

# Be a Savvy Tenant

Examine the Insurance Requirements  
Before Signing a Lease



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You've found the perfect location for your business and are negotiating the lease. Before you sign the lease, take time to investigate an area many tenants overlook: Insurance Provisions. Doing some basic research ahead of time could save you money on insurance premiums, and will help protect you, should something catastrophic happen to your business. \_\_\_\_\_

## **First, find out what type of coverage the property owner carries.**

Examine the property owner's insurance coverage to see exactly what their policy covers. Is the insurance basic form, broad form, or special form? Each comes with a different level of coverage and protection.

Also, look to see if the owner's insurance covers the full replacement cost of the building, should a fire or other disaster occur. Many owners are modifying their coverage to LESS than the replacement cost. If they carry less than 80 to 90 percent of the replacement costs, that means the owner will have to invest their own money in repairing the building, which may result in you being out of business longer than if they have a policy with full replacement costs in place. Finding full replacement costs is best for the Tenant.

## **Next, examine the lease.**

Many owners apply a "one size fits all" approach to insurance coverage requirements on their leases. While this makes paperwork easier for the owner, it often does not reflect the needs of some tenants.

**What is the size of the property you are leasing? How long is the lease? The size of the space you are leasing could make a difference in the amount of coverage you need to carry. Taking time to clearly define the insurance requirements in your lease may save you real money, when it comes to paying for insurance premiums.** \_\_\_\_\_

Of course, how much you are able to negotiate this part of your lease depends on the owner, and their willingness to be flexible.

Institutional owners may require more insurance due to higher overall liability. The size of the owner's portfolio, and their restrictions with their insurance carrier can make a difference in what flexibility you have in negotiating the finer aspects of this lease section.

While you are looking at the fine print of the lease, make sure the wording in the lease matches up with the wording in your insurance coverage. Insurance companies update their policies frequently, and it's good practice to have consistent language between your policy and your lease. For example, instead of using the term "Commercial General Liability" the lease should state, "combined single limit per occurrence."

In our next article, I'll tell you how to take this information to your insurance agent, so you can be sure your insurance covers your actual needs.