

## What Landlord Insurance Covers —and Homeowners Doesn't

If you're planning on renting your property you must have a Landlord's Policy which is not the same as an Owner's Policy. Some landlords rely on their homeowners insurance to cover their rental units. It is important to know that your homeowner's policy most likely will not cover damage to your rental property, unless you are only renting out a portion of the home you are living in. It will also likely not provide coverage for liability claims.

As a landlord, you need greater protection in certain areas that homeowners don't. Landlord Insurance will protect you if your property becomes uninhabitable. Under any covered loss, you're covered for the rental income you would have received from your tenants for as long as it takes to replace or repair your rental unit, up to 12 months, subject to the particular terms of your carrier.

Landlords require greater liability protection against injury claims or property damage. Insurance includes liability protection, typically covering you for legal counsel and fees and any damages that you might be obligated to pay. And in case you're sued due to a covered loss, your carrier steps in to provide legal counsel to defend you.

Landlord insurance is vital if you own a rental property. It protects you from expensive damage to your property due to accidents and natural disasters, and loss of rental income.

## What Is Landlord Insurance?

Landlord insurance provides coverage for property owners renting out one or more residential homes, townhomes or condos. As a landlord, you need protection from financial loss that may result from damages to a rental property due to fire, break-in, severe weather and more. You can get insurance to help cover loss of income in the event that your rental units become uninhabitable due to circumstances beyond your control.

Depending on the insurance company you work with and the options you choose, your policy may consist of some or all of these types of insurance:

**Property damage:** This covers damage to your buildings and personal property due to fire, storm damage, theft, vandalism and tenant damage. Ideally, your landlord insurance will cover the replacement costs for your entire rental property in the event of a total loss.

**Liability insurance:** This coverage protects you against liability claims and lawsuits. Whether a tenant, visitor or even a trespasser is injured on your rental property, you could find yourself in a legal mess. Your liability insurance will help you cover the costs associated with bodily injury claims on your property. These costs can include medical payments, funeral costs, legal fees and judgment or settlement costs. You will also be covered if you, as the landlord, are found responsible for another person's property damage. For example, if you neglect to fix a leaking water pipe and mold damage destroys a tenant's expensive collection of vintage albums, a liability claim can be filed against you by the tenant.

**Loss of income:** This insurance will help compensate you for lost income in the event that a rental property becomes uninhabitable due to a covered loss, such as a storm or apartment fire. Your loss of income coverage, or “rental reimbursement,” will prevent you from losing the income you would have had if you were collecting rent.

**Optional coverage:** As a landlord, you can buy additional coverage, such as rent guarantee insurance, natural disaster insurance, employer liability insurance and landlord contents insurance to cover your personal property items such as furnishings or carpet in the rental property. Landlord insurance protects you from damage to your property and from liability claims. Let’s look at a few examples of how landlord insurance works.

**Rental property damage example:** In the event that a lightning strike starts a fire that causes substantial damage, your landlord insurance can help pay for the repairs or rebuilding. Your property damage coverage has limits – be sure you are aware of what they are, and remember that you will need to pay a deductible before you’ll get any reimbursement from your insurer. If you have loss of income coverage, you can be compensated for the rental income you will lose during repairs.

Note that landlord property damage insurance sometimes pays for tenant damage, and sometimes it will not. Taking a rental deposit at the time your tenant signs a lease is a good idea. You can also ask your agent if you can add coverage for tenant damage.

**Landlord liability example:** Let’s say a visitor comes to your property and is injured in a fall. If that visitor fell because he tripped over his own shoelaces, you shouldn’t have a liability claim on your hands. If the visitor is staying with one of your tenants and falls in the shower, you also will likely not be held responsible. That incident would potentially fall under the renter’s liability insurance.

However you may be liable if the visitor tripped due to negligence on your part, such as icy walkways around your building or broken steps on a stairway. In this case, the visitor could file a claim against your insurance policy to cover the costs of medical care. If the injury is severe or the negligence considered egregious, the visitor may file a lawsuit against you. Your landlord insurance can cover your costs up to the limits on your policy, after your deductible amount is paid.

Landlord insurance is important because it protects you from financial loss resulting from accidents, natural disasters, injuries and other liability issues associated with your rental property. It also provides reimbursement for loss of rental income and can cover any repairs or even the entire replacement of a rental property structure.

## **What does Landlord Insurance Cost?**

The cost of landlord insurance can vary considerably based on a number of factors. You may see rates as low as \$500 per year for a small rental unit, or several thousands of dollars per year for a larger unit with a swimming pool. If you rent out a house that you eventually plan to sell, you

may pay about 25% more for your landlord insurance than you were paying for homeowners insurance.

Some of the factors that will affect your premium costs include:

- Your geographic location and any known risks in the area
- The size of the structure
- How many rental units you have
- The age and condition of the building
- Whether your electrical wiring is up to current code
- Whether you allow smokers to rent from you
- Whether you have a swimming pool
- The type and amount of coverage you are purchasing
- Whether you have burglar alarms

You might want to call several insurance agents to compare coverages and price before deciding which carrier is best for you.

Yes, you can deduct landlord insurance premiums you pay on your rental property, including any landlord insurance policies on the building, contents and liability. Because being a landlord is a business endeavor, your landlord insurance is considered a business expense.

## **Can Landlords Require Renters Insurance?**

Although there is no federal or state law requiring tenants to have renters insurance, as a landlord it is fully within your legal rights to require this as part of the rental agreement. Stipulated in a rental agreement, this requirement must apply to every tenant. A landlord can also require that a tenant have a specific amount of insurance, provide proof of coverage and require that the tenant maintain the policy for the duration of a lease.