

How to Save Money on Property and Liability Insurance

New York City area building owners can lower insurance costs without sacrificing coverage. The insurance market for small residential buildings (less than 50 units)—apartment, co-op, and condominium buildings—has expanded, providing an opportunity for building owners to save money on insurance premiums. Follow these tips to ensure the best possible rates for your coverage.

Property Insurance

The best way to save money while getting the best coverage is to submit the cleanest possible risk profile for your building. A risk profile details the characteristics and condition of your building.

Individual Units

- Use hard-wired smoke detectors.** Wherever possible, use hard-wired smoke detectors with battery back-up for each of the apartments in your building. Hard-wired smoke detectors cannot be disabled by your tenants, making them more attractive to insurers.
- Install UL-approved carbon monoxide detectors.** In addition to smoke detectors, install carbon monoxide detectors in all habitational property. In many locations, including New York City, carbon monoxide detectors are required by local law.
- Install child-safe window hardware.** Window safety guards should be installed on all apartment windows where children under the age of 11 reside.

Common Areas

- Check hallway and walkway lighting.** Replace any burned-out light bulbs, and make sure hallway and walkway lighting is sufficient to see obstacles and stairs at all times.
- Check your building's elevators.** Make sure elevators are operating properly. Ensure all required elevator inspections are up-to-date and that your elevators don't violate any building code requirements. It will pay to have your elevator service company inspect the elevators before the insurance company does.
- Check HVAC, electrical and plumbing systems.** Make sure your central heating, ventilating, air conditioning and plumbing systems are all in working order and have been inspected and serviced as required. If you upgrade any of your building's systems, let your insurance company know. You should get credit for these upgrades in the form of lower rates.
- Keep all maintenance issues under control.** For example, before the inspection, repair any mold conditions and any defects to the building's façade. Repair or replace any worn or torn carpeting that could pose a tripping hazard.

Emergency Preparedness

- Check all handrails and fire escapes.** Make sure all handrails and fire escapes are securely anchored and comply with local building code requirements.
- Check all fire doors and panic hardware.** The building's fire doors (such as those leading to the roof) should be closed securely and equipped with panic hardware, which allows tenants to exit easily in an emergency by pushing a bar.
- Post emergency exit diagrams.** Display emergency exit diagrams in all public buildings on each floor.
- Mark all exits.** Self-illuminated exit signs should be located above all passages/doorways leading to the outside. Make sure they are all in working order. Also make sure that nothing is obstructing any of your emergency exits or stairwells and that they are well lighted.
- Check portable fire extinguishers.** If any portable fire extinguishers haven't been serviced within the past year, have them serviced.
- Check the building's sprinkler system.** If the building is equipped with sprinklers, inspect the system at least every other year, and service as necessary.



Liability Insurance

As a property owner, you face the risk of potential lawsuits from the public, your tenants and their guests, as well as workers on your property. The better you manage your liability exposure, the more you'll save on insurance and reduce the risk of an expensive lawsuit that could force you into bankruptcy.

From Tenants

- Require that each tenant maintain liability coverage.** Insist that all tenants have homeowners or commercial general liability insurance so you can get reimbursed for any damage caused by the tenant. Have your tenants submit a certificate of insurance to you annually.
- Include an indemnity agreement in the lease.** Your attorney can help you with indemnity language in the lease that transfers liability for damages or injury to your tenant to the fullest extent allowed. Such agreements must be consistent with the laws of your state.
- Include a waiver of subrogation clause in your lease.** This clause provides that neither the tenant nor the tenant's insurer has a right of reimbursement against you or your insurer in the event of a claim paid under the tenant's policy.

From the Public and Guests

- Check the condition of your sidewalks, parking lot and entrances.** Brick, concrete and asphalt surfaces are all subject to cracks, dips, shifting and heaving over time. Make sure any major imperfections and uneven areas that may present a tripping hazard are repaired. If dips are large enough to puddle and freeze over in the winter, have them corrected.
- Check exterior lighting.** The lighting in your parking lots, garages and outside walkways is important. Proper lighting not only adds a level of security, but it can also help prevent trips and falls around the building. Make sure potential obstacles are well marked in low-light conditions, and replace any burned-out light bulbs.

From Workers on Your Property

- Hire only licensed, qualified and competent contractors.** Make sure any contractors or other workers you hire hold all required licenses to do the work. Ask for and follow up on all contractors' references.
- Verify the contractor's insurance coverage.** Verify that the contractor has workers' compensation coverage and a general liability policy with limits of at least \$1,000,000.
- Get a certificate of insurance.** Secure written confirmation that your contractor's insurance company has named you as an additional insured on its general liability policy before the contractor starts work.
- Include indemnity agreements in contract language.** Include "hold harmless" and other indemnity agreements that protect you in written contracts or work orders. These agreements make the contractor—not you—responsible to pay for any accidents or losses resulting from their own negligence. Your agent or attorney can provide you with appropriate wording that will protect you.

Choosing the Right Broker, Coverage and Insurer

Know the financial strength and status of your insurance carriers. Make sure any insurance company with which you do business is licensed in the state where your building is located (and therefore backed by the state's Guaranty Fund, which protects you if an insurer is financially unable to pay claims). Ask for a copy of its rating by A.M. Best & Co., Standard & Poor's, or Duff & Phelps from your broker or the company itself. If your insurance coverages are layered (meaning one insurer is primary and one or more is considered "excess," such as an umbrella or other type of excess liability policy), make sure the strongest company provides primary coverage.

Choose a year-round insurance broker. Use a qualified, licensed insurance broker who works with you all year to help you manage risk and save money. Insurance agents represent a single company, but brokers have the ability to shop insurance carriers for the best coverage at the lowest cost. Good brokers make themselves available to you year-round to answer questions and give you advice. They represent you, not the insurance company.

Work with an insurance broker who specializes in real estate insurance. Few insurance agents that insure smaller buildings like yours actually specialize in real estate insurance. To ensure you get the coverage you need at the best price, work with a specialist who knows your business, the ins and outs of real estate, property management, risk management and insurance.

Consider a master policy when insuring multiple buildings. You can often negotiate better rates by using one insurance company for multiple buildings under a single master policy that lists individually scheduled properties.

Consider an umbrella policy. Umbrella policies are relatively inexpensive and pick up where other coverages leave off. For example, if your comprehensive general liability policy has a \$1,000,000 liability limit and you have an umbrella policy with a \$5,000,000 limit, you'll have a total of \$6 million in insurance coverage for covered losses.

Evaluate which extra coverages make sense for you. Besides the usual property and liability insurance coverages, extras such as loss of rents, personal injury, ordinance of law, lead, mold, excess liability, employee crime and other exposures should be discussed with your broker.