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## PROTECTION PLUS

### KEY FACTS & FREQUENTLY ASKED QUESTIONS

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#### Does every property qualify for cover?

Most properties do qualify provided the monthly rent is \$1000 or above and the property is fully managed by a professional property management agent. Cover is not available for a leasing only arrangement with the agent or if it's within the five boroughs of NYC. If you take the property back to self-manage, your insurance is void and you can apply for a pro rata refund.

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#### Is loss of rent between tenancies covered?

If your tenant has moved out at the end of the lease and it takes a few weeks to re-lease the property that is not considered an insurable risk but rather the risk of doing business in that market. The policy is designed to cover loss of rent as a result of the actions of the tenant, not the market.

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## What type of events can I claim as malicious damage?

Malicious Damage presumes intentional, spiteful or vindictive damage carried out by the tenant with the intent to damage the Landlord's Property. This may be their reaction to being evicted or perhaps they have had a domestic dispute and lost control so they lashed out against the walls and doors. In most states it is a crime or felony. Children or Pet damage is not covered under the policy the only exception is a service or companion animal as defined in the policy document. Here are some examples of what is and what isn't malicious damage. We suggest that the property managers asks themselves two questions before reporting a malicious damage claim:

**Q.1**

**Would I be prepared to report the tenants to the police for committing the crime of malicious damage?**

If your first response is to hesitate or to immediately say no, the chances are it is not a malicious damage claim. In some circumstances the underwriters will appoint a loss adjustor to inspect the damage and they may insist that you report it to the police.

**Q.2**

**If we cleaned up the mess and garbage all over the place, would the floors or cupboards underneath actually be damaged or just exceptionally dirty?**

If there was no physical damage to the landlord's property once you cleaned up the mess, then you do not have a malicious damage claim. If the tenant has left the property in that condition then the clean up costs can be deducted from the security deposit if that is allowed in your state.



## **Examples of what IS considered malicious damage:**

- A tenant removes an internal wall to enlarge a room without landlord permission,
- The construction of a wall by the tenant without approval,
- Tenant sets fire to the landlord's property with the intent to burn the place down,
- Concrete is poured down the kitchen sink and bathroom drains,
- Extensive graffiti on the walls,
- Damage as a result of the tenant being attacked in the property which causes damage,
- Cupboards being pulled from the walls, doors torn off their hinges.
- A tenant committing suicide in the property,
- Punching holes in walls or doors
- Gouging of walls or use of a hammer to damage walls,
- Plugging up the bath and intentionally allowing water to over flow through the property.

## Examples of what IS NOT malicious damage:

- A red wine spill that stains the carpet,
- A scorch mark on the kitchen counter top from a frying pan,
- When the tenant uses bleach to clean up their mess and it ruins the carpet or floor,
- A hot iron or cigarette leaves a scorch mark on the carpet,
- Holes left in walls from the tenants hanging pictures or other decorations,
- Children drawing on walls or spilling their paints on the carpet,
- Coals that escape an open fire and leave scorch marks on the carpet,
- The tenant had a party and the carpets and curtains have had alcohol spilled on them,
- Tenant's dog was locked inside all the time and had ruined the carpet and scratched the doors.

## Arrears at policy commencement - For existing tenancies

If the tenant's rent payments were in arrears of the rent due date by 6 days or more in the two months immediately prior to policy commencement date, then the following limitation applies:

- This policy will not pay a claim for loss of rent from any cause, malicious damage, fire, explosion or theft.
- Once the tenant subsequently brings their rent out of arrears by paying their rent "on time" which means within 5 days of the rent due date (excluding further grace periods) for two consecutive months, this limitation will no longer apply to a future claim.

## Arrears at policy commencement - For new tenancies

If the new tenant has paid all of their financial obligations prior to moving into the property where a policy already exists, then the above limitation does not apply.

## Arrears at policy commencement - For new tenant - new policy

When a new policy is taken out just before or at the beginning of a new lease, then provided the new tenant has paid all of their financial obligations prior to moving into the property then the above limitation does not apply.

If a new tenant is allowed to move into the property before all of their financial obligations have been met then the above limitation will apply until all obligations are fulfilled.



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## **Now that this insurance is available, can I approve a tenant that would otherwise be denied?**

Your property manager is expected to screen your tenants in line with normal criteria and industry best practice. A tenant who would not otherwise qualify for the lease, should not be approved just because you purchase this insurance to offset a potential loss. This will not only result in having to release the property, but repeated claims due to poor tenant selection could lead to insurance renewal being denied.

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## **What happens with the security deposit now that I have Insurance?**

When something goes wrong, the security deposit usually falls short in covering all of your out of pocket expenses. This is the reason why Landlord Protection Insurance was created to protect your rental income. The security deposit can be used to cover the other financial obligations your tenant has to you under the lease agreement. Your property manager will know what they can legally deduct from the security deposit during the claim process and any remaining deposit can contribute towards your rent loss.

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## **Do deductibles apply to every claim?**

The only deductibles that apply are \$1,500 for a Malicious Damage or Theft claim. There is no deductible for lock box related theft claims. This deductible cannot be covered by the tenant's security deposit. Loss of rent claims will have the balance of the security deposit after covering allowable re-leasing expenses, deducted from the rent claim.



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### **What if I want to move into the property myself for a short time or sell it?**

As soon as the nature of the property use changes such as you move in or you put the property on the market to sell it you must notify us via your property manager and request a cancellation of cover. At which time we will refund you a pro rata premium. You have an obligation to notify us of any change including part of the property being used to carry out business or if you are doing extensive maintenance or renovations. The policy strictly only covers residential property that is for lease and managed by an agent anything else renders the cover void.

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### **Can I submit a claim for the re-keying of the locks any time?**

The policy covers you for the cost of re-keying locks in the event that there is a covered claim under this Policy. The re-key of locks cover is a benefit payable in the event the tenant does the wrong thing and presents as a risk to the landlords property. This means the cost to re-key locks in between tenancies where the lease is completed and rent obligations are paid, remain an expense for the landlord as the cost of doing business and are not claimable. The re-key is standard business practice between all tenancies not just those that go wrong.

## Master General Liability Overview

The Master General Liability is a beneficial product for both the landlord and the property manager. The liability is afforded for the specific property location. This policy would protect the landlord and property manager from claims that arise at the property in which the landlord and property manager might be listed in a lawsuit.

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### What is General Liability?

General Liability provides protection from lawsuits brought by a 3rd party for alleged bodily injury, property damage, personal injury, and advertising injury. (One common exclusion is fungi or bacteria)

### I already have general liability insurance as part of my dwelling policy. What benefit is this for me.

Most dwelling policies will have a liability limit of \$300,000 and maybe up to \$500,000. This protection extends coverage up to \$1,000,000 for both you and your management company. Most property management agreements require the owner to list the management company as additional insured. This condition is satisfied through Protection Plus.

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### What is Tenant Liability insurance?

Tenant Legal Liability coverage is for accidental tenant damage resulting from fire, smoke, backup or overflow of sewer, drain, water damage, and falling objects. The benefit is that your dwelling policy doesn't have to respond where you would end up paying a deductible and then trying to get reimbursed by the tenant. Then depending on the claim, your dwelling policy premium could increase upon renewal or not renewed at all.