



The Advantages of Implementing a Self-Storage Tenant-Protection Program

No customer should store goods at a self-storage facility without some kind of safeguard against catastrophic loss. A tenant-protection plan offers many advantages to operator and tenant. Learn what they are and how to choose a program.

Joseph Torrisi | Jan 09, 2021

Protection plans aren't unique to the self-storage industry. In fact, they're offered by many product and service suppliers, and consumers recognize their value. Think about the last time you bought

something electronic on Amazon, for example. You likely were offered a protection plan to cover you in the event something goes wrong with the item.

A tenant-protection plan is simple to implement and offers many benefits to both self-storage operators and their customers. In fact, in today's competitive business climate, failing to offer your renters a safeguard for their belongings puts you at a real disadvantage.

But don't confuse a tenant-protection plan with tenant *insurance*. They're different products. Generally, self-storage operators use their rental agreement to repudiate all liability for tenants' stored property. With a protection plan, you actually offer the customer a warranty on his property, with favorable terms and conditions, for just a few dollars in additional rent per month. This warranty is offered via an addendum to the lease and insured by a contractual-liability policy that covers all the exposure. In today's market, you can purchase a program insured by an A-rated company with a \$0 deductible.

Competitive Advantages

There are many advantages to offering a tenant-protection plan in self-storage. There are no state license requirements. It provides broad and generous terms to your customers. Plus, the revenue collected counts as additional rental income, which increases your facility value. Here are some others:

Simple implementation. The beauty of protection plans is their efficiency. For example, a self-storage operator with more than 100 locations and 40,000 outstanding protection plans can be insured by *one* policy. The protection plan is offered via a lease addendum, which the tenant signs while renting the unit. There's no insurance policy to be sent out by a carrier or a requirement coverage that must be canceled for delinquent tenants.

Easy to sell and administer. Some self-storage managers find it contradictory to sell tenant insurance after they've just told a prospect how clean and secure the facility is. It can be awkward to pivot and say, "By the way, you really need insurance." In contrast, many find a protection plan easy sell. It's simple for a manager to state that the standard lease agreement doesn't offer protection for stored belongings; however, for \$X more per month, the tenant will be guaranteed reimbursement for up to X amount if a loss does occur.

High profit margin. It's inexpensive to offer a protection plan. A facility operator can achieve a profit margin of up to 90 percent, depending on the monthly pricing—which he decides.

Operator control. Each self-storage operator sets his own protection-plan limits and pricing. Some operators even drive sales through value pricing. For example, offering a \$2,000 protection plan for \$4.99 per month will increase participation while generating the same amount of money a facility could earn through a third-party tenant-insurance policy.

Flexibility. Another strength of a tenant-protection plan is it's applicable to other storage types, not just self-storage. For example, it can be extended to your boat/RV-storage and wine-storage customers. Some operators target car collectors and enthusiasts, letting them know protection is available for that labor of love they value so much.

Marketing advantage. Not only is a protection plan a value-add service for tenants, you can leverage it in your strategic marketing. For instance, some operators choose to offer a special discount on moving supplies for all protection-plan customers. Others may extend gate hours and provide a free lock for tenants who enroll at move-in.

Protect Your Premium

Prior to offering a tenant-protection program, it's essential to thoroughly inspect your self-storage facility. As the premium for policies that insure protection plans are based on history of actual loss, there are actions you can take to avoid future losses while preserving a low premium and high profit margin. For example, make sure your facility roof is well-maintained and watertight, and that the weather stripping on all unit doors is in good condition. Ensure your surveillance cameras are working, fencing is secure and pest-control measures are up to date.

Choosing a Program

Once you're ready to choose a program, find an agent with experience in helping self-storage operators successfully launch protection plans. Make sure the provider you choose offers training, setup assistance and quality marketing materials.

Look closely at the policy terms and conditions to determine which plan is right for you. Do you want a zero-deductible policy for which the carrier handles all claims, or a deductible policy with claims handled in-house?

Finally, make sure the plan is backed by a reputable carrier. A lot of self-storage tenant programs are insured through captives. This is perfectly acceptable as long as the provider has a strong carrier supporting the program.

A tenant-protection plan is an efficient way to offer tenants peace of mind and protect their belongings while capturing additional revenue for your business. With income counted as additional rent, a successful program can add exponential value to your portfolio. Be one step ahead of your competition. Review the programs available in your market to enhance your overall customer experience.

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