



What coverage or exclusions to look out for in your insurance policy and how to close the gap.

**Investing is your business.
Insuring it is ours.**



Who are we?

- We are a full service insurance brokerage licensed right across Canada
- Commercial Insurance Broker with a focus/specialization in Real Estate Investing.
- Access to Best in Class Solutions throughout every stage of the Real Estate Investing Cycle.
- My job/role is to educate with respect to the gaps/risks associated with Real Estate Investing.



Most Common Pitfalls

- Named Perils vs. Broad Form Coverage
- Actual Cash Value vs. Replacement Cost
- Vacancy Allowance Period
- Vandalism caused by tenants
- Rental Income Insurance
- Co-Insurance vs. Stated Amount
- Water Damage
- Sewer Back-up, Flood & Earthquake



Named Perils vs. Broad Form

- Named Perils or Fire and Extended Coverage is limited to the perils “named” on the policy. For example, Fire, Lightning, Windstorm, Vehicle Impact.
- Broad Form or All Risk is more comprehensive and covers “all risks” of physical loss or damage except what is specifically excluded.

Actual Cash Value vs. Replacement Cost

- Actual Cash Value is the cost to replace the property minus a deduction of depreciation.
- Replacement Cost is the cost to replace the property with materials of like kind and quality, without depreciation. Replacement cost gives you “new for old”.



Vacancy Allowance Period

- Typical policies will only respond to a claim during the first 30 days of vacancy. If there is a claim and it was discovered that the building was “vacant” for more than 30 days, coverage could be denied. You must notify your insurance broker or agent if your property is vacant for more than 30 days.



Vandalism Caused by Tenants

- This is a very common exclusion on many rental property insurance policies. You retain the loss if your tenants vandalize the building.



Rental Income Insurance

- After an insured loss and during the period of restoration, rental income insurance will reimburse you for the rental income that you were getting prior to the loss. Check with your insurance broker or agent to be certain that you have this coverage.
- Is the Rental Income Insurance on an Actual Loss Sustained basis?



Co-Insurance & Stated Amount

- If your policy has a co-insurance clause, it means that you could be penalized in the event of a loss if your property is not insured to at least 80-100% (depending on your policy) of its true replacement value.
- Stated Amount is ideal. Once you and your broker have determined the estimated replacement cost of the structure, you can sign a statement of values form, which will go on file with your Insurer and eliminate the co-insurance clause.



Water Damage

➤ **Residential Policies**

- You may not be covered for water damage occurring during the normal heating season if your tenants are away for more than 4 or 5 consecutive days and have not either turned off the water or arranged for a competent person to enter the dwelling daily.
- You may not have any coverage for damage caused by water if your dwelling is vacant regardless of whether or not a vacancy permit has been issued.



Sewer Back-Up, Flood & Earthquake

- Always ensure you have these as part of your insurance package.



Tenants Insurance Recommendation

- Always recommend that your tenants have their own insurance, ie a 'Tenant's Package Policy (TPP)'.
- If there is a loss caused by the negligence of your tenant, your insurance company can subrogate against them. A tenant's insurance policy will protect your tenant.
- A TPP will pay for additional living expenses if the tenant has to leave your building due to physical damage.
- A slip and fall incident might also go back to the Tenant's policy if the Tenant was negligent. This might reduce the payout under your policy.



What type of properties are eligible?

- Single Family Homes
- Duplexes/Triplexes/ Etc.
- Apartment Buildings
- Commercial Buildings
- Mixed Buildings
- Condominiums Residential and Commercial
- Student Housing



Contact Information

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