

Insurance 101

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Property (Landlord) Insurance



What does it cover?
• Covers the building for fire, theft, vandalism, and other perils.
• Covers liability for injuries to tenants or visitors.
• Covers loss of rental income if the building becomes uninhabitable.

What does it not cover?
• Flood damage.
• Earthquake damage.
• Sewer backup.
• Intentional damage.

Special Insurance
• Homeowners: Covers the home and personal property.
• Commercial: Covers business property and liability.
• Auto: Covers the vehicle and liability.

What Coverage Do You Need?
• Homeowner's Policy: Covers the home and personal property.
• Commercial Policy: Covers business property and liability.
• Auto Policy: Covers the vehicle and liability.

Property Insurance and Compensation
• Property Insurance: Covers the building and contents.
• Compensation: Covers the cost of repairs or replacement.
• Deductible: The amount you pay out of pocket before insurance coverage begins.

Types of Life Insurance
• Term Life Insurance: Provides coverage for a specific period (e.g., 10, 20, or 30 years). It is the most affordable type of life insurance.
• Whole Life Insurance: Provides coverage for the rest of your life. It includes a cash value component that grows over time.
• Universal Life Insurance: Provides flexible coverage with adjustable premiums and death benefits. It also includes a cash value component.

Life Insurance
• Life insurance provides financial protection for your loved ones in the event of your untimely death.
• It can help cover funeral expenses, pay for education, and replace lost income.

Questions?

Creditor Life vs. Real Life Insurance

Creditor Life (Mortgage) Life Insurance:
• Uninsured non-individuals.
• In many cases post-claim underwritten.
• Overlapse remains level but coverage reduces.
• If both pass away only the mortgage is covered.
• The bank is the beneficiary.

Life Insurance from an Insurance Company:
• The Advisor is required to carry a license.
• Underwritten at time of purchase.
• Usually most cost effective.
• You own the policy regardless of changing lenders.
• Your loved ones are the beneficiaries.
• If you both pass away two payouts are made.

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Disclaimer:

- 1) This presentation is strictly to provide key points that you need to consider when insuring rental properties. You should always read your policy wordings and speak to your own Advisor to confirm what you are covered for. Products and limitations are NOT the same with every insurance company.
- 2) This presentation does not necessarily represent the views of The Co-operators and is that of MacKenzie Insurance Group Inc.

What some companies are doing to reduce claims costs

- Limiting coverage for water damage.
- Limiting coverage for windstorm and hail.
- Increased Deductibles
- Removing replacement cost for certain types of coverage.
- Strict underwriting practices.

What Coverage Do You Need?

- Minimum of \$50,000 - \$100,000 sewer back-up Coverage.
- Replacement Cost - Building and Contents.
- Rental Value (Lost Rent) for annual rental revenue.
- If possible Tenant Vandalism.
- \$2,000,000 Liability

Reducing Premiums and Considerations for Purchase of a New Rental

- Increase deductibles.
- Make sure the following updates have been completed:
 - Roof within life expectancy
 - Heating within 20 years.
 - Plumbing - Copper and or PVC.
 - Electrical minimum 100AMPS.***
- Take advantage of any multi-product discounts.
- Pick and choose your tenants carefully.

When should you update your Advisor?

- When the home is vacant or unoccupied 30 days or more. (Vacancy Permit).
- Ask your Advisor about the limitations and/or exclusions for the 'freezing peril'.
- Prior to completing renovations.
- Also provide your Advisor with an emergency contact when out of country.

Tenant Insurance

- Usually cost effective. (\$200 - \$300/Yr.)
- Coverage provides them with:
 - Liability Insurance.
 - Additional Living Expenses.
 - Contents.
- If the tenant has insurance there's a higher chance they'll come back as their costs are covered.
- Make the following a requirement in the lease:
 - Notify you if they'll be away for 30 days or more.
 - Freezing Peril requirements added to the lease.

Creditor Life vs. Real Life Insurance.

Creditor Life (Mortgage Life Insurance):

- Unlicensed representatives
- In many cases post claim underwritten.
- Premium remains level but coverage reduces.
- If both pass away only the mortgage is waived.
- The bank is the beneficiary.

Life Insurance from an Insurance Company:

- The Advisor is required to carry a license.
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Types of Life Insurance

Permanent Insurance:

- Powerful tool used in estate planning.
- Helps transfer the estate to the next generation in a tax efficient way.
- Allows you to grow additional funds tax free or deferred, depending on the structure.
- Like purchasing an asset.

*******Major tax changes for certain permanent policies issued after December 31, 2016.***

Term Insurance:

- Used to cover off immediate needs such as:
 - Debt (mortgage, business loans etc.)
 - Funeral Costs.
 - Income Replacement.
 - Education costs for children.
- Lowest cost at the beginning of the term.
- Can be costly if needed for a very long period of time.
- Will always have an expiry (Age 75, 80 or 85).

