



Why You Should Require Renters Insurance in the Lease



Yes, you can require a tenant to buy and maintain renters insurance as a requirement of the lease. Furthermore, doing so certainly benefits the landlord just as much as the tenant.

Many tenants simply assume that a landlord's insurance policy covers their personal property in the event of damage to the dwelling.

For you, the landlord or manager, renters insurance is an extra layer of protection in this litigious world.

For a tenant, it's relatively inexpensive, often less than \$11 per month, and shouldn't cause a burden except to the most financially strapped of tenants. Most people can simply add it as a discounted rider to their existing auto insurance policy (if they have one).

Since [laws vary by state](#), speak to an attorney about adding a mandatory renters insurance clause to your leases.

1. It Mitigates the Threat of a Lawsuit

The top benefit of requiring tenants to purchase renters insurance involves keeping you out of court. When damage occurs to a renters belongings, and if the tenant does not have rental insurance, there's a high probability the tenant will try to claim some type of landlord responsibility

2. It Reduces Your Responsibility

If the worst happens and there's a fire or other disaster, you might feel responsible for finding your tenants a temporary place to stay. In [certain states](#), you are considered responsible and must provide relocation benefits. To make things worse, while in the midst of dealing with your property damage, you're also trying to negotiate lodging or other necessities on your tenant's behalf.

Tenants with renters insurance don't have to rely on your good will or ability to pay for their temporary housing. **That's their insurance company's role.** You shouldn't have that hassle while you're trying to get a handle on your own losses.

3. It Weeds Out Bad Tenants

If you require renters insurance and your applicant complains that he can't afford it, that's a red flag before you review the application.

If someone can't afford to pay the low monthly rates for renters insurance, just how close to the edge are they living? What are the odds that they won't have the monthly rent money?

Renters who live paycheck to paycheck are fine people, but they make horrible tenants.

4. It Covers Your Deductible

If a tenant damages your building, such as inadvertently causing a fire, your insurance policy may pay the repair costs. However, you're still stuck paying the deductible – which can be a substantial amount of money.

If the tenant does have renters insurance, the policy should cover your homeowner's insurance deductible – thereby making an unfortunate situation somewhat easier to deal with.

5. It Gives You Peace of Mind

Realizing you won't face lawsuits and pay the accompanying legal fees for issues that aren't your responsibility takes a load off your shoulders. It should also improve your relationship with your tenants, as you're not viewing them as prospective litigants should they experience personal emergencies.

Sample Lease Clause

Here's a sample lease clause that you could use to require renters insurance, however please have a local attorney review the clause above for your own usage. I am not a lawyer, nor is this legal advice.

REQUIRED RENTAL INSURANCE. Landlord, Owner, or Manager does not maintain insurance to cover the personal property of Tenant(s) or personal injury to Tenant(s), their guests or occupants. Tenant(s) is required to obtain rental insurance in the amount of \$300,000 personal liability and \$25,000 property damage from whatever cause to his person or property and to the person or property of those on the premises with his consent, and Tenant(s) shall indemnify and hold all other parties harmless from all claims arising from any such injury or damage throughout the term of the tenancy. Tenant(s) is responsible to obtain insurance within seven (7) days of residing on the Premises. Should any injury or damage occur within the first seven (7) days or prior to obtaining rental insurance, Tenant(s) shall indemnify and hold all other parties harmless from all claims arising from any such injury or damage.

Perform Annual Checks

Just because your tenant showed you proof of rental insurance when signing the lease doesn't mean he didn't let the policy lapse.

For best results and continued peace of mind, have your tenant show you proof of insurance annually – typically as a requirement for renewal. If renters insurance is a mandated part of the lease, the tenant's canceling or allowing the policy to lapse is grounds for termination.

Why Require Renters Insurance

Do you have questions? Call us at 562-595-5355. We'll be happy to help!

