

# 10 Steps to reduce your rental property insurance costs

**Insurance Bureau of Canada recognizes there are challenges with insurance affordability issues facing rental property owners. Here are 10 tips to help you achieve savings, not only today, but in the long-term.**



## **Search for the best broker for your business.**

You should work directly with an independent commercial insurance broker that has experience in insuring residential rental properties (apartments, single family rentals, duplexes, triplexes, etc.). Be sure that the broker represents multiple insurance companies that offer specialized insurance for rental properties. This is extremely important for many reasons: no one insurance company is interested in insuring every rental property since geography, condition of the building and the value of the building plays a big part in whether they will offer coverage. Using a broker representing multiple insurance carriers ensures there are options for your coverage, which can include the broadest coverage and most competitive price for your specific rental properties. Such a specialist also knows how to best protect your assets because they are working with properties similar to yours each day.

## **Review the insurance deductible.**

Deductibles are the amount of money you have to pay towards a loss before your insurance company starts to pay a claim on your policy. The higher the deductible, the more money you can save on your premiums. Insurance companies typically require a deductible of at least \$1,000. If you can afford to raise your deductible to \$5,000, you may save as much as 25% on your property insurance premium. You can also raise your deductible on problem areas of your portfolio, such as wind/hail/sewer back-up/flood. It may be a wise choice to have an increased deductible if you have had prior losses.

## **Consider whether you need replacement cost or actual cash value settlement value.**

If there was a total loss to your rental property, would you rebuild in the same location (similar to what you had before) or would you prefer to settle the loss on an Actual Cash Value basis and sell the land without a building for someone else to develop? You can lower your insurance premium through an Actual Cash Value policy. Be sure to have an Actual Cash Value appraisal conducted to inform the limit of insurance you need and to help you define the claim payment after the loss.

## **Combine policies/locations onto one policy.**

In most cases, it is more cost effective to combine your single location insurance policy with your other single location insurance policies. This provides the benefits of scale along with simpler insurance management and accounting. A rental property insurance specialist can (when using the correct insurance program) combine single detached, duplex, and multi-plex buildings together which reduces the issues faced by single location insurance policies when a building becomes vacant or under renovations.

## **Improve security/fire safety.**

Smoke, fire, water, burglar and CO2 detectors when monitored by a central alarm company can deter incidents and report incidents early with a quicker response from emergency responders.

## **Improve the housekeeping and appearance of your property.**

A property that is organized and looks good from the exterior, and interior, tells a story when the property is inspected. Most insurance companies will Google property photos and/or inspect the property before or after the policy is issued. If the property is in poor exterior/interior condition they may elect to not offer insurance or not renew the policy. Keep combustibles away from the electrical and furnace/hot water tank area, limit the use of extension cords for power (use approved electrical protocols), fix loose or broken steps, clear snow and ice from walkways regularly, address water drainage issues now (extend downspouts), and fix loose or curled shingles. Properties with updated mechanical, electrical and HVAC are more attractive to insurers.

## **Ask about other discounts.**

A number of discounts may be offered by companies, but they may not offer the same discount or the same amount of discount in all provinces. Insurance knowledge can be powerful. Be informed.

## **Require all tenants to carry renters insurance.**

Many rental property owners have a clause in their lease requiring the tenant to carry renters/tenant's insurance. This coverage protects the renter if their property is lost, but it also protects the rental property owner if actions by a tenant cause significant damage through negligence (tenant's legal liability insurance). This allows a rental property owner and its insurer to pursue the tenant and ask them to reimburse you for your losses, and can include items currently not insured by your own insurance program. By having the tenant responsible for damage caused through negligence, your insurance policy will have fewer claims and your premiums will remain stable.

## **Work with your broker/agent – keep them informed.**

Your insurance professional can provide important advice to help protect your business from unexpected disasters. You need to keep your broker/agent informed about any major changes in your business. This includes major purchases/renovations, expansion plans, change in ownership or the nature of your operation. Ask your insurance professional what you can do to minimize risks of fire, water, theft and injury to guests/workers on your site.

## **Business continuity planning.**

Ask your insurance professional if they can help you find a business continuity planning specialist to help you develop a functional business continuity plan. Your plan should be customized for you and the risks that your business faces as well as strategies to mitigate the risks and survive and thrive after the event.

If you have any questions about your commercial insurance policy or want more details about the current market conditions, visit [www.businessinsurancehelp.ca](http://www.businessinsurancehelp.ca) or call 1-844-2ask-IBC.