

# What Is Lessor's Risk Only Insurance?

Coverage Insights and Claims Scenarios for Every Commercial Landlord



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# Managing Risk Before It Happens

As a commercial landlord, you provide the building space for other business owners to conduct their operations—but what happens when tragedy strikes? Are you responsible? Or the tenant? The risk of a tenant filing a lawsuit against you for any property damage or bodily injury that happened at your building is a constant concern. This exposure remains, even if your only tenant is a business *you* own.

That's when Lessor's Risk Only (LRO) insurance, also known as Landlord's Insurance, can help. It's liability coverage for those who lease at least 25% of their building. LRO is common among owners of apartment buildings, warehouses, retail buildings, and commercial office space, and it may be required in your area. An LRO policy can help cover legal expenses that result from a lawsuit brought by a tenant or even a tenant's customer, as well as reimburse the cost of the tenant's property damage or bodily injury.

## What's Covered?

LRO is a broad coverage that will cover many types of loss, including theft, vandalism, and damage to property. Many policies will require tenants to secure their own property damage and liability coverage in addition to the owner's coverage.

LRO can cover the following events:

- Fire
- Injury to tenants or customers due to an unsafe building
- Weather-related damage
- Automobile impact to the building
- Vandalized light posts and windows
- Burst pipes
- Flooding

## The Case of The Dark Hallway

The following scenario highlights one of the most common types of lawsuits related to LRO: slips and trips. Put on your detective hat, and let's see if you can determine whether the landlord is responsible or not.

*A commercial landlord leases one of their buildings as an office space for tenants. Several tenants utilize a main hallway to get to their leased office spaces. But after a light bulb burns out, this hallway becomes poorly lit, reducing visibility and creating a safety hazard.*

*As one of the tenants walks to their leased office space one morning, they lose their footing in the hallway and trip on the floor. The tenant sustains a broken leg. Afterward, the tenant files a lawsuit against the commercial landlord, claiming the landlord neglected to change the light bulb and properly illuminate the hallway, which caused the injury.*

Let's take a moment and consider that slips and trips can happen in any building. After all, there is a range of property concerns that can lead to such injuries, including damaged floors, uneven surfaces, poor lighting, and wet or icy conditions. So, if you guessed that the landlord could be held responsible, you are correct!

The landlord could be held responsible for failing to safeguard their building and protect their tenants from slip and trip hazards. Fortunately, LRO insurance can help. Following an incident like the one described above, LRO coverage can offer a commercial landlord much-needed financial protection for the legal costs of a tenant's lawsuit, as well as help recouping the medical expenses that arise from their injury.

## **The Case of The Window Shopper**

Let's try this again. Try to decide if the landlord could be held responsible in the following scenario.

*A commercial landlord leases their building as a retail facility for a home medical equipment provider. To secure their retail facility after hours, the landlord installs an alarm system. However, the system must be activated each night in order for it to remain effective.*

*One evening, the closing cashier forgets to activate the alarm system and leaves the premises. Later that night, criminals break into the retail store—without triggering the alarm—and vandalize the property. Windows to the leased space were smashed and multiple merchandise display shelves were destroyed. Upon discovering the damage, the tenant sues the landlord, claiming the damage resulted from the landlord failing to activate the alarm system and subsequently secure the building from trespassers.*

Once again—yes, the landlord can be held responsible. A variety of events can lead to property damages for a commercial landlord's tenants. In these cases, there is a possibility that any of the tenants could blame the landlord's actions (or lack thereof) for either causing or exacerbating the resulting damages.

Whether tenants' property damages stem from theft, vandalism, fire, adverse weather, or another covered event, LRO insurance can equip commercial landlords with a crucial layer of protection if their tenants sue them for such damages—helping cover both legal fees and the cost of repairing or replacing the damaged property.

## Benefits of LRO Insurance

It's vital that commercial landlords secure LRO coverage, along with traditional policies, for robust protection against potential risks. Benefits of LRO insurance include:

- Tailored coverage—LRO insurance policies are developed with landlords' particular risks in mind and can often be tailored to the specific type of building being rented
- Protection against fires, water damage, and weather events
- Coverage for theft and vandalism incidents
- Reimbursement for tenants
- Legal expense assistance

## Talk to an Expert

LRO is often a huge gap in many business owners' coverage. If you lease at least 25% of your building—and don't have LRO—talk to your VGM Insurance Account Manager or contact us today at [info@vgminsurance.com](mailto:info@vgminsurance.com) or **800.362.3363**.

