



# How Landlords Can Protect Against Habitability Claims

Across the U.S., high rent prices, overcrowded housing conditions and the shift to institutional ownership have all contributed to an uptick in habitability-related claims as well as lawsuits involving substandard living conditions. And with insurance carriers tightening coverage options, especially in states like California which has a history of high habitability claims, the landscape for property owners has shifted dramatically.

## CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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## Rise in habitability claims and lawsuits

Increasing jury awards, rising attorney involvement and a challenging insurance environment have made it more important than ever for landlords to be proactive about risk management.

Habitability claims are often based on tenants' rights to live in conditions that meet local health and safety codes. This includes essentials like functional plumbing, electrical systems, working heating and pest control. While these laws vary by state, the trend across the country is clear: landlords who fail to address habitability concerns risk facing significant financial repercussions.

For those with properties in areas like California, where tenant-friendly laws and high-profile habitability cases are more common, the risk is especially pronounced. In fact, many insurers are pulling out of these states or limiting their coverage for habitability claims altogether, further compounding the challenge for landlords.

The rise in habitability lawsuits mirrors broader trends in the rental market. As rents climb, overcrowding becomes more common, which can lead to increased wear and tear on properties and higher incidences of maintenance issues. Many personal injury attorneys actively seek out tenants with potential habitability complaints, further fueling the increase in claims.

As the volume of claims grows, the insurance industry has responded by imposing stricter policy exclusions, especially in high-risk states. Coverage for punitive damages, attorney's fees and statutory penalties is also increasingly being excluded from commercial general liability (CGL) policies, leaving property owners to shoulder a significant portion of the risk.

## Proactive maintenance and risk mitigation

For landlords, especially those managing a portfolio of properties across the U.S., keeping up with varying habitability laws across different states can be a daunting task. However, a few proactive steps can go a long way in reducing exposure, including:



Regular maintenance, particularly of key systems like plumbing, electrical and HVAC



Routine pest control



Attention to structural integrity

In addition to maintenance, comprehensive recordkeeping is essential. If a claim arises, this documentation can serve as vital evidence in proving that the landlord met their responsibilities.



A detailed maintenance log, accompanied by photos of property conditions before and after repairs, can help landlords defend against claims.



A thorough walkthrough of the unit before tenants move in should be conducted, documenting existing conditions and having the tenant sign off on the property's condition.

In many cases, habitability issues arise from tenant neglect, such as clogged pipes or pest infestations due to poor cleaning habits. Lease agreements should also contain clear terms about tenant responsibilities, such as maintaining cleanliness and reporting maintenance issues promptly. Tenants should be informed of their responsibility to prevent damage by maintaining the property properly.

## The changing insurance landscape

With the ongoing challenges in the habitability claims environment, landlords should expect higher premiums, narrower coverage options and more scrutiny from underwriters.

Insurers are increasingly using underwriting tools like crime scores to assess risk, especially in areas with a history of higher claims. These scores, though not always an accurate reflection of every property's risk, are becoming a key factor in determining whether coverage is offered, and at what cost.

For landlords with properties in high-risk areas, it's more important than ever to work closely with their broker to ensure they are aware of the evolving insurance market and adjust their coverage accordingly.

## Takeaway

The rise in habitability claims has created a more complex insurance landscape for landlords, particularly in states with high tenant protection laws. While it may not be possible to eliminate all exposure, landlords can mitigate their risks through proactive maintenance, diligent recordkeeping and clear lease terms.

Working with a knowledgeable broker can help ensure the right insurance coverage is in place as the market continues to evolve. By staying ahead of these trends, property owners can better manage their risk and protect their bottom line.

At Amwins, we stay on top of these changes – to help you win. By building strong partnerships with our clients and offering personalized guidance, we can help ensure peace of mind and confidence in knowing that the right coverage is in place.

Whether it's navigating complex insurance options, understanding policy terms or managing claims efficiently, we are there to lend a hand. Our top priority is helping you secure the solutions that best serve the needs of your clients.

### Insight provided by:

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