Everything you ever wanted to know about renters insurance but were afraid to ask

There's a lot of risk and liability associated with owning a multifamily property. Whether your portfolio consists of hundreds, thousands, or tens of thousands of units, it's not a matter of if, but when some type of disaster will hit. Turn on the local news anywhere across the country and there's some type of apartment fire, flood, or tornado that's impacting an apartment community.

Your commercial policy will cover a lot of damage that's done to your properties, but you want to use that as your last line of defense. Smart property owners find additional ways to mitigate risk and spread out liability. One of the most popular ways to accomplish this is mandating renters insurance for residents.

In the past, implementing a renters insurance program proved to be difficult and time consuming. That's because tracking down policies and then ensuring they had adequate coverage to meet your requirements was a completely manual process. And that's just the beginning. If you want residents to maintain compliance, you have to spend countless hours keeping track of policies, cancellations, renewals, and non-renewals throughout the term of the lease.

Doing this for one resident is hard enough. Now multiply that by however many units you're responsible for. It seems like an insurmountable task. As a result, currently only 57% of residents have a renters insurance policy and 45% of those who start the lease with a policy will let it lapse.[1]

Luckily, recent advances in technology have simplified the process for implementing and managing a successful renters insurance program. Over the course of this ebook, we'll go over the steps for getting started, best practices for maintaining a program, and how renters insurance can actually give a boost to your bottom line (who can't use a little extra money, right?)

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[1] *How Many Renters Have Renters Insurance In America? 21+ Renters Insurance Stats!*

57%

of residents have a
renters insurance policy

45%
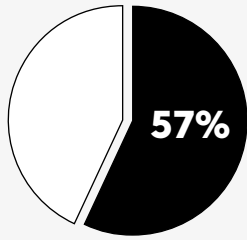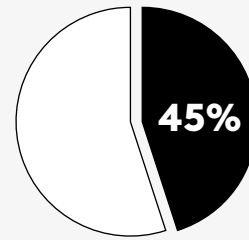
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will let it lapse

Intro to renters insurance

But before we get too far down the road on this topic, here's a quick refresher about what renters insurance is and how it can not only help you, but your residents as well.

Simply put, renters insurance is an HO4 insurance policy that offers many of the same benefits homeowners insurance provides, but doesn't offer protection to the actual building's structure. That would fall under the property owner's property insurance policy. The property owner will often also have a master insurance policy in place to provide gap coverage on units that are currently out of compliance with insurance mandates in place.

As mentioned, renters insurance is beneficial to property owners because it helps to lessen the amount of risk they're exposed to in the event of damage done to individual units at the property, but there are also a number of benefits to the resident as well. The most obvious being it protects their personal property. Additionally, it helps them stay in compliance with the lease agreement, preventing action being taken against them by the property owner.

Tips for increasing compliance among residents

If you do have a mandate for renters insurance in your lease agreement, it doesn't do much good if you aren't taking the steps to ensure residents are in compliance. 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 offering. 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 to a competing property.

Even if they don't bolt, sending them to a third party 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 Entrata ResidentInsure they maintain control from the start of application through signing. That's because residents are able to 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.

Have tools in place that take monitoring compliance off your plate

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 staff. 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 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.

Make your insurance program your competitive advantage — no, really

It might sound crazy at first that something like your renters insurance program can be one of your key differentiators, but when you take a closer look it makes perfect sense. The application process is one of the first experiences residents have with your property, and if you make signing the lease and moving in simple, you're starting the relationship off on the right foot.

That's why when you remove all of the hassle that used to exist in acquiring renters insurance and signing the lease, you're well on your way to creating a life-long resident who also won't hesitate to refer friends and family to your communities. The following section will dig into the steps to take to help make your insurance program your competitive advantage.
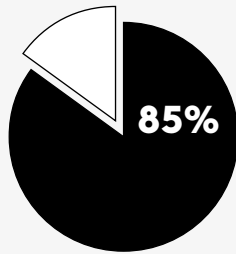
Find the right insurance partner

So what can you do to lay this foundation for your residents? The first step is finding the right insurance partner. Just like searching for personal insurance, this can be a time consuming and daunting process, but it will be worth the extra effort in the long run.

Some things to consider when evaluating potential partners include:

- Will you be able to access all of the necessary data needed to ensure compliance to your coverage mandates?
- Will the provider be able to integrate with the systems you're already using?
- Will you be able to handle the claims or collections in a timely manner from residents?

Make convenience a top priority

Residents are looking for convenience during the application process. Whether it's checking their credit or providing proof of insurance, you should look to remove any potential stumbling blocks along the way. A survey of Entrata users shows that 85% of resident policy holders are most satisfied with the convenience of shopping for a policy when required to do so.

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Deliver an embedded experience

One way property owners can make purchasing renters insurance more convenient is by offering an embedded experience as opposed to using a third-party integration to manage your insurance program.

Embedded experiences are seamless and don't require the applicant to leave your system. Leaving your system is bad for your customer for a number of reasons. First, going to a third-party provider might require your customer to create another account with another login to remember. Who wants another password to keep track of? Nobody that we know. Second, as mentioned before, any time an applicant is required to leave your system before completing the process gives them an opportunity to drop out completely.

Lead to Lease Flow

Apply

Evaluation

Move-In

Lead

Lease

Move-Out
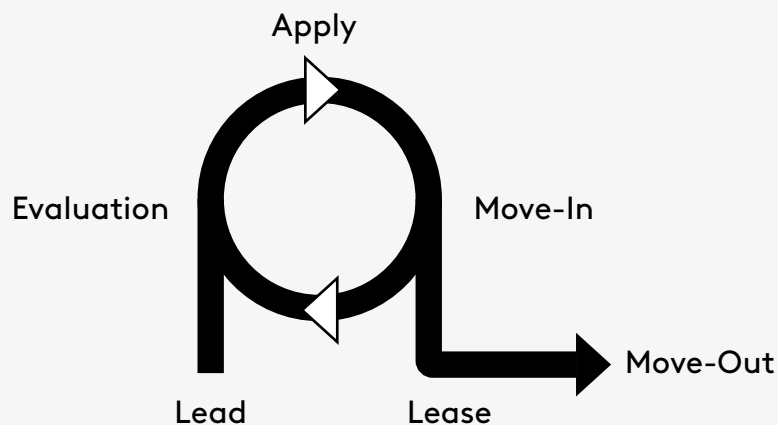
Offer deposit alternatives

One of the hardest parts of the application process for many potential residents is coming up with first and last month's rent along with a security deposit. That's why many property owners are turning to deposit alternatives. Deposit alternatives come in the form of surety bonds or rent guarantees, both of which function as insurance that protects the property owner in the event damage occurs during the lease or the resident fails to pay rent.

Deposit alternatives also provide users with a better move in and move out experience because there is one less thing for them to worry about at the beginning and end of the lease. Not to mention, the headaches it will save your staff in making sure deposits are returned to residents or from having to explain to the residents why they're not getting their deposit back.

Entrata's deposit alternative solution, DepisitInsure, allows you to remove financial barriers to entry for residents without lowering the cost of deposits or eliminating them to be more appealing, all while receiving more coverage to damage on the unit. DepositInsure also limits the liability on lost rent or damage to the unit.

What a good renters insurance program looks like

To start out with, 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.[2]

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 creates ancillary revenue opportunities. And who couldn't use a little extra boost to the bottom line—especially in this economy?

There are a couple of ways Entrata can help you earn ancillary income through your insurance program. First, is through marketing fees. This can come through referral bonuses per unit or per quote. Additionally, if you do opt to provide deposit alternatives as outlined above, that can act as another revenue stream for your business.

Looking toward the future of renters insurance

Up until recently, the property management space has been slow to change and adopt new technology for the most part. If it wasn't broken, don't fix it. But as residents became more used to automating and streamlining every facet of their life, it became time to adapt or die.

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[2] *Are You Using an A-Rated Insurance Carrier? Your Protection Could Depend on It*

Now that delivering a convenient experience has become normalized, the next area that is going to evolve is the types of coverage residents seek out, whether that is protecting against cyber attacks and identity theft or increased coverage against things like sewer backups that can cause damage to a resident's property.

How Entrata can help

Entrata offers a full complement of insurance programs that ensure total coverage is achieved, while also helping you maintain compliance and save your team time and money.

ResidentInsure

With ResidentInsure, residents gain access to renters insurance from you as part of the leasing experience. Our integration supports real-time reporting and is simple and straightforward for your team to manage.

MasterInsure

Ensure full coverage for every unit whether or not residents currently have policies in place, resulting in reduced liability and lower risk.

Insurance Verification

When residents choose a third-party insurance policy, Entrata can review it 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.

DepositInsure

Replace traditional, large cash security deposits with a deposit insurance policy from Entrata. This alternative provides residents with a low-cost, one-time fee for the resident while also increasing coverage for you.

Learn more about how Entrata helps businesses like yours build and maintain successful insurance programs by visiting entrata.com today

entrata

Entrata powers over 20,000 communities worldwide
helping clients achieve and exceed their goals.