

HAB/Lessor's Risk Playbook



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I. Buyer Persona: "Landlord Larry"

Background:

Larry, 60 years old, is the owner of several multi-family and commercial properties across the state. His real estate portfolio is diverse, ranging from apartment buildings, duplexes, to commercial office spaces.

Demographics:

Larry falls into the high-income bracket due to his successful real estate investments. He's married with three adult children and resides in an upscale urban area.

Identifiers:

Larry is detail-oriented, proactive, and highly risk-averse. He is technology-savvy and prefers digital communication for its efficiency and convenience.



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Goals:

Larry aims to ensure the longevity and profitability of his real estate investments through proactive property management, minimizing liability exposure, and having comprehensive insurance coverage.

Challenges:

He faces multiple risks like property damage, tenant injuries, loss of rental income, and potential lawsuits. Managing these while ensuring the properties' profitability and maintaining tenant satisfaction is his primary challenge.

What can we do:

Our agency can offer Larry tailored insurance solutions that comprehensively cover the specific risks associated with his multi-family residential and commercial properties.



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Objections:

Larry might be hesitant about switching insurance providers due to the perceived complexity and potential coverage gaps during the transition.

Marketing Message:

"Secure your real estate investments and maintain peace of mind with our tailored, comprehensive insurance solutions. We understand the unique challenges and risks associated with property management and offer the coverage that lets you focus on maximizing your returns."

Elevator Pitch:

"We specialize in providing tailored insurance solutions for landlords like you who are often:

1. Frustrated with managing the inherent risks of property management, such as potential property damage, tenant injuries, and loss of rental income.



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2. Concerned about business continuity, especially in the face of unexpected events like natural disasters or public health crises.

3. Desiring a more advisory level of service when it comes to your insurance program.

Our deep industry knowledge helps us design policies that not only safeguard your investment properties from potential risks but also align with your growth objectives. Partner with us to safeguard your real estate portfolio so you can focus on what you do best - maximizing returns from your properties.”

II. Initial Meeting Questions:

1. Can you tell me about your current insurance provider and why you chose them?



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2. What aspects of your current provider's service do you appreciate the most?

3. Are there any areas where you feel your current provider could improve?

4. How frequently does your current provider review your insurance coverage and conduct risk assessments?

5. Have you ever had to file a claim with your current provider? If so, can you share your experience?

6. Can you talk about any specific risks or concerns you have regarding your properties?



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7. What are your long-term goals for your property investments, and how does your current insurance coverage support those goals?

8. Have there been any significant changes in your properties or tenant demographics recently?

9. What are your expectations regarding communication and service from your insurance provider?

10. What kind of coverage are you currently lacking or believe you need more of?



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III. Setting Up your Pre-Close:

"Larry, I understand that your goal is to have comprehensive coverage for your properties that also supports your investment objectives. If we can demonstrate that we can provide the coverage you need, address your concerns, and do so within your budget, would you be open to considering us as your new insurance provider?"

Identifying Decision-Maker and Budget:

1. Who else, if anyone, is involved in making decisions regarding insurance for your properties?
2. Could you give an indication of what you've budgeted for insurance annually?

IV. Delivering the Rules of Engagement:

"Larry, to provide you with the best possible coverage options, we'll need to take a closer look at your properties and the potential risks associated with them. This may involve a review of your current policy, obtaining loss runs, and asking further detailed questions. This process will ensure we're able to offer the most effective solutions for you. Is there someone else on your team we should involve in this, or would you be the primary point of contact?"



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V. Risk Assessment

Company Profile:

1. Company Name:	
2. Location and Billing Address(es):	
3. Federal Employer Identification Number (FEIN):	
4. Website:	
5. Decision Maker's Name(s) and Contact Info:	
6. Insurance Budget:	
7. Total Annual Rental Income:	
8. Total Number of Properties and their individual values:	
9. Key Employees or Property Managers:	
10. Type of Tenants (commercial, residential, mixed):	
11. Maintenance and safety measures in place:	

Coverage Risk Assessment:

1. General Liability:

1. Have there been any past lawsuits or liability claims related to your properties?

2. Are there any amenities on your properties that might increase the risk of injury (e.g., swimming pools, playgrounds)?



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3. What safety measures and maintenance routines are in place to prevent accidents on your properties?

4. How do you handle tenant complaints about safety concerns or maintenance issues?

5. Are your properties compliant with all local and state building codes and safety regulations?

2. Property Damage:

1. Have your properties ever suffered major damage due to fire, natural disasters, or other events?

2. Are there any potential hazards near your properties that could increase the risk of damage (e.g., flood zones, earthquake-prone areas)?

3. What preventive measures are in place to protect against property damage?



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4. How often do you inspect your properties for potential maintenance issues or hazards?

5. Are all of your properties up to date with fire safety equipment, like fire alarms and extinguishers?

3. Loss of Rental Income:

1. Have you experienced loss of rental income due to property damage or extended vacancies?

2. What measures are in place to minimize vacancies in your properties?

3. Do you have a contingency plan to compensate for loss of income during major renovations or after a significant damage event?

4. How do you manage tenants who default on their rent?



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5. Are your rental income and expenses properly documented and tracked?

4. Worker's Compensation:

1. Do you employ any staff for property maintenance, management, or other tasks?

2. Have there been any worker-related injuries or illnesses on your properties?

3. What safety training or measures are in place for your employees?

4. Are all employment practices compliant with local and federal regulations?

5. How are worker's compensation claims handled, if any have occurred in the past?



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5. Umbrella/Excess Liability:

1. Given the nature of your business, have you considered an umbrella or excess liability policy for catastrophic events?

2. Do you have any activities or features on your properties that might increase the risk of significant liability claims?

3. Have you ever reached the limit of your current policies for a claim?

4. How do you evaluate the potential for catastrophic losses, and how has this influenced your insurance coverage decisions?

5. Based on your financial standing, how would a significant claim affect your business operations and financial stability?



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6. Risk Management and Safety Protocols

1. What risk management protocols do you currently have in place to minimize loss or damage?

2. Do you conduct regular property inspections and maintenance? If so, how frequently and who performs them?

3. How do you ensure safety standards are adhered to by tenants, visitors, and staff within your properties?

4. What procedures are in place for reporting and addressing safety issues or incidents that occur on the property?

5. Have you ever been subject to a lawsuit related to property safety or lack thereof? If yes, what was the outcome?



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7. Business Income

1. What is the potential loss of income if one of your buildings were to become uninhabitable due to a covered loss?

2. Do you have any business income protection currently in place? If so, what does it cover and what are the limits?

3. How long could your business sustain a loss of income from a major property and what is your plan for such an event?

4. Do you have a detailed inventory of your income sources for each property (e.g., rental income, service fees)?

5. Are you aware of business income insurance and how it can help you cover loss of income due to covered perils?



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8. Cyber Liability

1. Do you store sensitive tenant information digitally (e.g., personal information, banking details)? If yes, how is this information protected?

2. Have you ever experienced a data breach or cyber-attack? If so, how was it handled and what were the implications?

3. What protocols do you have in place to prevent cyber threats and how often are these protocols reviewed or updated?

4. How confident are you that your current cyber security measures could withstand a sophisticated cyber-attack?

5. Are you aware of the benefits of cyber liability insurance, and how it can protect your business from financial loss related to cyber threats?



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9. Professional Liability

1. Are you or your employees providing professional advice or services to your tenants, such as real estate consulting or property management advice? If yes, could you describe the nature of these services?

2. Have you ever had a claim made against you for negligence, inaccurate advice, misrepresentation, or violation of good faith and fair dealing?

3. Do you have a written contract or agreement that you use with your tenants or clients which includes the scope of your responsibilities and services?

4. Do you currently carry professional liability insurance? If so, what are your limits, and have you found this to be sufficient?

5. Are you aware of the coverage offered by professional liability insurance and how it can protect you from potential legal action due to errors, omissions, or negligence in your professional services?



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VI. HAB/Lessor's FYI

Dwellings

Category: Real Estate and Rental Property

SIC CODE: 6514 Dwelling Operators (excluding apartments)

NAICS CODE: 531110 Lessors of Residential Buildings and Dwellings
531311 Residential Property Managers

Suggested ISO General Liability Code: 63010, 63011, 63012, 63013

Suggested Workers Compensation Code: 9012, 9015

Description of operations: Dwellings are residential structures built to provide living accommodations for one individual, a group of individuals, or a family through a rental agreement called a lease. The owner may provide items such as kitchen or laundry appliances to be used by the tenants. The dwelling premises may include outbuildings, such as a storage shed or garage. The leases can be offered on a short-term basis or for an annual term with renewal extensions available.

Apartments

Category: Real Estate and Rental Property

SIC CODE: 6513 Apartment Building Operators

NAICS CODE: 531110 Lessors of Residential Buildings and Dwellings
531311 Residential Property Managers

Suggested ISO General Liability Codes: 60010, 60011, 60012, 60013, 60015, 60016

Suggested Workers Compensation Codes: 9012, 9015

Description of operations: Apartments are residential structures built to provide living accommodations for multiple individuals, groups of individuals, or families through a rental agreement called a lease. Apartment buildings can be one story or multi-story, include two through dozens of living units, and may provide services such as clubhouse facilities, fitness center, laundry, parking garages, playgrounds, and swimming pools. The owner may provide items such as kitchen or laundry appliances to be used by the tenants. The premises may include outbuildings, such as a storage shed or garage, that tenants can rent for an additional charge. The leases can be offered on a short-term basis or for an annual term with renewal extensions available.

Duplexes and Doubles

Category: Real Estate and Rental Property



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SIC CODE: 6514 Dwelling Operators (excluding apartments)

NAICS CODE: 531110 Lessors of Residential Buildings and Dwellings
531311 Residential and Property Managers

Suggested ISO General Liability Code: 63010, 63011, 63012, 63013

Suggested Workers Compensation Code: 9012, 9015

Description of operations: Duplexes and doubles are residential structures built to provide living accommodations for two separate individuals, groups of individuals, or families through a rental agreement called a lease. Duplexes and doubles have often been converted from other original occupancies, particularly larger homes that have been remodeled into two units. The owner may provide items such as kitchen or laundry appliances to be used by the tenants. The dwelling premises may include outbuildings, such as a storage shed or garage. The leases can be offered on a short-term basis or for an annual term with renewal extensions available.

Office Buildings

Category: Real Estate and Rental Property

SIC CODE: 6512 Nonresidential Building Operators

NAICS CODE: 531120 Lessors of Nonresidential Buildings (except Miniwarehouses)

Suggested ISO General Liability Code: 61212, 61216, 61217, 61218

Suggested Workers Compensation Code: 9012, 9015

Description of operations: Office buildings lease commercial space to various tenants, including professional service providers, medical providers, and sales offices. The area may be open or divided into smaller rooms. Meeting space, storage areas for supplies, and a break room with a refrigerator and microwave oven may be included in the office space. The leases can be offered on a short-term basis or extend through a number of years.

Shopping Centers

Category: Real Estate and Rental Property

SIC CODE: 6512 Operators of Nonresidential Buildings

NAICS CODE: 531120 Lessors of Nonresidential Buildings (except MiniWarehouses)

Suggested ISO General Liability Code: 67635, 67634

Suggested Workers Compensation Code: 9012, 9015



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Description of operations: Shopping centers lease space to retail and service tenants. The leased space may be all under one roof or separated into multiple buildings adjacent to each other. Parking lots are generally included for the convenience of the tenants' customers. Shopping centers can be of the strip mall type with as few as five tenants or may be large mall-type mega centers. The leases can be offered on a short-term basis or extend through a number of years.

Mobile and Manufactured Home Parks or Courts

Category: Real Estate and Rental Property

SIC CODE: 6515 Operators of Residential Mobile Home Sites

NAICS CODE: 531110 Lessors of Residential Buildings and Dwellings
531190 Lessors of Other Real Estate Property

Suggested ISO General Liability Code: 46202

Suggested Workers Compensation Code: 9012, 9015

Description of operations: Mobile and manufactured home parks or courts provide lot space for residents of mobile and manufactured housing units. The term "manufactured home" refers to those produced after June 15, 1976, while "mobile home" refers to those produced before that date. Some parks rent lots and hook-ups to utility services on either a long-term or an overnight basis. Others offer mobile and manufactured home transport services, tie-down services, repair services, skirting services, or sales or rental of owned units. Mobile and manufactured home parks or courts may have a swimming pool, retail convenience or grocery store, laundry, tennis courts, playground, or other recreational facilities. Some parks occupied on a seasonal basis permit mobile and manufactured homes or campers to be left in the park for storage in the off-season.

Lessor's Risk Only Insurance

Lessor's Risk Only (LRO) Insurance, also known as Landlord's Insurance, is a specific type of liability coverage for individuals who lease at least 25 percent of their building. LRO is common among owners of apartment buildings, warehouses, retail buildings and commercial office space, and it may be required in your area

What is covered?

LRO is a broad coverage that will cover many types of loss, including theft, vandalism and damage to property, and will also provide tenants and their customers with property



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damage and liability coverage. Many policies will require that tenants secure their own property damage and liability coverage in addition to the owner's coverage.

For example, LRO would cover the following events:

- Fire
- Injury to tenants or customers due to an unsafe building
- Weather-related damage
- Automobile impact
- Vandalized light posts and windows
- Burst pipes
- Flooding

LRO will not cover a tenant's personal possessions—which would generally require a separate Renter's Insurance policy—or routine maintenance to the building. Some policies may be expanded to cover pollution liability or the loss of important data, such as proprietary computer data or sensitive documents.

Considerations

LRO coverage can be tailored specifically to a specific building. Specific hazards may need to be added when purchasing an LRO policy, as coverage requirements differ from area to area.

Certain buildings may not be covered, depending on the square footage. Also, buildings with severe electrical hazards, malfunctioning smoke detectors or that do not have fire extinguishers or sprinklers may not be covered.

Coverage limits generally go up to \$1 million per occurrence and a \$2 million to \$5 million aggregate, but can be increased depending on the nature of the tenant's business.

Property Management Professional Liability Insurance

Property managers wear many different hats in the course of their jobs. In addition to overseeing the maintenance, security and overall welfare of the properties they manage, at times they may also function as leasing agents, real estate agents, appraisers, consultants or construction managers. To do so, they must be knowledgeable and up to date on zoning regulations, tenant laws, tax information and property values. In addition, they are responsible for making sure lease agreements, purchase and sale agreements, and work orders are complete, accurate and submitted to the proper authorities when necessary.



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Due to the wide array of duties and responsibilities they have and the tight deadlines they operate under, even the most thorough and meticulous property managers inevitably make errors. Whether it's an error of commission, such as entering the wrong information into a purchase agreement, or an error of omission, such as failing to disclose known pollutants, the result is often the same—a lawsuit.

Without the right type of insurance, the cost of defending a lawsuit can be financially devastating for a property management company. Property managers often mistakenly believe their Commercial General Liability (CGL) policies will protect them from lawsuits stemming from a negligent act, error or omission, but a typical CGL policy only covers bodily injury, property damage, personal injury and advertising injury claims. To protect themselves from claim—such as negligence, misrepresentation, inaccurate advice, and violation of good faith and fair dealing—property managers must instead turn to property management professional liability insurance.

What is Property Management Professional Liability Insurance?

Property management professional liability insurance, also known as Errors & Omission (E&O) insurance, is supplementary liability insurance designed to safeguard a business against a catastrophic loss in the event of a lawsuit due to a negligent act, error or omission by the property manager or someone in his or her employ. The policy covers the sizable legal defense costs incurred during the course of a lawsuit as well as the final judgment if the business owner does not win the lawsuit. In addition to claims of error, omission or negligence, this type of coverage can also be designed to protect against slander, libel and breach of contract. Policies typically do not provide coverage for non-financial losses or for intentional or dishonest acts.

Property management professional liability insurance policies generally have both a claim limit and an annual limit, which is based on the insured's exposure. The claim limit is the maximum amount that will be paid for any single event, and the annual limit is the maximum that will be paid in any one year. Typical limits range from \$250,000/\$500,000 to \$2,000,000/\$4,000,000 and differ depending on the individual business. Because there isn't a standard policy, an experienced agent who understands your needs is invaluable.