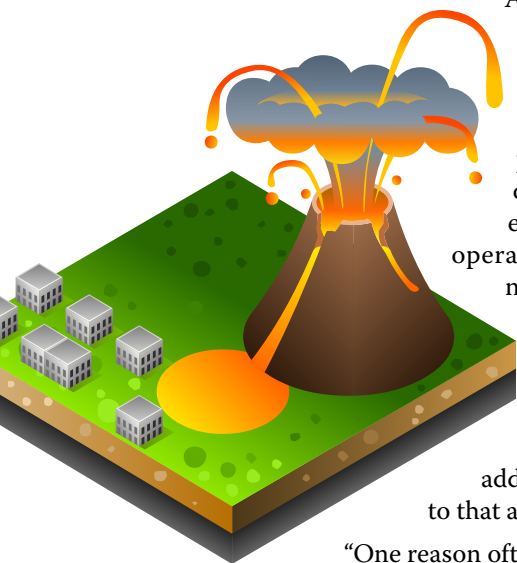


Tenant Insurance: Don't Ask, Don't Tell?

An SSA survey reveals that storage operators are reluctant to discuss insurance.

By Mark Wright

Data from a Self Storage Association survey released this month indicates that many facility owner/operators do not ask prospective tenants whether or not they have insurance coverage for their stored belongings, through either a homeowner's insurance policy or separate storage-specific coverage. And for those who do ask, many refrain from offering the prospective tenant information about covering the items stored in a unit. (See responses to specific survey questions in the sidebar.)

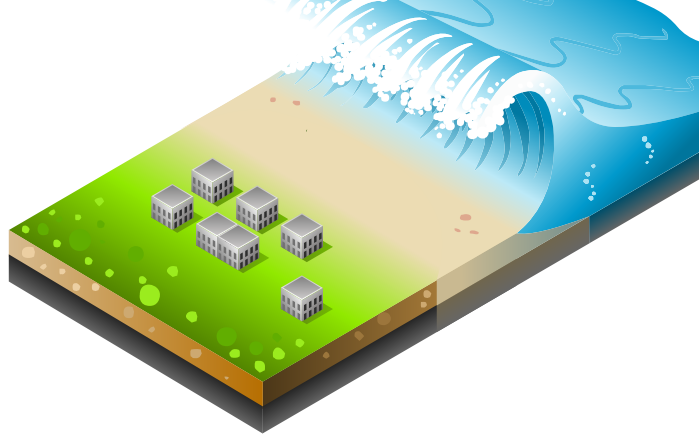


At first glance, owner/operators' apparent reticence is surprising. After all, a facility's own liability policy does not cover customers' stored property. Moreover, owner/operators typically seek to maximize their profits by offering ancillary products like boxes, locks and similar materials. Why not jump at the chance to add an insurance program to that ancillary product mix?

"One reason often expressed relates to a fear of turning away business," said Scott Lancaster, CPCU, compliance officer at Deans & Homer. "If a prospect comes into the office and a manager says that they either have to provide evidence of insurance or purchase insurance for a program offered over the counter, they feel that this will discourage the prospect from becoming a customer."

Keith McConnell, vice president of business development at MiniCo Insurance Agency, LLC, suggested three additional reasons:

- "Owners who do not offer a tenant insurance program at their facility may feel that the programs are too cumbersome or time consuming to implement.
- "Others may feel that their general knowledge of insurance products is limited; therefore there is a hesitancy to offer insurance at their facility.



- "Finally, tenant insurance is primarily promoted at trade shows and in self storage publications. For the large number of owner/operators who do not attend trade shows or association meetings, they may not have been exposed to tenant insurance at all, which could explain in part as to why such a high percentage of facilities still exist today without a tenant insurance program."

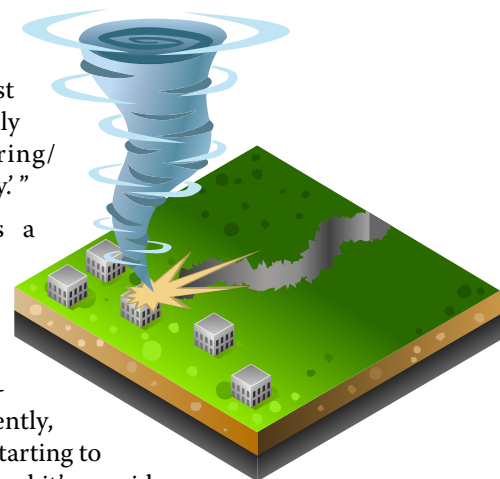
No state in the U.S. actually requires self storage customers to have insurance for their belongings when they rent storage space, noted SSA legal counsel Carlos Kaslow.

"Some states require the owner to disclose in the rental agreement whether or not the owner provides insurance on tenant-stored property, but none require customers to insure," he said. "It is generally viewed as a matter of private choice and contract. Of course, some owners do require tenants to insure their stored property, but that is not a state mandate."

Broaching the Subject

The topic of tenant insurance can cause some squirming. "It's an uncomfortable conversation to have with a prospective tenant," acknowledged Joseph Torrissi, account executive at On the Move Insurance Agency. "At the same time that you are selling the attributes of your safe, clean, secure facility, it is challenging to suggest to your tenant, 'You really should consider insuring/protecting your property.'"

Torrissi said that as a customer service, some facility owners have provided rent credit or actual reimbursement when "unfortunate incidents" arose. More recently, however, "attitudes are starting to change in the industry and it's considered a good business practice to enforce all the provisions of the self storage rental agreement (lease)



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including the requirement that all goods stored are insured or protected,” he added.

Ian Burnstein, co-founder and president of the Storage Business Owners Alliance (SBOA) and owner of Storage Pros Management LLC, said he used to be nervous about raising the insurance issue with prospective customers, too—until he tried it, and discovered to his surprise that it had no negative impact on his occupancy levels. He concluded that owner/operators are probably leaving

money on the table out of fear that a prospective customer will feel like he’s getting priced out of renting storage space.

“A lot of owner/operators feel like we’re in the business of renting units and feel like this inhibits our ability to rent. But it’s actually not a disadvantage,” he said. “In fact, if it’s sold the right way it’s not an inhibitor at all.”

Burnstein said 85 percent of his company’s new rentals buy the insurance. “We generally try to educate them by saying, ‘Here are your options. Even if you have homeowner’s insurance that covers your stored property, you have a deductible. Our policy has no deductible.’ They see the cost as incremental on top of the rental—and some just don’t care.”

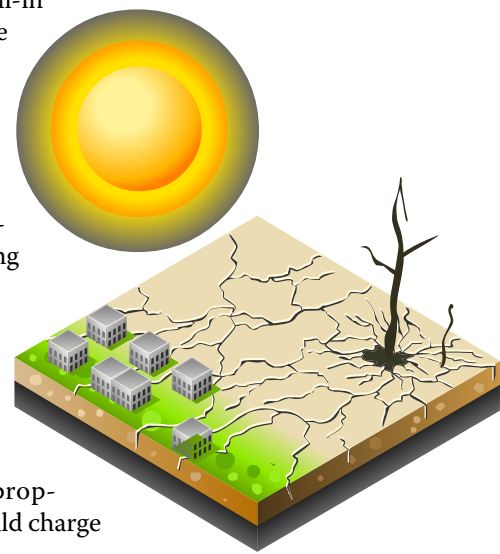
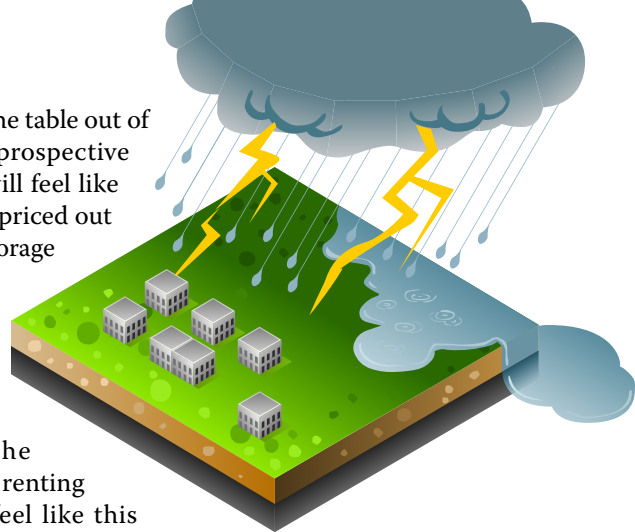
Lancaster agrees that educating prospective tenants is important. “Prospects do not come into a rental office with a copy of their homeowner’s or renter’s policy in hand,” he said.

Simplifying the Process

Still, some owner/operators see the whole issue as burdensome. Why even bother to get involved in a discussion that complicates their job by adding another transaction—which itself might require getting a limited line insurance license?

Such so-called “burdens could be easily addressed though the offer of a mail-in program or referring the customer to a website that offers tenant insurance,” added Lancaster, thus removing the owner/operator from the insurance transaction and its accompanying responsibilities.

In addition, Lancaster noted, operators concerned about their own “heightened risk of suit or claim being made by a renter for property loss or damage,” could charge



Survey Says...

Here are some excerpts from Self Storage Association Survey of Owners and Operators of Self Storage Facilities, which was conducted August 6–7, 2013, with a sample size of 300. Margin of error was $\pm 5.77\%$.

Do you require all of your tenants to provide proof that their stored contents are covered by a homeowners or other insurance plan?

- Yes 22.3%
- No 76%**
- Unsure 1.7%

Do you require tenants without a homeowners policy to obtain ancillary coverage?

- Yes 47.8%
- No 50.7%**
- Refused 1.5%

Do you offer an ancillary tenant insurance program?

- Yes 54.7%**
- No 43.7%
- Unsure 1%
- Refused .7%

Do you offer tenants an ancillary protection plan program?

- Yes 27.3%
- No 65.7%**
- Unsure 6.3%
- Refused .7%

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uninsured renters a higher rate if they opt to not insure their property and thus present an increased risk of legal liability to the landlord.

For those who feel offering a program is too cumbersome, McConnell said, "A counter brochure that tenants can pick up at the facility and purchase coverage for their stored items is a simple solution for owners who prefer to keep the operational steps to a minimum. When creating an additional revenue stream is the objective, Pay-with-Rent tenant insurance is available in many states and can be implemented through a few additional steps while establishing a tenants lease and once a month reporting."

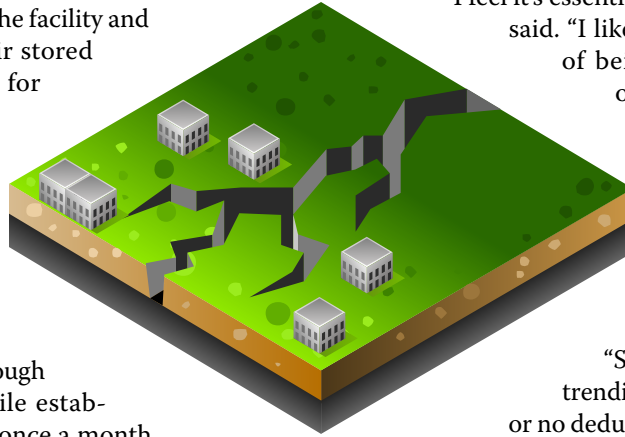
For those who are worried that they just don't know enough about insurance, McConnell added, "The solution is aligning oneself with a program that provides training

to build the knowledge, skills and abilities of facility employees who are in front of customers."

Michael Metzger, owner of Peoria, Illinois-based Mini-Max Storage Company and immediate past president of the Illinois SSA, said he feels strongly about educating the customer.

"I feel it's essential to discuss tenant insurance," he said. "I like to lead customers down a path of being informed, and also to look out for their best interests. Typically, homeowners insurance carries high deductibles, and the coverage may not be as broad as coverage coming from a company who deals specifically in tenant insurance."

"Some self storage insurance is now trending to offer more coverage for little or no deductible, which is a great option for a tenant to consider," he added. "As always, offering tenant insurance should be coupled with a carefully worded rental agreement requiring tenants to maintain insurance on all property stored in the space." ♦



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