We see it so often, what I call the accidental landlord. By various means people end up owning a house that they rent to others. I'm fairly sure that most of these accidental landlords would do better to sell out and move on but for various reasons, many prefer to try their hand at this new business that they find themselves thrust into due to divorce, inheritance, declining neighborhood and many other reasons. So if you find yourself with a house you own and can't or don't want to sell, then you need to understand the insurance angle of this new house rental business that you have created.

The starting point for this discussion will be an assumption that your rental dwelling is located in North Carolina. The rules and programs will differ from state to state but this discussion will focus on rental houses located in NC.

Most accidental landlords get started by searching out the most obvious insurance need - insurance for the structure itself. The policy that they seek is often referred to as a dwelling fire policy .
Start by evaluating your worst case scenario, a total fire loss to the house. Will you build it back? Will you just settle with the bank if there is mortgage? Answering these questions will help you to decide if you want to purchase full replacement protection or just cover the amount that you think the home would be worth. Most dwelling fire policies will also allow for a limit of coverage for the contents in the home. If you are leaving behind your refrigerator, washer, dryer and other items that are not permanently attached to the house itself, you should consider adding a contents limit on your dwelling fire policy to cover losses to these items.

Next you should give consideration to the policy form that you will want to purchase. In NC, most dwelling fire policies are written on the DP-1, DP-2 or DP-3 form. Each higher number form provides coverage for more different types of perils that the form before it. Also, the higher the form number, the higher the cost of the insurance. I will take up a detailed explanation of these different form types in a future blog, so please stay tuned for that information.

Now, take a moment and consider the deductible that you will choose for this policy. The deductible is simply the amount of each loss that you will pay out of your pocket before the insurance kicks in. It is wise here to work carefully with your agent to understand exactly how much money you will save by moving to each higher level of deductible. Then you can pit those savings against the additional amount of money that each higher deductible will require from you in a claim, to determine which best fits your budget.

After the property coverage has been taken care of, you now need to think about the liability coverage for your rental house. You need protection in case someone is injured on your property and you are found to be legally liable for the injuries. You will need to select a limit of liability from those offered by your insurance company. Many companies don't allow you to add the liability coverage to your dwelling fire policy so you may have to add this protection to your homeowners policy that covers the home where you live. Be very careful here to purchase the highest liability limit that you feel you can afford as this is an area where the amount of maximum loss to you is an unknown number.

Last of all, if you carry an umbrella policy to add higher limits to your home and auto insurance protection, don't forget to call your agent who handles your umbrella insurance and have them add this rental location to your umbrella policy so that the umbrella protection will cover liability losses at your rental property.

At Clinard Insurance Group, in Winston Salem, NC , we want all insurance buyers to be informed consumers. We advocate the use of a licensed, independent agent to help you with your insurance questions and decisions. Insurance is too important to be a do it yourself process as so many TV ads would have you think. If we can help you with your auto insurance, your home insurance, or the insurance on your rental properties, please feel free to call us, toll free, at 877-687-7557.