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Tenants and landlords beware

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You may be at risk of not protecting your lease obligations. For those who are not familiar with improvements and betterments, it is anything that a tenant attaches to a building that will become a permanent part of the building. This definition, however, may vary in light of pending court cases and various scenarios that may arise out of each lease between tenant and landlord.

Let's use the example of the tenant who put in new floors, walls and light fixtures. Their lease specifically indicates they are responsible for insuring all improvements and betterments made to their space. The landlord may look to the tenant to fulfill their obligations under their lease for repairs. Same would apply if you're a landlord; the tenant may look to you or your insurance carrier to make the repairs. To make matters worse, the landlord may suffer a coinsurance penalty for not insuring his building properly.

The good news is there is insurance for this exposure. Many times you just ask to have this coverage endorsed to your current property policy. The premium is mostly determined by the replacement cost limit one desires. Some insurance policies may automatically provide a small sub-limit for improvements and betterments coverage.

As usual, it is always best to review one's lease and insurance coverages to make certain all bases are covered. On a final note, never rely on someone else's insurance to cover your own financial responsibility.

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