



WHITE PAPER: SB 666/HB 651
RESIDENTIAL TENANT INSURANCE POLICIES

I. SUMMARY

Residential renter's insurance is personal property and liability insurance coverage, similar to a homeowner's policy, to protect the tenant against loss of personal property and liability for which the landlord may not be responsible. The policies are intended to protect tenants but also provide benefits to the landlords, since the policies cover some costs landlords may otherwise absorb when a tenant has loss of property.

No state requires that a tenant carry renter's insurance, though many landlords are making it a lease requirement. Forcing tenants to obtain insurance places an additional cost of living expense on tenants.¹ Tenants lose the opportunity to decide whether they need insurance. College students just starting out may not have accumulated enough personal property to make obtaining a policy worthwhile. For those on fixed income adding an additional monthly expense may prove prohibitive.

SB 666/HB 651 provide that if landlords require that residential tenants obtain rental insurance, certain provisions must be included in the rental agreement

¹ Landlords Push Renters Insurance, The Wall Street Journal, 26 May 2004, <http://online.wsj.com/news/articles/SB108552650467421267>.

so the tenant is fully aware of the requirement. Given that landlords are already making tenants purchase insurance as a condition of renting, it is important to protect tenants by placing some boundaries on these requirements into Florida's Residential Landlord Tenant Act.

II. CHANGES PROPOSED BY SB 666/HB 651

A. Statutory Notices To Tenant

The bill provides that if a landlord chooses to require that a tenant purchase renter's insurance or if the landlord does not require insurance, then the landlord must place language that is in "substantially" the same form as stated in the bill. These notices provides an overly broad statement that landlords are "generally" not liable for loss or damage to personal property, which will be confusing to tenants, since in many cases landlords do bear some responsibility.

B. No limitation On The Amount Of Coverage Required Of The Tenant

The bills place no limitation on the amount of coverage the landlord may require of the tenant, removing any opportunity, in some cases, for the tenant to make a decision about the amount of coverage.

D. Some Rental Agreements Do Not Require Renter's Insurance

Florida law provides for oral or written rental agreements. CS/HB 331 provides that an "unwritten agreement" is "presumed" not to require renter's insurance. The bill also provides that "an agreement that fails to include the required notice" is "presumed" not to require renter's insurance. Since the bill does not require that tenants obtain renter's insurance except in cases where the landlord includes the required statutory notice, a "presumption" should not be used

in these cases. Renters insurance should never be required for oral rental agreements since it is too complex a lease term to be included in an oral contract. If the landlord fails to put either of the required notices in a written rental agreement, the tenant is relieved of any lease requirement to purchase rental insurance.

III. CHANGES NEEDED TO IMPROVE PROTECTIONS FOR TENANTS

The following amendments to SB 666/HB 651 would improve protections for tenants, level the playing field between tenants and landlords, and provide clarity to the requirements for both landlords and tenants:

- ✓ Both statutory notices need to be clarified as to when the landlord may be responsible for loss or damage to personal property;
- ✓ The notice must limit the amount of coverage to a maximum of \$100,000 per occurrence or the customary amount required by landlords for similar properties with similar rents in the same rental market, whichever is greater;
- ✓ It must be clear that rental insurance may not be required in oral written agreements;
- ✓ It must be clear that if a landlord fails to include the statutory notices in the written agreement the tenant is relieved from any obligation to obtain renter's insurance during the term of the written rental agreement;
- ✓ Tenants whose income is at or below 50% of the area median income must not be required to obtain renter's insurance;
- ✓ Tenants living in units subsidized by public funds must not be required to obtain renter's insurance;

- ✓ Tenants who are dependents living away from home and already covered by a homeowner's policy must be exempt from these requirements.
- ✓ Landlord may not require the tenant add the landlord as an additional insured or as having any other special status on the policy;
- ✓ Landlord may not require the tenant obtain insurance from a particular insurer²;
- ✓ Landlord may not make a claim against the tenant's policy unless the claim is for damages for which the tenant is legally liable, the claim is greater than the security deposit, and the landlord provides the tenant a copy of the claim when filing.

IV. CONCLUSION – SB 666/HB 651 MUST ENHANCE TENANT PROTECTIONS ADD CLARITY

Optimally tenants would never be required to purchase renter's insurance. Tenants should be informed about the benefits of obtaining a policy and then choose whether to obtain coverage based on their unique circumstances. However, landlords in Florida are frequently mandating that tenants obtain renter's insurance as requirement of their lease. Sponsors of SB 666 and HB 651 are to be commended for legislation that seeks to provide tenants with specific notice about any insurance requirements a landlord may place on them. However, crucial changes must be made to the bills to insure tenants are adequately protected.

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² In addition to providing protection, some landlords use tenant insurance requirements as a source of revenue, turning the program into a profit center, while removing the opportunity for the tenant to find savings on the open market.