



QUALIFYING AN INSURANCE BROKER

An experienced insurance broker can provide the following services for your real estate business:

- Insurance for various investment property types including residential, commercial, mixed-use, and student rental properties
- Evaluation of current insurance policies to identify opportunities for better coverage and/or savings
- Investor-focused insurance coverage such as vacant properties under renovation and short-term rentals

General Business Questions

Use these questions to help you qualify an insurance broker to ensure your investment properties have appropriate coverage.

1. Which types of insurance do you specialize in?

You want an insurance broker who specializes in areas that align with your business requirements and doesn't focus only on homebuyer's insurance, which is very different than investment property insurance.

2. What percentage/number of your clients are real estate investors?

While real estate investors don't have to make up the majority of your insurance broker's clientele, they should make up a significant portion. You can also inquire how much of their business focuses on traditional home and auto insurance. If this is their primary focus, they may not be well equipped to deal with the nuances of investment property insurance.

3. Can you tell me about your educational background and experience in the industry?

Look for an insurance broker who has longevity in the industry. You should also learn about their credentials and educational background. In Canada, brokers must be licensed and license requirements vary from province to province. For more information regarding licensing, consult the Insurance Brokers Association of Canada (IBAC).

4. How many insurance companies do you work with? Are you affiliated with one specifically?

A full-service insurance broker should have access to multiple insurance companies providing products for a variety of property types. If the broker is affiliated with one company specifically, it may limit the products and services they offer.

5. Are you paid a commission or flat fee?

With so many insurance companies and products available, it's important for you to work with an objective insurance broker who isn't motivated by who pays the highest commission rates. Fixed fee insurance brokers do not collect commission and are more likely to provide objective service based on your individual needs.

6. Would you be completing these services personally, or would it be someone else in your office?

Ideally, you want to speak with and develop a relationship with the person who will be working on your file. This ensures clearer communication channels. If multiple people will be working on your file, clarify what the communication process is and how different individuals will work together to provide you with seamless service.

7. Can you explain to me the differences in coverage between standard homeowner's insurance and the insurance I should have for my investment properties?

An investor-savvy broker should not try to convince you that coverages for your home are the same as investment property coverage. Instead, the broker should outline key differences in investment property insurance coverage. Look for features including appropriate liability coverage for your entire portfolio, coverage for landlord's contents, damage by tenants coverage, rental income replacement, sewer backup and flood coverage without sub limits, renovation materials coverage, longer vacancy allowances, etc.

8. Are there any exclusions or aspects of investment properties that you cannot insure?

A broker should never promise they can get coverage for absolutely everything easily without any challenges. An experienced insurance broker should outline challenges or additional premiums you may need to pay if you purchase unconventional or highly distressed properties or properties located in higher risk areas such as flood plains. An investor-savvy broker should be able to insure standard investments such as student rentals, short-term rentals, and properties under renovation. If your broker can't, shop around for one that can.

9. Are there any optional coverages I should consider purchasing for my investment property?

This question can be vital to understanding what is not covered by your standard policy. Be wary of brokers who seem to have endless deals or lists of optional coverage; this can add up quickly and may indicate the original policy they were selling you is not the best fit. Specifically consider the amount of liability coverage, sewer backup coverage, and extreme weather or natural event coverage such as earthquake, flood, or wind storm. Instead of purchasing a number of optional coverages, ask if the broker can shop around to other insurance companies for a policy that includes more comprehensive coverage.

10. If I insure multiple investment properties with you, can I get a discount? Can I also get a discount on my personal home and auto insurance?

Many insurance companies will offer discounts for bundling the coverage of multiple properties. While proper coverage should be the key determining factor, being eligible for a discount is also a great value add and can help improve cash flow on your investment properties.

11. Do you offer monthly billing?

Many investors prefer monthly billing as it allows for payments to be made throughout the year and more consistent cash flow instead of requiring one large lump sum.

12. Are you licensed to work in other provinces or territories?

To ensure you can Invest Where Returns are Best™, it's ideal to work with an insurance broker who is licensed in multiple provinces or who has affiliate offices you can work with. This ensures you can continue to maintain the relationship as your portfolio grows regardless of where you invest.

13. What information will I need to provide you with for my insurance application? Can I have a copy of your standard insurance application?

By reviewing a copy of the application, you can feel confident and clear about what information will be required. Generally, your insurance broker will require your information, the name of your lender, and general property information including approximate age of certain features (i.e. roof, electrical, plumbing, furnace), approximate square footage, and presence of external structures (i.e. garages, sheds). As you review the application, feel free to ask for clarity to ensure you feel comfortable with the process.

14. What happens if I need to file an insurance claim?

Your insurance broker should act as your quarterback throughout the claim process. Ask if the broker has an online claims service or an afterhours 24/7 emergency phone number. The broker should also clearly outline what the claims process normally looks like, so you feel confident they will be there to assist in an emergency.

15. If I want to purchase an older or historic property with knob and tube electrical, galvanized plumbing, or another outdated construction material, can you insure this type of property?

Different insurance companies specialize in different property types. It is possible to ensure older properties, including those with elements such as knob and tube wiring; however, you may need to pay an extra premium or have certain conditions outlined in your coverage. Your broker should be able to clearly outline the steps required if this type of investment property aligns with your Investor Profile.

16. If an issue is found during the inspection, what timeframe does the insurance company allow for the repairs to be completed so that I can still close the investment with a lender in place?

Often if a property deficiency is found during inspection, you can work with the insurance company to close on the property as long as you agree to fix the deficiency within a certain period of time. This is a great opportunity if you are considering rehab or underperforming properties. Your broker should clearly outline the terms and timeframe of this type of insurance condition before closing.

17. Can you provide me with references to some of your real estate investor clients?

Be wary of businesses that don't want to share references. When checking references ask questions such as: Are you satisfied with their level of service? How long have you been a client? How have they helped you in your business? Is there anything you didn't like about their service? Would you recommend them to your family, friends, and other real estate investors?

18. Is there anything else I should know about you or working with your company if we decide to proceed with this relationship?

Ideally this is the insurance broker's opportunity to add value to you, explain more about their services, and outline next steps for you to confirm the business relationship. Look for answers that appear genuine, are informative, aren't a heavy sales pitch, and don't appear scripted.