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## Background

- We specialize in Multi-family and other Lessors Risks around the country
- InsuranceHub is based in Metro Atlanta, Georgia
- Established in 1985
- Over 20,000 clients nationwide
- “One-stop” agency: business lines, personal lines, benefits, bonds, financial services, HR services



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## Objective

To cover important coverages for older (30+ years) multifamily risks in the least boring way possible!

- Quick Overview: What does Liability coverage protect against?
- Quick Overview: What does Property coverage protect against?
- What factors do insurance companies use to rate your property?
- How do I get discounts on my insurance policy?
- What are features in older buildings that may cause me trouble?
- Insurance Claims: Statistics & Facts
- How have insurance rates been affected by wildfires & other Natural Disasters?
- Should you require tenants to carry renters insurance?
- Key Takeaways
- Q&A



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## What does Liability Insurance Cover?

- Injuries to residents & guests (uninvited or not) that were sustained on property grounds
- Includes injuries due to 3rd parties
- Discrimination Lawsuits
- Dog Bites

### Important Notes!

- Make sure all hired contractors provide their own proof of insurance
- Failure to properly maintain common areas (stairways, hand railings, parking lots, etc.) can result in you being held liable if there is an injury on property

#### General Liability

##### Definition:

Provides your business protection against alleged bodily injury and property damage claims by tenants and visitors due to your business's products, services, or operations that occur on your property's premises.

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## What does Property Insurance Cover?

- Damage due to: Fire, Lightning, Wind, Hail, Explosions, Smoke, Vandalism, and Water (from plumbing)
- Flood and Earthquake Options
- Equipment Breakdown
- Business Income/Loss of Rents
- Tenant Theft or Damage

### What is not covered by my property policy?

- Property damage due to neglect
- Property damage due to general wear and tear
- Fraudulent claims

#### Property Policies

##### What's the Purpose?

To make you whole again after a claim due to theft, destruction, or damage from a covered cause of loss

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## What factors do insurance underwriters use to rate my policy?

#### Lauren's Pro Tip:

Before closing on a property, make sure to request 3-5 years loss history from the current owner.

If the loss history is clean, you'll get better insurance rates!

Is the Loss history not clean?

- Use it as a bargaining tool when buying the property!
- Get ahead of potential issues the building has faced in the past

### General Liability

- Area & associated crime score
- Presence of amenities:
  - Pools, playgrounds, gyms
- Number of Units
- Occupancy Rate
- Loss History

### Property

- Age of building(s)
- Type of construction
- Total square feet
- Replacement Cost (Total Insured Value)
- Age of: Roof, HVAC, Wiring, and Plumbing
- Safety features
  - Sprinklers, burglar alarms, fire alarms
- Loss history
- Likelihood of damage due to a disaster

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### Pool Safety

- Update pools to comply with Virginia Graeme Baker Act (est. 2008)
  - Install drain grates/covers that meet current safety standards
- Enclose and secure access to pool area to residents only
- Post pool hours
- Post pool rules in plain sight
- Provide life-saving equipment in plain sight
- Make sure depths are clearly marked
- No diving boards or slides

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### Insurance Discounts!

Insurance carriers give discounts if the following is present (and in working order):

- Sprinkler system
- Central station burglar alarm
- Central station fire alarm

**Lauren's Pro Tip:**  
Even if you don't have any of the above, it is imperative you have working smoke detectors in every unit.  
Property claims have been denied in the past due to owners not providing or checking that smoke detectors were working.  
Move-in "gift" for your tenant?  
- Mini-Fire extinguishers! (~\$15)  
- Portable Carbon Monoxide detectors! (~\$15)  
Leave them in each unit before the tenant moves in, and replace (as needed) when tenants move out.



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### Trips, Slips, & Falls

The most common liability claims

- \$54,000 average cost of a premises liability lawsuit<sup>i</sup>
- 51% of plaintiffs win premises liability claims<sup>ii</sup>
- \$4 Billion average total amount paid out in premises liability claims per year<sup>iii</sup>

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### Top 10 Most Expensive Types of Small Business Claims <sup>i</sup>

- Reputational harm: \$50,000
- Vehicle accident: \$45,000
- Fire damage: \$35,000
- Product liability: \$35,000
- Customer injury or property damage: \$30,000
- Wind and hail damage: \$26,000
- Customer Slip and fall: \$20,000
- Water and freezing damage: \$17,000
- Struck by object: \$10,000
- Burglary and theft: \$8,000

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### The 5 Most Expensive Types of Homeowner Claims <sup>i</sup>

- Fire & Lightning = \$68,322
- Customer Bodily Injury = \$26,085
- Property Damage = \$12,322
- Water Damage & Freezing Pipes = \$10,234
- Wind & Hail = \$10,182

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### Ordinance or Law

Provides coverage of the cost to update building features to bring the building up to current codes

**Lauren's Pro Tip:**

It's important to remember that codes can change overnight - even if your building isn't over 30 years old. It may be a good idea to carry this coverage!

This coverage is available on commercial buildings and dwellings (even on your homeowner's policy!)

1. Coverage A - Cost to Update the Undamaged Portion of the Building
2. Coverage B - Cost of Demolition to the Undamaged Portion of the Building
3. Coverage C - Increased Cost of Construction

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## How can I reduce the likelihood of a claim?

- Establish (and keep) a maintenance schedule:
  - Unit, ground, and exterior building inspections
- Be proactive about repairs:
  - Keep roofs clean from debris & replace if needed
  - Fix loose handrails and stairs
  - Fix any exposed wiring
  - Replace light bulbs
  - Fix any cracked/raised concrete
- Provide fire extinguishers in units and hallways
- Keep Carbon Monoxide detectors in all units
- Smoke detectors in all units (common hallways, bedrooms, and kitchen)
- Install fire alarms, if budget allows
  - "test all detectors periodically"
- Do not allow the tenants to:
  - Keep or use grills on their patios
  - Allow smoking in their units
- Trim trees back from roofline
- Post hazard signs around areas needing repair
- Install deadbolts & change locks after each tenant moves
- Encourage tenants to report any safety hazards they see
- Require contractors to show proof of insurance

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## What would make my property ineligible for standard carrier coverage?

The presence of any of the following will make you ineligible for most standard insurance companies:

- Aluminum Wiring
  - Used in builds between 1960's-1970's
- Polybutylene ("PB") Plumbing
  - Used in builds between 1978 - 1995
- Wood-Burning Fireplaces
- High Vacancy Rates
- High Crime Score
- High Claims History over the past 3-5 years

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## Wildfires & Other Natural Disasters

- Natural Disasters = Higher Rates
- \$232B in damage caused by natural disaster events in 2019, with only 30% was covered by insurance (\$71B) <sup>i</sup>
- Catastrophe claims decreased from 2017-2018, but severity of claims increased <sup>ii</sup>
- Over a 20 year period (1997-2016), catastrophe claims were made up by:
  - 39.9% = Tornadoes (inc. subsequent wind/hail/flood issues)
  - 38.2% = Hurricanes and tropical storms
  - 7.1% = Other wind/hail/flood
  - 6.7% = Winter storms
  - 5.9% = Terrorism
  - 2% = Wildfires
  - 0.2% = Civil disorders, water damage, utility services disruption <sup>iii</sup>

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## Wildfires

Top 5 States at risk:

1. California
2. Texas
3. Colorado
4. Washington
5. Oregon

In 2019, 4.5M US homes were at high-risk of wildfire, with more than 2M in California alone

## How to Protect your Older Building:

- Update older buildings to comply with the 2008 California 7A Building Code designed for fire-prone regions by updating buildings with fire resilient construction materials for roofing and siding<sup>i</sup>
- In October of 2019, California Governor signed Assembly Bill 38- a pilot program providing \$1B in loan funds to help homeowners retrofit their properties.<sup>ii</sup>

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## Insurance Trends

- Property markets are hardening, especially for dwellings
- Wind/Hail is more readily carrying a pieced out deductible (2%, 3%, 5%), or being excluded completely
- Carriers are now checking zip codes. Properties located in wildfire-prone zip codes will be run through a wildfire tool to determine the degree to which a specific risk is susceptible to wildfire
- A matrix is used to determine eligibility based on the results (Nationwide underwriter)

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Should I require tenants to carry renters insurance?

**YES.**

### Why?

- Protects tenant's personal property
- Reduces risk of a lawsuit against you
- Protects you as the owner against negligent destruction of property
- Provides bite-liability
- Can weed out undesirable tenants
- Inexpensive (avg. \$15/month)
- Lowers the chance of *your* insurance increasing due to claim caused by tenant
- Some options provide loss of income if tenant skips rent or vacates unexpectedly

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### Key Takeaways

- Maintain proper insurance
- Make property maintenance and property safety a priority
- Bring buildings up to code
- Require tenants to provide proof of renters insurance upon lease renewal, or take matters into your own hands and maintain insurance for renters yourself!

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### Keep in Mind!

- Insurance values on building ARE NOT RELATED to market value
- Working with a lender? They may have their own set of insurance requirements!
- Doing renovations? There's a policy for that!
- Other types of insurance to consider:
  - Workers Compensation
  - Umbrella

**BE PROACTIVE, NOT REACTIVE!**

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### How to Reach Me

Call or Text: **888.588.4028**  
E-Mail: [L.Lieb@insurancehub.com](mailto:L.Lieb@insurancehub.com)

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