

A photograph of two women standing on a rooftop terrace. The woman on the left, with curly hair and wearing a red shirt, is holding a tablet and looking at it. The woman on the right, with straight hair and wearing a dark blue jacket, is looking at the tablet. In the background, there are mountains and a cityscape under a clear sky. The terrace has a dark metal railing and some outdoor furniture is visible.

# Streamlining Insurance in Multifamily

A guide to simplifying insurance management, ensuring compliance, and protecting your properties and residents.





WELCOME

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## Introduction

With the spate of natural disasters that have impacted the US in recent years, having the proper insurance coverage in place is more important than ever. It's impossible to know when a fire, earthquake, tornado or some other calamity or injury will happen on your properties, so lacking the proper insurance coverage can turn that disaster into your worst nightmare.

When dealing with thousands of units, staying on top of individual renters' policies and your master policy can be very time-consuming and tedious, especially when the process is manual. Residents have a lot on their mind when they're in the process of moving into a new place. Finding the right insurance provider and obtaining a renters insurance policy might not be on the top of their to-do list and may get overlooked.

Currently, only 55% of American renters have renters insurance<sup>1</sup>. There are a number of reasons why renters say they don't have renters insurance, ranging from the low perception of their belongings' value, the belief that nothing bad enough will happen, the hassle of obtaining a policy, and the expense. Essentially, there is a lack of awareness and misconceptions about coverage, and the perceived cost and complexity are the main culprits behind people forgoing this valuable protection.

This is a good opportunity for you to educate applicants and residents alike. First of all, it's important to stress that in the grand scheme of things, renters insurance is relatively inexpensive. The average annual cost is \$173 per year and deductibles are approximately \$250, on average, for renters insurance across the United States, according to Assurant<sup>2</sup>.



**55% of American renters have renters insurance**

Next, you need to address misconceptions about who is responsible or liable in certain situations. Research shows that nearly 60% of renters don't know who is responsible for theft or damage in a rental unit or mistakenly believe it's the property owner's responsibility. Take the time to educate renters on what their responsibilities are when damage or theft occurs. For example, if a water heater bursts in their unit and damages the apartment below, the responsibility lies with the individual renter. As such, both property owners and renters should be responsible for their own protection and renters insurance is the best way to do that.



**Nearly 60% of renters don't know who is responsible for theft or damage in a rental unit or mistakenly believe it's the property owner's responsibility.**

Managing insurance for both large and small multifamily portfolios alike isn't a task for the faint of heart. You have to take into account and keep track of coverage of individual units, determining not only coverage at move-in, but whether that coverage is maintained over the life of the lease and is updated if the lease is renewed. When this is done manually, it can eat up a significant amount of your site team's time, but it doesn't have to be this difficult. When you consolidate insurance management into a single platform—including individual renters insurance, insurance verification, and master policy, you can rest assured your properties have the necessary coverage at any given time.

Over the course of this ebook, we will review the best practices for each of these elements of an effective insurance program, including the importance of finding the right master policy, eliminating any potential gaps, and how to ensure renters maintain compliance with your requirement to maintain insurance throughout the life of the lease.



## SECTION I

# Master Policy

When building out a successful insurance strategy for your properties, you must first consider what type of master policy you want to provide you coverage across your entire portfolio. The master policy provides blanket coverage and streamlines the overall insurance management for property owners with large portfolios.

The master policy will protect you from damage to physical structures on your properties, including vandalism, fire, storms, and some types of water damage. In addition to that, it will provide you with general liability coverage to protect you against injuries and other damage that occurs that is your responsibility. Probably one of the most beneficial features of a master policy is it can protect you against delinquent rent, limiting your financial exposure in the event a resident skips out on their lease.

The primary reason to have a single master policy is that it's much easier to manage one policy across your entire portfolio than managing individual policies for each property you own. Beyond ease of management, it's much more cost effective to have one master policy.

### Benefits of a Single Master Policy

1. Easier to manage
2. More cost effective
3. Eliminates coverage gaps

Finally, it provides you continuous coverage, even if resident policies lapse, which eliminates potential gaps that might occur otherwise. This helps mitigate potential risk and liability you might otherwise face.

### Master Policy Essentials

When choosing a master policy that best meets your properties' needs there are several criteria to consider, including coverage limits, cost of the deductible, risk tolerance, and any exclusions the policy contains.

### Master Policy Considerations

1. Coverage limits
2. Cost of deductible
3. Your risk tolerance
4. Identifying exclusions

### Coverage limits

You want to make sure that your policy has sufficient limits to cover the total value of all of the structures in your portfolio. For example, if the total value of your properties is \$50 million, you should have at least \$50 million in coverage, if not more, to take into account potential appreciation of your properties. Property owners also need to take into account potential liability when deciding on coverage limits because if someone is injured on your property due to your negligence, you are



responsible. More information about coverage limits can be found on the National Association of Insurance Commissioners website.

### **Cost of the deductible**

Balancing the cost of the premium vs. the potential cost of the deductible is important. How much are you willing to pay out of pocket to fix damage before filing an insurance claim? Higher deductibles will lower your fixed premium cost but could prove to be a burden when disaster strikes.

### **Risk Tolerance**

When structuring a master insurance policy, it's essential to carefully assess your organization's risk tolerance in conjunction with its financial capacity to absorb potential deductibles. Entities with a lower risk threshold or limited liquidity may find it prudent to opt for a lower deductible, even if it entails a higher premium. Conversely, those comfortable assuming greater risk and possessing ample liquid assets may elect a higher deductible to secure a lower premium. For further guidance on determining an appropriate deductible level, consult the resources provided by the Insurance Information Institute.

### **Identify exclusions**

Finally, you'll want to have a keen understanding of any potential exclusions to your coverage. Every policy excludes certain events or circumstances, so take the time to understand what is and isn't covered (common exclusions include earthquakes and flooding). Because of this it's important to find ways to address those gaps by purchasing supplemental flood or earthquake insurance to ensure you have adequate protection.

## **Section II: Make it super simple to obtain renters insurance**

Once you have the master policy in place, it's time to create a strategy to make it as easy as possible for residents to obtain renters insurance. Renters insurance is an HO4

insurance policy that offers many of the same benefits homeowners insurance provides but doesn't protect the actual building's structure, which is covered by the master policy.

### **Boosting renters insurance compliance**

Even though renters insurance is a requirement, half of all renters do not have a policy in place. This is why you need to take the necessary steps to ensure residents comply with this requirement. Below are a few tactics we've seen that, when put in practice, have a significant impact on the number of insured residents at the beginning of the lease as well as the number of residents that maintain coverage while residing at your property.

### **Reduce friction for residents to become compliant**

First, we suggest taking an integrated approach to your renters insurance that automates this process, saving your team time that can now be allocated to better-serving residents as opposed to being bogged down by administrative tasks. What we mean by that is you should be offering applicants the opportunity to purchase renters insurance directly from you when signing the lease. When it comes time to close, you want to remove as much friction as possible. Any hold-up or delays could result in the resident walking away and leaving for a competing property.

Even if they don't bolt, sending them to a third-party provider lengthens the time to close and also makes keeping track of the policy more difficult because you're no longer in control of the process. However, when properties have Renters Insurance from Homebody, they maintain control from the start of the application through signing. That's because residents can add a policy directly from the application, giving you the peace of mind that your units are covered and residents the peace of mind their personal property is protected.



### SECTION III

# Insurance verification

If residents opt to purchase from another vendor, it's important to have tools that make it easy for you to know which units are out of compliance. Most importantly because you'll want to be able to back-date your gap coverage on your master policy in the event something does happen, your property is protected. Secondly, you'll want to have a streamlined process for notifying and nudging residents to reinstate their policy.

In the past, this required a lot of manual effort by on-site teams. They would have to make calls to insurance companies, become registered as interested parties, and keep track of all the paperwork for each and every unit—and if there's one thing insurance companies love to do is drown you in paperwork—all of which took a lot of time and attention. Entrata's Insurance Verification Service will take on that ongoing pile of paperwork to free up your team to handle more high-value tasks.

## **What a good renters insurance program looks like**

To start, you want to make sure you're working with A-rated carriers. When you work with A-rated carriers it means that the carrier has been vetted and you can feel comfortable that they will be able to meet all of their obligations to you and your

residents. When working with lower rated carriers, you can't be as confident that they'll pay your claim, even if you've paid all of your premiums.

Next, you'll want to automate as many of the processes in your insurance program as possible. For example, when a resident's policy lapses, your master policy should automatically activate your gap insurance policy to maintain active coverage while mitigating risk at your properties. This will help you achieve your goal of 100% compliance from residents, while also enabling your staff to focus on meeting resident needs in other areas.

You'll also want to provide residents with a one-stop-shop that offers simple and affordable ways to fulfill your insurance requirement. Not to belabor the point, but today's consumer is used to simple, low effort processes for virtually everything they do in their life. The harder you make it the less likely you are to have a resident who renews their lease in the future.

Finally, one of the biggest benefits of bringing your renters insurance program in-house besides providing residents with a good experience is it will create ancillary revenue opportunities for your properties. And who couldn't use a little extra boost to the bottom line—especially in this economy?

## How Entrata can help

Entrata has a full-service insurance solution that includes Master Policy, Renters Insurance, and Insurance Verification that delivers end-to-end coverage of all your insurance related needs.

### Master Policy

Master Policy from Entrata ensures insurance coverage for every unit, whether or not residents have an insurance policy in place or not. Master Policy is customizable to meet whatever risk mitigation strategy your properties have. Entrata offers two flexible strategies to meet your needs. First, our standard policy requires or recommends residents provide their own insurance. Next, our blanket policy covers all units and automatically enrolls them into your Master Policy. From there, you can add a line item to the residents' monthly invoice to pay for the coverage.

### Renters Insurance

Renters Insurance from Homebody makes it easy for you to offer residents a policy directly from the rental application in just one click. Ninety percent of residents who sign up for renters insurance do so without any intervention from site teams. When residents are able to self-serve their insurance needs, it allows site teams to focus on tasks they're more suited to, while

Entrata's full-service agency handles any questions or claims residents might have. For student providers, take the opportunity to get the student signed up as opposed to having them added to their parents' policy. This will allow you to better take advantage of revenue sharing opportunities.

### Insurance Verification

When residents choose a third-party insurance policy, Entrata can review their policy and verify that it meets all community requirements. What was once all on the property manager's shoulders to make sure insurance is compliant, is now all on Entrata. Every cancellation notice, renewal, or non-paid notices are filtered through our team to manage - no policy goes left unnoticed.

This is beneficial to site teams because all they have to do is upload the policy into Entrata and Entrata Insurance Verification Service and let us handle the rest. Entrata will monitor the policy to ensure residents maintain coverage and notify you if/when coverage lapses, so you can follow up with residents until coverage is restored.

### Learn more

To learn more about Entrata's insurance services, [request a demo today.](#)

