

REIN™ Asset Protection Program by Phil Jarvie of HUB International

Presented July 2010 Exclusively to The Members of REIN™



R.E.I.N. ASSET PROTECTION PROGRAM

Common Coverage Pitfalls we see when reviewing REIN members policies.

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Agenda

- Common pitfalls that we see on REIN members policies
- Insurance recommendations & Comments
- **Why Members Choose Our REIN Insurance Program**



Most Common Pitfalls

- **Named Perils vs. Broad Form Coverage**
- Actual Cash Value vs. Replacement Cost
- **Vacancy Allowance Period**
- Damage/vandalism caused by tenants

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Most Common Pitfalls

- **Rental Income Insurance**
- Co-Insurance & Stated Amount
- **Water Damage**
- Commercial vs. Residential
- **Sewer Back-up, Flood & Earthquake**



Named Perils vs. Broad Form

- Named Perils is limited to the perils "named" on the policy.
- Broad Form is more comprehensive which covers "all risks" unless it is excluded.

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Actual Cash Value vs. Replacement Cost

Actual Cash Value Coverage:

The cost to replace the property minus deduction of depreciation.



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Actual Cash Value vs. Replacement Cost

Replacement Cost Coverage:

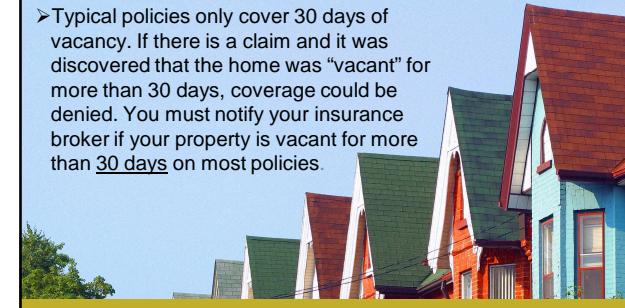
The cost to replace the new property with materials of like kind and quality, without depreciation.

The difference is that ACV takes depreciation in consideration and replacement cost does not. Replacement cost gives you "new for old".



Vacancy Allowance Period

➤ Typical policies only cover 30 days of vacancy. If there is a claim and it was discovered that the home was "vacant" for more than 30 days, coverage could be denied. You must notify your insurance broker if your property is vacant for more than 30 days on most policies.



Damage/Vandalism Caused by Tenants

Very common exclusion on most rental property policies.

You retain the loss if your tenants damage or vandalize the home.



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.**
- **Key Question: Is the Rental Income Insurance on an Actual Loss Sustained basis?**



Co-Insurance & Stated Amount

➤ If your policy has a **co-insurance clause** – 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 way 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 a vacancy permit has been issued or not.



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Commercial vs. Residential

- Commercial – Commercial General Liability, Rental Income, Extra Expense, more extensions tailored to being a “business owner”, hence investor.
- Residential – Personal Liability, Additional Living Expenses



Sewer Back-Up, Flood & Earthquake

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



Insurance Recommendations/Comments

- Tenants are recommended to purchase tenants insurance.
- How much should you insure your building for?
- Contents Insurance limit?



Tenants Insurance Recommendation

- Always recommend that your tenants have tenants insurance.
- If there is a loss and the tenants are deemed negligent, if they have insurance, your insurance company can recover the loss from them, hence less amount claimed on your policy.
- If there is a slip and fall incident and your tenant was negligent, it will likely be your policy that responds if your tenant does not carry insurance.



How much should you insure your building for?

- You should insure your building for the amount of money it would cost to rebuild the structure.

The cost of land or the market value of the property does not have any bearing on the cost to rebuild.

- Don't forget to take in consideration **Detached Structures** – Coverage for sheds, detached garages and other structures not connected to the main dwelling itself.



Contents Insurance Limit

You should insure your contents for the figure it would cost to replace them.

Being a “landlord”, there may be some items such as appliances and furniture that you own and would want to replace following an insured loss.



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Our Insurance Program Coverage Highlights

- EXCLUSIVE TO REIN MEMBERS:
- **120day Vacancy Allowance**
- Vandalism & Malicious Acts caused by tenants covered up to \$25,000
- **Replacement Cost**
- Rental Income Insurance – Actual Loss Sustained
- **Automatic contents limit of \$5,000**
- Commercial General Liability -\$2,000,000 +
- **Flood, Earthquake & Sewer Back-up**



Continued....

- Extensive Policy Enhancements:
 - Automatic contents coverage -\$5,000
 - Water damage
 - By-laws Coverage
 - Ice Damming
 - Debris Removal
 - Inflation Protection
 - Master Key Coverage
 - Extra Expense
 - Land and Water Pollution Clean Up Expense



Continued...

- Newly Acquired Locations (90 days)
- Exterior Building Glass
- Building Damage by Theft
- Growing Plants, Trees, Shrubs or Flowers in the Open
- Accounts Receivable
- Fire Fighting Expense
- Valuable Papers
- Transit
- Electronic Data Processing Equipment & Media
- Fine arts
- Installation Floater



Continued....

- Professional Fees
- 3D Crime Coverage - \$5,000
- Contents Off Premises in custody of sales Rep.
- Exhibition Coverage



Questions? – Contact Information

Melinda Eagles	905-582-7077
Philip Jarvie	905-582-7086
Toll Free	800-263-2383



reinrapp@hubinternational.com