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# Insurance in Self Storage

By Scott Zucker, Esq., Self Storage Legal Network



From a self storage landlord's perspective, there are numerous risks that an operator assumes in running a facility: the facility itself may be damaged, a tenant or an employee may be injured, a tenant's property may be stolen, a tenant's property could be damaged or a tenant's property may be improperly sold.

To protect itself from those risks, the landlord can purchase:

- Insurance for the value of its physical buildings and other improvements to the property
- Liability and workers compensation insurance to address the risk of injuries
- Customer's goods legal liability coverage to respond to claims by tenants that their property was damaged by the negligence of the landlord
- Sale and disposal coverage to respond to claims by tenants that their property was wrongfully foreclosed

Essentially, for most every type of risk that could occur within the context of self storage, there is some type of insurance that can be obtained to address the financial impact of such an occurrence. The cost of the insurance will depend on the size of the facility, the history of its claims, the maintenance of the facility and the level of deduction requested. (For more on finding the right insurance vendor to suit your needs, see page 14.)

The whole point of obtaining insurance is to protect the business financially from direct property losses and from third-party claims and lawsuits. Standard liability policies do this by providing both a defense of covered lawsuits and the obligation to indemnify the facility operator if there is a determination of liability. In the self storage business, the more insurance a facility has the better off it will be in the event something goes wrong. The owner not only needs to have the right coverage but also adequate insurance limits to have complete financial protection. It is important for the facility operator to talk with an insurance agent to determine the type and amount of insurance needed to protect the facility.

It is also crucial in all self storage rental agreements that tenants be notified that the operator does not carry insurance for their stored goods and that the tenant is obligated to insure their own property. When self storage operators make it clear in their leases that the tenants are responsible to obtain insurance for their stored goods, the operator is "shifting the risk of loss" to the tenant if damage or loss occurs.

By shifting the risk, the tenant is obligated to go first to its own insurance to recover for its loss or damage before it can go to the operator. It is generally recommended that in every rental agreement a provision be added that requires the tenant to have insurance coverage for the replacement cost of 100 percent of the value of the property that is being stored. Because there is the freedom to contract in leases, rental agreements with required insurance provisions are generally considered enforceable. ♦

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