

Residential Rental Property Owners

Attached are a few key points to consider when insuring your rental property. It's critical to understand that insurance policies, coverages, limitations and exclusions vary between companies. You should review your existing insurance policy and talk to an Advisor to see how these items apply to your policy as your insurance company may have additional requirements.

What some companies are doing to reduce claims costs:

- Limiting coverage for water damage.
- Increased deductibles.
- Limiting coverage for windstorm and hail.
- Removing replacement cost.

What Coverage Should you Consider:

- Minimum \$50K - \$100,000 sewer back-up.
- Replacement Cost on building and contents.
- \$2,000,000 Liability
- Flood Coverage
- Rental Value (Loss of Income).
- If possible Tenant Vandalism.

Additional Items to review:

1) Vacant or Unoccupied –

All coverage ceases on most policies when your home is vacant or unoccupied for 30 days or more. Check with your insurance company to see how this applies to you and if this would apply if only one of your units are vacant in a multiple occupancy home.

2) Freezing Peril –

Depending on the type of policy you have, there may be limitations, exclusions or warranties in place when the home is unoccupied for 4 days or more during the heating season. As an example some insurance companies may require that you arrange for a competent person to check the home daily (not every few days but DAILY). Instead you may be able to shut off your water line and drain all pipes. Usually if you do one of these things then they would cover the resulting water damage if a pipe were to freeze and burst.

3) Renovations –

If the renovations increase the rebuild cost of the home make sure to discuss this with your insurance adviser in advance as they may have to increase your building limit accordingly. Also, depending on the extent of renovations you may need to add 'Courses of Construction' coverage and construction liability. **These changes have to be made prior to the commencement of renovations.

An example of such renovations include but are not limited to: adding a wing on to the home, finishing an unfinished basement, replacing lower grade materials with higher grade materials (i.e. Replacing laminate countertops with granite etc.), renovations that require engineers such as moving load bearing walls.

4) Lease –

It's beneficial to require your tenant carry Tenants Insurance with a liability limit of no less than \$2,000,000 and Sewer Back-up Coverage. Your lawyer will know how to word this properly in your lease. Also ask your Advisor if they have additional requirements. This is beneficial for the following reasons:

- Ensures your tenant does not lose everything if they are liable and cause third party damage.
- Helps with retaining tenants after a claim. For example if there is damage in the premises the tenant will have coverage for not only their belongings but also additional living expenses which increase the chances that your tenant will come back when repairs are complete.
- Adds an extra layer of liability insurance.

5) Rooming and or boarding houses, student houses –

This is NOT typically covered under the policies unless special coverage has been arranged. Make sure to notify your advisor if the use of the premises is going to change.

6) Material Change in Risk –

Lastly and most importantly make sure to have regular discussions with your Advisor to ensure your file is up to date. A material change is defined as **“a substantial and continuing change to your situation that affects and increases the risk involved to insure your property.”** For example, if you no longer rent this home to families and start renting out individual rooms (rooming house) then this is a material change in risk and a claim could be denied. However, if you rent your property as two units (basement and upper level) and simply replace one tenant with another family then this is not a material change in risk. If you have a claim after a material change in risk has occurred then the insurance company could deny this claim. Here's a few more examples of a material change in risk:

- Renovating or building additions to your home or other buildings.
- Switching your main source of heating.
- Adding solar panels.
- Home sitting vacant.
- Changing the occupancy from renting the entire house as one unit to now having two suites (basement and upper level).

If you have questions do not hesitate to give us a call.

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