to the Insurance Information Institute, dog bites make up one third of all homeowner insurance liability claims, costing insurers over \$350 million in 2007. Even if the tenant is found not to be negligent, the legal defense fees could be very expensive. Another area to consider is the tenant's responsibility for the acts of their children. Coverage for all of these scenarios may be available under the tenant's policy. Defense coverage is another added plus of tenant's insurance.

The typical tenant's policy provides coverage for the insured's personal property, liability and defense expenses. Coverage is also provided for medical expenses incurred by the insured's guests due to an accident covered by the policy

without regard to fault. By reimbursing the injured party for certain medical expenses, a potential lawsuit may be avoided. Another often overlooked benefit to having a tenant's policy is the additional living expense coverage. What happens if the tenant's apartment is uninhabitable due to a covered loss such as fire? Where will he/she live? The typical tenant's policy provides coverage for additional living expenses and temporary housing in just such a situation.

The tenant should carefully review all of his/her assets including retirement accounts, investments, bank accounts, personal property, real estate and any other assets, all of which could be at risk if a loss occurs.

In addition to being a great potential income source, addressing your clients' personal property and liability exposures can strengthen your relationship with them. Remember that the same scenarios can apply to commercial as well as personal rental exposures. Protecting your client from potential catastrophic losses is a value-added service of the true insurance professional.

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