

Community Management: The \$20,000 Dog

It's exciting. You just purchased a manufactured home community. It has fifty (50) sites, forty eight (48) of which are occupied by home owning tenants paying \$300/month in rent. You were pleased to purchase it for \$960,000, or \$20,000 per site. And now that it's time to begin managing the community, you discover three things. First, four of your tenants own large dogs (a German Shepherd, a Pit Bull, a Rottweiler, and a Chow). Second, your insurance agent has advised you that your insurance company strongly discourages allowing tenants to own such dogs and will non-renew or cancel your insurance if you don't force the dogs out of the park. Third, all four dog owning tenants have nice homes, are good neighbors, pay their rent timely, manage their dogs well, and will leave if their dogs have to go. What do you do?

The standard answer is that you demand the dogs be removed, and hope you keep the tenants. Most insurance companies won't underwrite a community owner with coverage that includes animal bites once they are aware vicious dog breeds are in the community. And if you do find an insurance company that will insure your property with these types of dogs in it, your insurance rates will increase dramatically. Historically, dog bites have been a source of a significant amount of the liability insurance losses suffered by community owners. Dog bites were the second largest cause of homeowners liability insurance losses in 2010. In January of this year, a pit bull attacked and killed a two year old in one of our client's properties. The victim was the grandson of the dog's owners.

If you only want to risk losing these four quality tenants as a last resort, there are alternative risk control measures you can take that may satisfy both you and your insurance company that this dog risk is manageable. First, check with prior management and other tenants about whether the dog(s) at issue has a history of aggressive behavior toward humans. A large vicious dog that has a history of biting a human, or attempting to bite one, can't be tolerated and must be removed. Second, presuming the dog has no history of aggressive behavior towards humans, require the dog owning tenant to sign a document in which they agree to defend and indemnify the park in the event a liability claim arises due to the dog. Third, require the tenant to purchase liability insurance and name the park as an additional insured. Mobile Home Owners liability insurance is inexpensive, usually about \$100/year for \$300,000 in coverage. However, most mobile home owners insurance companies won't offer this coverage to someone who owns an aggressive dog breed. Thus, the tenant will most likely have to purchase "canine/dog liability insurance." Such policies typically cost about \$600 per year for \$300,000 of coverage. At that point, the tenant can choose between their heart and their wallet. If you google "vicious dog liability insurance," you will find companies that offer this coverage.

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