

# What Landlord Insurance Do I Need?

Landlord insurance is important to protect anyone who has a rental property. There are multiple types of real estate insurance that you need, and there may be different kinds of coverage within those insurance categories. Whether you rent an entire property, multiple units, or even have a short-term rental, you need the right insurance coverage.

The type of coverage you need depends on the type of rental you have, the size of your investment, and the specific risks that you need to insure. We spoke to attorney Kyle Bachus of Bachus & Schanker, about the types of landlord insurance that you may need.

## What Landlord Insurance Do I Need?



The landlord insurance you need is property protection and liability coverage. Property insurance covers damage to the property that can be costly, like damage from natural disasters. Liability insurance covers your own legal liability if you're sued because of the condition of the property. All landlords should have property and liability insurance. Other landlord insurance you may need is flood, earthquake, vandalism/burglary, construction, and building code error insurance.

## **Do You Need Homeowner Insurance and Landlord Insurance?**

Yes, you need home insurance and landlord insurance. Your homeowners insurance alone doesn't cover damages that occur to a rental property. In addition, a homeowners insurance policy alone doesn't cover commercial use of the property like a short-term or long-term rental. Whether you need a separate landlord insurance policy or a home insurance policy that also covers renting a portion of the property, you need both home insurance and landlord insurance to protect your assets and investments.

## **What Is Landlord Liability Insurance?**

Landlord liability insurance is insurance that covers you from lawsuits. When you're sued because of a condition on the property, or a failure to maintain the property in a particular condition, landlord liability insurance can cover you. Landlord liability insurance is distinct from property insurance in that it protects you for damages to your home. Instead, landlord liability insurance pays for damages and legal expenses when someone brings a lawsuit against you because of your rental property.

# The Different Types of Landlord Insurance

There are two primary types of insurance for landlords – property insurance and liability insurance. The different types have very different functions, and they cover different things. As a landlord, at a minimum, you need both types of insurance. There are different subcategories of coverage, and some other types of insurance that you can purchase, but you at least need some of both property and liability insurance.

## Property Insurance

Landlord insurance begins with protecting the value of the physical structure itself. You need coverage in case something happens to damage or destroy the rental unit. A rental property is valuable to you not only because of rental income but because of the value and appreciation of the property itself. The property is something that you need to protect. You use property insurance to protect against damage to the property.

Property insurance protects against things like storms and other natural disasters. It protects the dwelling itself, and it may also protect other structures like a garage, shed, fence, or parking structures. In addition to basic property insurance, you may need to add coverage for floods or earthquakes.

As you consider property insurance coverage, it's important to be aware of what is and is not covered by the policy. You may select a policy that includes coverage for personal property.

Things that you use to keep up the rental property, like a lawnmower, snowblower, and tools, can be covered. However, personal items that are unrelated, that you simply choose to store at the rental aren't going to be covered. Another type of coverage that you can get is loss of rental income. If

something happens to the property, it may be uninhabitable for some time. If that happens, you're not earning rental income, at least temporarily. If you rely on the rental income, that can be a considerable loss. Fortunately, you can protect against loss of rental income through your landlord property insurance. If you want this type of coverage, be sure that it's included in the type of policy that you're considering purchasing.

## **Liability Insurance**

Property insurance alone isn't enough to protect your interests as a landlord. While property insurance protects the investment in your physical building itself, you still run the risk that someone brings a lawsuit against you. For example, someone might claim that you failed to properly maintain the structure of the building, which resulted in a slip and fall accident. They might claim that failing to follow building codes resulted in an electrical fire.

Whatever the cause, legal liability to a third party isn't covered by your property insurance. You need a separate liability insurance policy. A legal liability policy can cover you for both the judgment against you and the legal expenses you have for fighting the lawsuit. Without liability insurance, you're left to defend the lawsuit on your own and pay the judgment out of your own assets. You need liability insurance to go along with your property insurance to fully protect yourself and your investments as a landlord.

## **Other Types of Insurance**

In addition to property and liability insurance, there are a few other types of insurance that you should consider. Vandalism and burglary insurance provide coverage when crimes occur that damage your property. Construction insurance applies if you have damages before the building is even complete. Building code insurance can help if you need to

rebuild because of problems with a building ordinance that applies to your property. Insurance doesn't cover things like broken appliances or furnaces. You need to pay these types of expenses from your own funds.

## **Is Rental Property Insurance Cheaper Than Homeowners Insurance?**

No, rental property insurance is not cheaper than homeowners insurance. Typically, rental property insurance is 15-25% more expensive than homeowners insurance. The reason that rental insurance is more expensive is because of an increased likelihood of claims. Even though rental property insurance is not cheaper than homeowners insurance, you can tailor your insurance for the deductibles, coverage, and premiums that suit your circumstances.

## **Insurance for Landlords**

All landlords need insurance. Be sure to compare deductibles, coverage limits, and coverage types as you choose your policies. Insurance for landlords is an integral part of making your rental a success.

About Kyle Bachus



Kyle opened Bachus & Schanker, with little more than a tiny, rented office and a lot of determination. Starting with less than \$15,000, their business has grown into one of the largest, most well respected personal injury law firms in Denver, Colorado. Kyle and his partner Darin Schanker are committed to understanding the circumstances confronting their clients, and ensuring that responsible parties are held accountable for damages they have caused.