



Effective Coverage • White Paper

# Resident Risk Management For COOs: Managing The Insurance Compliance Life Cycle



"Doing what you've been doing is going to get you what you've been getting."

-Seth Godin



Property management and owners are requiring renters liability insurance at an increasing rate, in an attempt to alleviate the financial burden of tenant-caused claims. However, when a loss occurs, such as a fire or property damage, trepidation and panic may spread across the property management team. Far too frequently, the policy has been incorrectly documented or canceled immediately after move in.

Significant property damage can lead to claims affecting a portfolio's loss runs for up to five years. Paying a 20% to 40% penalty on top of a seven-figure expense in a low-margin business is extremely hard to recover from.

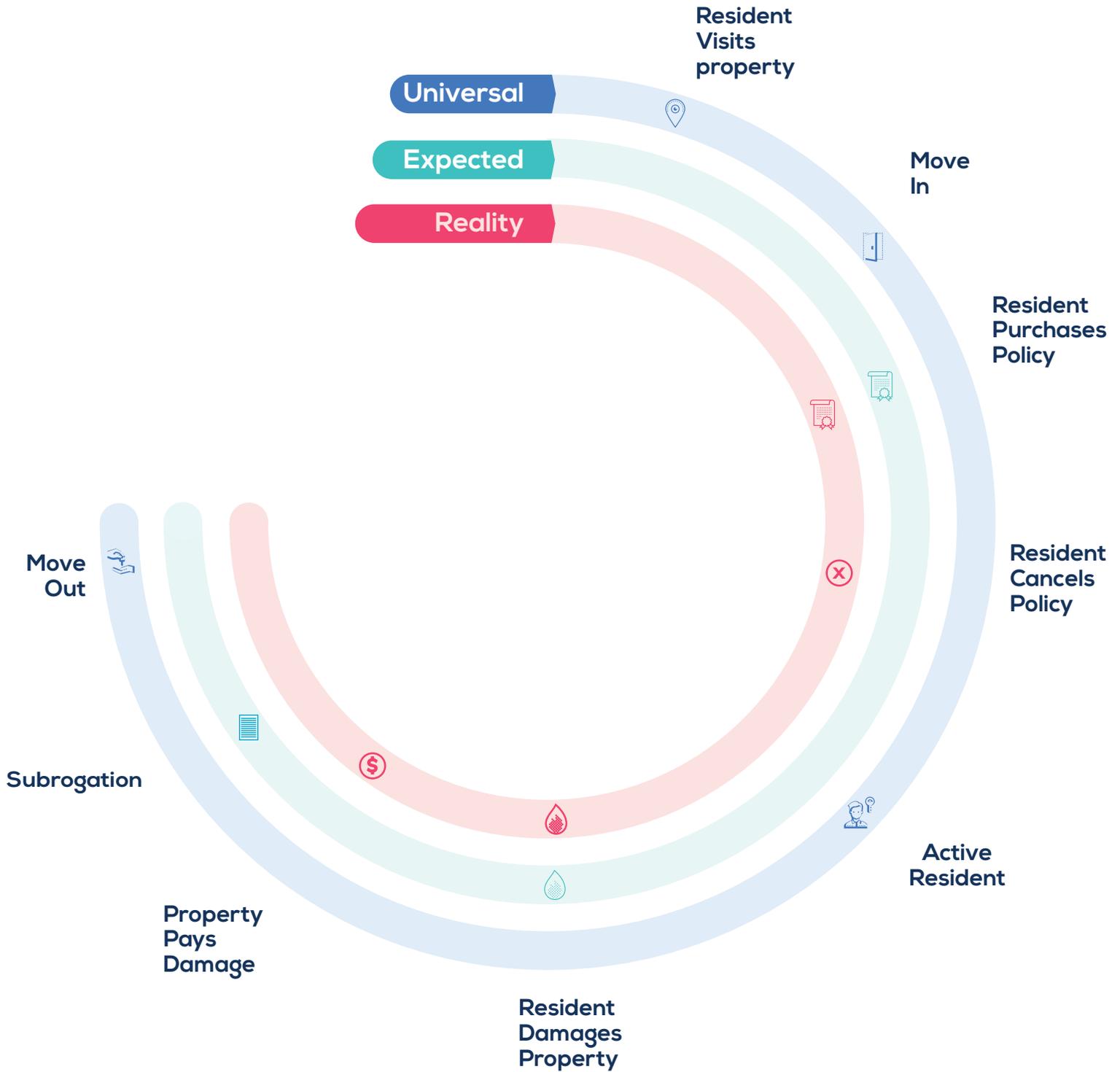
Insurance compliance is key in mitigating resident risk. The focus of this paper will be the effective management of the insurance compliance life cycle. Attention to detail is not just required at lease inception and renewal, but a 365-day effort.

We will review the best practices for managing resident risk, and maintaining compliance from the day the resident is approved, until move-out at the end of their lease.

## Insurance Compliance Life Cycle



# Insurance Life Cycle



# 1. Resident Visits Property



Transparency in both directions is key to ensuring a successful relationship when a prospective resident first visits a property. Open communication and offering concierge services to residents guarantees a successful first phase of the resident life cycle.

**Open Communication** The leasing staff is trained on how to best present the community as an attractive home for the resident, but they may not always convey renters liability requirements early on.

Letting the resident know of their responsibility to establish renters liability insurance before move in is a best practice. Being as transparent as possible from the beginning ensures cohesive messaging across every phase of the resident life cycle, and helps to establish protection in the event of a loss.

While in-person communication is best, effective communication can also be established through well-designed marketing materials placed in high-traffic areas,

## Food for thought:

Educating prospective residents about renters liability requirements should begin the moment they visit a property.

Provide prospective residents with well-designed marketing materials that easily explain renters liability insurance.

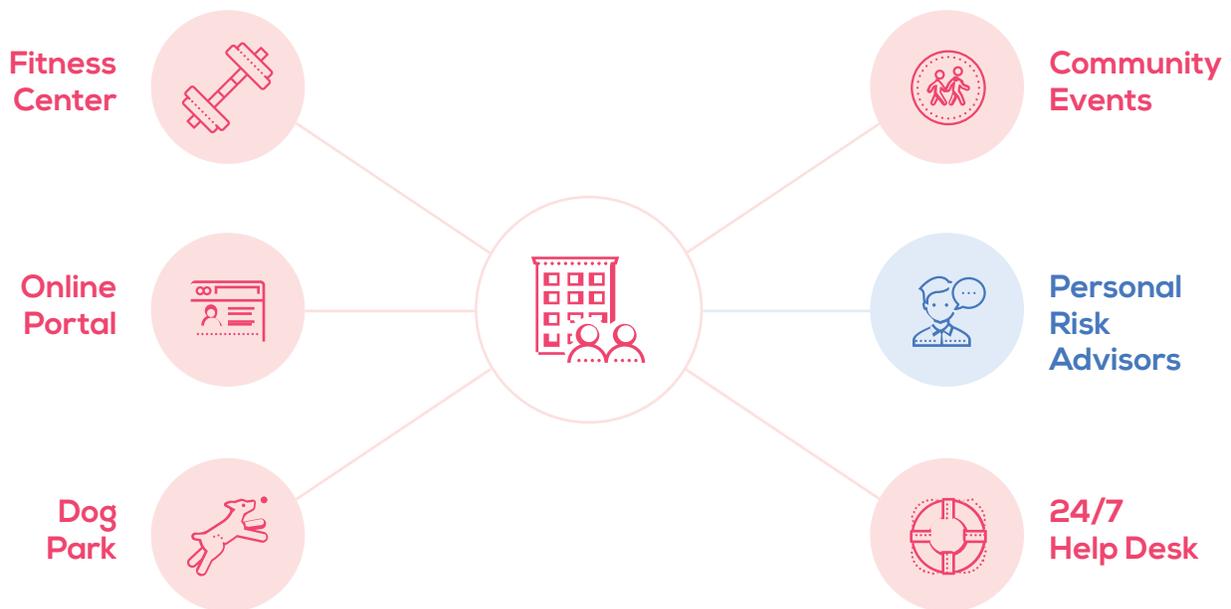
This helps to put the power back in the hands of the resident and affirms their choice in signing the lease.



**Personal Risk Advice** Offering residents concierge services can give your property a competitive advantage. Leasing staff can easily assist residents and answer questions about the property. But advice around an insurance policy should not be one of the services leasing agents offer. This should instead be provided by an insurance agent, who is licensed to provide advice about coverage and liability.

Including licensed insurance advisors as a part of your concierge services significantly simplifies compliance for residents. Residents can ask insurance advisors any questions they have when visiting the property for the first time.

Insurance advisors should be available to residents for coverage questions and guidance. They can recommend plans to cover liabilities and financial loss in the face of unforeseen events. Insurance advisors can also help facilitate communication between the insurance company and the resident, increasing the resident's understanding of their lease requirements.



Physical

Service

## 2. Resident Moves In



**The best opportunity to achieve insurance compliance is when the resident moves into your property.** By this time, they should already be aware of their renters liability requirements, and documentation should be in place. A mistake in this phase could wind up costing millions. Ensuring lease and liability conformity early on puts the burden of compliance back on the resident.

**Preferred Vs. Third-Party Provider Requirements** A preferred provider means establishing a relationship with an insurance company that provides value. Residents may choose how they want to fulfill their renters liability requirements, but they are encouraged to use a preferred provider to ensure complete cohesion with the lease requirements.

Preferred providers help to minimize frustration after a loss - if the resident has opted for a policy from your preferred provider, the coverage should be in accordance with the terms of the lease.

Emphasizing the resident's choice in how they want to fulfill their liability requirements is necessary. This means some residents will choose to use a third-party provider, even if a preferred provider has been offered. Tenants are less likely to protest lease requirements if they are able to choose how to remain compliant.



**Leasing agents are not trained in the insurance industry. Their skill set lies in resident management, not insurance document administration.**





**Professional Certificate Management** While preferred providers all sell renters liability insurance, not all will track and manage every certificate of insurance. It is critical that your provider tracks certificate compliance, as this greatly reduces the workload on leasing agents. A valuable partner will help with the entire scope of mitigating resident risk.

Burdening leasing agents with insurance document management takes away from their ability to help manage residents and the property. Managing insurance certificate compliance is a job by itself, and should be completed by those with training and skills in the insurance industry.

42% of all policies cancel for nonpayment. Do your leasing agents have the training to know the difference between an additional insured, an additional interest, or a third party designee? Do they know that language and forms differ between state lines? Getting these wrong can cost millions of dollars.

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# 3. Active Resident



**The resident has moved in and the flurry of activity surrounding the moving process has died down.** The resident is now a part of your community, and they should have a renters liability policy in place. But how do you know they did not cancel their insurance policy immediately after move in? What if the insurance they've purchased is not in accordance with the terms of the lease? And how do you enforce compliance?

**Additional Interest** On a renters liability insurance policy, an additional interest is a third party that is notified of any change in policy status; cancellations, lapses, renewals, or reinstatements. Sending the additional interest notifications to a centralized processing center removes the influx of mail to the leasing office, and further relieves leasing agents of the burden of reviewing insurance documents.

An additional interest is an excellent tool for managing and enforcing real-time compliance. Mandating an additional interest ensures problems are dealt with in a timely fashion - before the advent of a catastrophic loss. Mandating an additional interest ensures real-time reporting regarding the status of all policies.

**Insurance Compliance Fee** For residents who do not purchase any type of insurance coverage, implementing an insurance compliance fee program provides a recourse other than eviction. The fee should be retained to apply to future expenses associated with tenant negligence, above and beyond what is covered by a policy.

The best type of fee program is designed to put funds back into the hands of property owners, not insurance carriers. The freedom to choose how that fee revenue is spent should be the choice of the property owner - whether it's used to fund a captive, kept at the property level, or used to purchase additional insurance.

A fee program should be designed to drive profits to the property, not to insurance carriers.



**Renewal Education** Insurance policies often renew mid-lease and because of this, less than 2% of all policies and leases share the same end date. This increases the probability of coverage gaps midway through the cycle. It can also increase resident traffic to the leasing office. Every time a leasing agent has to engage in the insurance renewal process, the overall cost of operations has the potential to increase.

Requiring leasing agents to manage these disparate dates is costly. A leasing professional is trained to engage the resident during very specific times of the resident life cycle, and an arbitrary date on a renters liability insurance policy does not necessarily line up with that life cycle.

Efforts to remove the leasing agent from the policy renewal process are only successful if residents have an alternative method for submitting coverage. A preferred provider can easily manage renewal requirements through an online portal or email inbox at a centralized location.

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# 4. Move Out



**Insurance compliance doesn't terminate when a resident moves out.** Just as policies and leases often have different end dates, there are steps to take even after a tenant has moved out. A resident may opt to take their insurance policy with them to a new apartment, leaving behind a roommate with no renters liability coverage. Or perhaps they've failed to update the additional interest, which is still listed as your leasing office. How do you manage the influx of mail to the leasing office for residents no longer a part of the community?

**Non-Resident Policy Mail** If you have established your leasing office as the additional interest, the flood of mail notifications for former residents can quickly become overwhelming. Residents often continue to maintain their policies, but forget to remove or change the additional interest, especially if one is not required at their new residence. A centralized processing center can much more easily request removal, and process at scale.

**Policy Transfer** All residents in any given unit should be educated on how to completely transfer their insurance policy from your property to the next. Roommates left behind need to be made aware of their duty to acquire renters liability coverage if the person moving out is taking the policy with them.

Insurance compliance is one of the best ways to manage resident risk, but even the best resident risk management solutions cannot prevent tenants from causing reckless damage. A resident risk program that combines a historical review of losses, subrogation, and renters insurance history with an effective program design ensures your commercial insurance policy won't be impacted unless it is a truly catastrophic event.

Tenant-caused damages can be a huge setback to your commercial insurance program, and take a minimum of 5 years or more to repair. Formulating an effective management plan at scale means knowing when to implement insurance compliance, when potential problems may occur, and what to do when catastrophe strikes.

Having a program that provides 100% transparency is the best way to manage the insurance compliance life cycle for real estate portfolios of scale, from the day the resident is approved, until they move out.

**How do you manage insurance compliance at your property?**

## About Effective Coverage

Effective Coverage provides a unique resident risk management solution for real estate operators seeking increased profitability and full lease compliance.

The firm was founded with great respect for the value that experience and focus brings to the business. Our principals possess deep expertise in the insurance industry, which has allowed us to deliver best practices with a high level of individualization. This leads not only to our success, but also to that of our clients.

**Learn more about our company and history at**  
**[www.EffectiveCoverage.com/thought-leadership](http://www.EffectiveCoverage.com/thought-leadership)**

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