



# Southern Maine Landlords' Association 3/19/2019



# Renter's Insurance

- In all 50 states, landlords generally have the right to include in the lease the requirement that the tenant procure and maintain a renter's insurance policy
  - The exception is the case where some subsidized housing programs preclude you from exercising that right
- The landlord should be named as an "additional interest" on the policy
  - The title of "additional interest" does not afford the landlord any coverage under the policy but requires the insurance company to notify the landlord if the policy lapses or is cancelled
  - Lease should stipulate that failure to maintain the required coverage in force will be considered a breach of the lease
- In the event of a loss resulting from a tenant's negligence, the landlord's insurance company can subrogate/recover against the tenant's insurance policy
- Successful subrogation improves the landlord's loss experience which makes the landlord's properties more attractive to insurers and positions the landlord to potentially qualify for a more favorable rate and lower premium
- According to the Independent Insurance Agents and Brokers of America, the average cost of a Renter's Insurance policy is only \$12 per month, or \$144 per year, for \$30,000 of property coverage and \$100,000 of liability coverage.

# Not So Fast.....

## The Sutton Doctrine

- ❑ Based on a 1975 Oklahoma case - Sutton v. Jondahl
- ❑ Applicable in the state of Maine – applies in all New England states except Rhode Island and Vermont
- ❑ Sutton Doctrine holds that absent an express provision in the lease establishing the tenant's liability for a loss resulting from a negligent act, the landlord's insurer is barred from subrogating against the tenant
- ❑ VMG's Chief Counsel has drafted language to create that express provision either as an integral part of or addendum to your lease – that is available to you as a handout

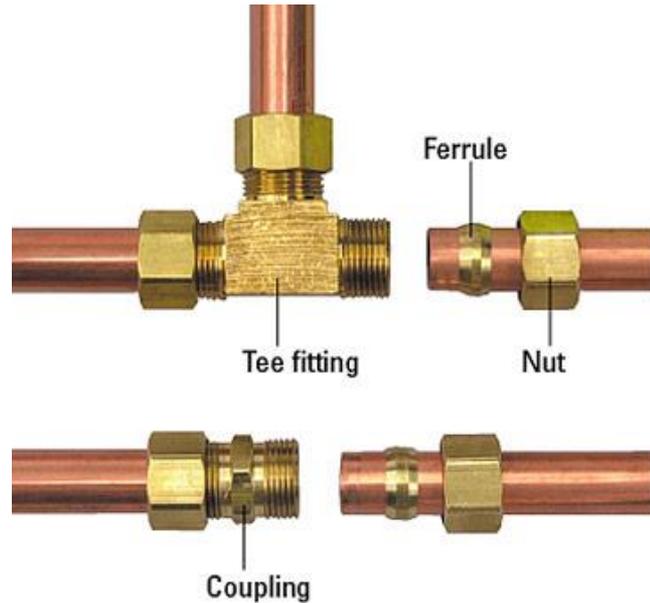
# Law and Ordinance Exposure

- ❑ A standard commercial property policy will pay to replace the building or the damaged or destroyed portion of the building as it existed at time of loss with like kind and quality construction
- ❑ Changes in building code requirements over the life of a building can create an uncovered gap between the characteristics of the building that existed at time of loss and the characteristics it would be required to have today (fire detection, automatic sprinkler protection, elevators, arrangement of exits, handicapped access, insulation, electrical systems, etc.)
- ❑ Code upgrades can be triggered both by a total loss and by a substantial loss which in most jurisdictions is considered to be 50% of the building or more
- ❑ An unendorsed commercial policy will pay a very small amount ( typically \$5,000) toward the increased cost of construction due to mandated code upgrades
- ❑ Extension of coverage endorsements can provide additional coverage – VMG BCEE adds \$100,000 (\$175) and BCEE Plus adds \$250,000 (\$325)
- ❑ “Stand alone” law and ordinance coverage can be purchased with higher limits

# The Usual Suspects



# Anatomy of a Compression Fitting and the Perils of Compression Fatigue



Mechanical pressure on the ferrule or rubber O-ring is what makes the fitting water tight

That pressure over time causes the soft brass ferrule to deform and leak

That pressure over time and acidity in the water causes the rubber O-ring to lose elasticity and leak

# What Does It Cost?

\$5.68



Sink

\$7.48



Toilet



Dishwasher

\$12.74



Ice  
Maker

\$10.98

Average lifespan of reinforced flexible water supply connection 7-10 years

# Reinforced Washing Machine Water Supply Hoses



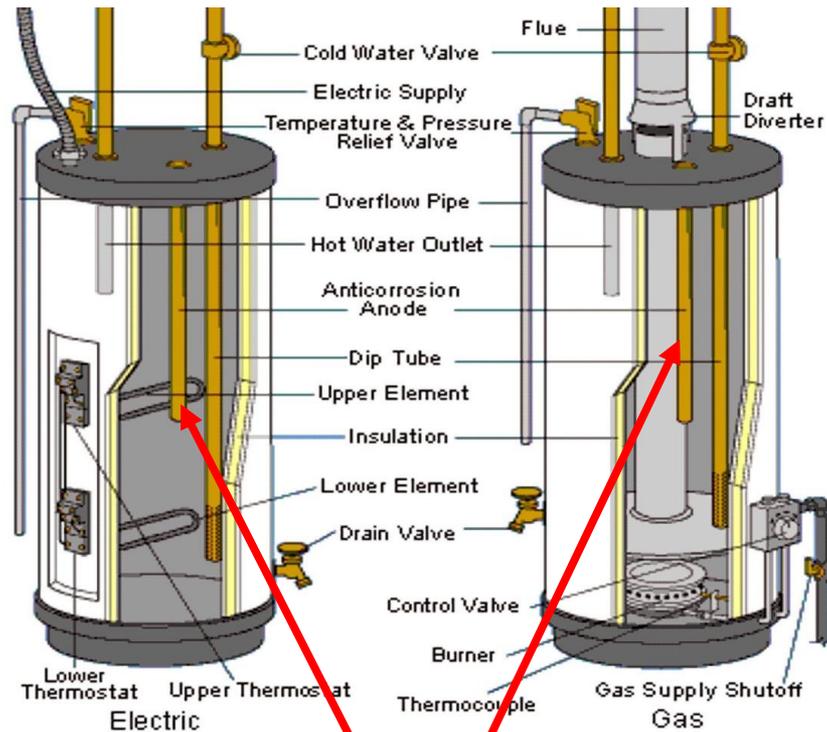
\$18.19



\$21.96

Average age of failed washing machine supply hoses is less than nine years

# Domestic Water Heater



75% of all water heaters fail before they are 12 years old

Sacrificial/Anti-corrosion Anode

# Sacrificial Anode Deterioration and Replacement



Replacement sacrificial anode - \$34.95



For low head clearance basements  
Segmented/Hinged Replacement Sacrificial  
Anodes

# Electrical Power Strips



- ❑ Poor quality or defective power strips increase the dangers from misuse and overloading
- ❑ Significant ignition potential unless the power strip is a UL or ELT listed device and has an internal fuse protector
- ❑ Daisy chaining - Connecting power strips to power strips
- ❑ Multiple transformers plugged into power strips side by side can preclude sufficient heat from radiating away from the transformers and can cause a fire

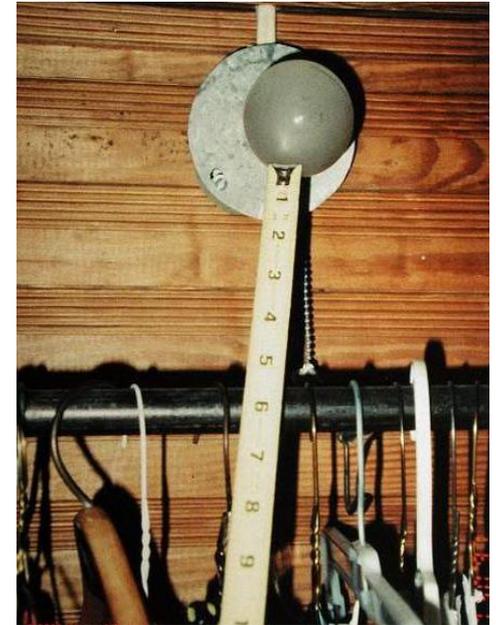
# The Finite Lives of Bathroom Fans



Thermally protected fan motors available since early 70's but not in common use until the early 90's

Vermont Mutual has seen a significant increase in the frequency of bathroom fan initiated fires in the last three years

# Incandescent Closet Lights



LED bulbs operate at half the temperature of incandescent bulbs and 20% less than compact florescent



# Clothes Dryer Lint Related Hazards



Lint accumulation in the dryer vent piping will inevitably lead to lint accumulation inside the dryer enclosure and may cause ignition from heating element

Cleaning frequency should be defined by the volume of use, the length of vent piping run and the number of bends in the run – avoid long vertical runs

# The Unattended Cooking Hazard



# Orientation Script

- The big mistake - assuming tenants inherently know the right thing to do
  - Emergency Number(s) – Refrigerator magnets are very inexpensive to fabricate
  - Security/door and window locks – how do they work?
  - Water shutoff – location and function of shutoff valves
  - Power shutoff – location and function of circuit breaker panel and main breaker
  - If a circuit breaker trips.....and trips.....no repetitive re-setting
  - In the event of a fire....
  - If smoke detector is beeping.....
  - Candles – Discourage use/if allowed - follow these precautions
  - Renters Insurance
  - If a toilet plugs.....
  - If you or someone else is injured – how and when to report - form
  - If stove/refrigerator/heating unit malfunctions or behaves erratically
  - Smoking/Non-Smoking/Disposal of smoking materials

# Issues to Be Considered When Utilizing Snow Removal Contractors

- Documentation of current adequate and comprehensive insurance coverage including General Liability, Auto Liability and Workers Compensation
- Entity being serviced should be named as an additional insured on those insurance policies
  - Should be named as an additional insured on the General Liability policy for both Operations and Completed Operations
- Contracts should include:
  - Hold Harmless agreement addressing losses occurring as a result of the contractor's negligence
  - A prohibition against any unauthorized subcontracting of any portion of the work to others
  - Specification of means, materials and methods and definition of areas to be addressed
  - Specification as to acceptable response time and acceptable time frame to complete the snow removal following the weather event

# To Evaluate When In Each Occupied Apartment

- ❑ Loose or missing handrails
- ❑ Storage on stairways
- ❑ Worn/torn stair covering at nosing or broken or badly worn stair nosings
- ❑ Presence/condition of smoke and CO detection
- ❑ Evidence of candle use
- ❑ Electric Space Heaters
- ❑ Use of extension cords/power strips

# To Evaluate In Each Apartment Turning Over

- ❑ Smoke Detection – Replace every 10 years
- ❑ Carbon Monoxide Detection – Replace every 5-7 years
- ❑ Functionality of GFCI protection
- ❑ Compression fittings - Replace at 7 years
- ❑ Toilet life span
- ❑ Bathroom exhaust fan cleanliness/life span
- ❑ Last servicing date for heating system
- ❑ Water heater life span/sacrificial anode replacement
- ❑ Range hood extinguishing canisters?

Thank You!

