

## TOPIC

**My property, casualty, and general liability insurances protect my real estate investments and me . . . don't they?**

---

## ADVICE

Like your lawyer always says, "It depends." There are two primary factors in play: risk protection and insurance expense. I'm not telling you anything new when I say that there is a trade-off between the two. But what does that mean, practically?

The fundamental issue you need to consider is the adequacy of your insurance coverage. First, you must assess your risk exposure. Consider it at the property level. For example, what is the likelihood of an entire apartment complex being completely destroyed by fire? Conversely, what is the actual cost to rebuild the one building that does burn to the ground? Don't be over-insured in the aggregate, but under-insured by the piece.

Consider also your risk at the business level, which involves both your financial strength and your personal risk tolerance. How well do you sleep at night? How much risk exposure can your wallet bear? Insurance is designed to protect you from going under, not to replace every windblown shingle. You will benefit if you retain some risks and transfer others to someone better able to bear greater exposure.

When transferring risk, many real estate investors fail to consider their tenants as underwriters. Yes, tenants. Make sure that their coverages complement your own. You don't want either gaps in coverage or double-coverage. Manage their coverages through appropriate lease provisions. The only cost to you is the minimal cost of enforcing those provisions.

Simply put, know your coverages. Understand the risks of both your properties and your business. Then manage your broker. Bread and butter policies for your broker may not align with your best interests. Your broker is an advisor—you are still the decision-maker.

Instead of thoughtlessly paying premiums in the hope that your insurance will cover when it is most needed (only to find that it won't), be proactive and make your premium dollars work for you.



**Robert L. Loftin, III**  
*JD, CPA, CFP*

[bob.loftin@elytonsolutions.com](mailto:bob.loftin@elytonsolutions.com)

### **Elyton Solutions**

1710 2nd Avenue North  
The Phoenix Building  
Suite 106  
Birmingham, Alabama 35203  
205.533.9261  
[elytonsolutions.com](http://elytonsolutions.com)

