

When Insurance Auto-Renewals Create Hidden Risk

In real estate, property insurance is often treated as a routine line item—it is renewed annually, paid on time or monthly, and then left alone. Out of sight, out of mind.

But that sense of security can be misleading. Many commercial property owners rely on automatic renewals, assuming their coverage continues to reflect the current performance of their asset. But often, an auto-renewal carries forward outdated information, particularly when it comes to rental income.

This creates a critical blind spot.

We recently saw this play out with a client of ours. Their policy was automatically renewed, and as a result, no updated financial information was requested or reviewed. Over time, the building's rental income had increased—but the insurance coverage did not keep pace.



In February 2025, a neighbouring fire spread onto our client's property and caused considerable damage to their property. While the physical loss was covered, the shortfall became evident when it came to loss-of-income coverage. The policy was based on outdated figures, leaving a meaningful gap between what income was insured and what the property was generating.

Sixteen months later, the rebuild of the property is nowhere near completion let alone ready to be leased, and the financial strain from insufficient income coverage continues to impact our client.



It is also important to understand that by not submitting a current rent roll or financial information, owners are not “saving” on insurance premiums. Instead, they may be creating a false sense of efficiency or economy while quietly underinsuring their asset. The short-term stability in premiums can come at the cost of significant underperformance in the event of a loss such as a fire.

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About the Authors:



Iain McCartney of Jones Deslauriers Insurance and **Pierre Azzi** of Acerta Realty combine expertise in commercial insurance, risk management, and property operations. Their practical experience advising commercial real estate owners on insurance coverage, asset performance, and business interruption risk provides valuable insight into the hidden dangers of insurance auto-renewals and the importance of keeping coverage aligned with a property's evolving financial profile.



Why This Happens

Auto-renewals are intended to be efficient, not accurate. Unless updated financials are submitted, insurers may simply extend the existing terms using previously provided data. Without a deliberate review process, key changes in a property's performance can go unaccounted for.

What Property Owners Should Be Doing

- Submission of current annual rent rolls and rental income data to ensure business interruption coverage reflects actual performance.
- Periodic review of indemnity periods (12, 18, or 24 months) with reference to realistic reconstruction timelines.
- Confirmation of adequacy of building limits in the context of prevailing construction costs and inflationary pressures.
- Benchmarking of replacement cost per square foot against current industry indices, with consideration of independent appraisal if, and where appropriate.
- Assessment of building age and condition factors, including compliance with updated by-law requirements for buildings over 10 years and review of major building systems for assets over 20 years.
- Disclosure of planned capital expenditures or renovations that may affect valuation or risk classification.
- Review of tenant profile composition, particularly where higher-risk occupancies may influence underwriting terms.

The Bottom Line

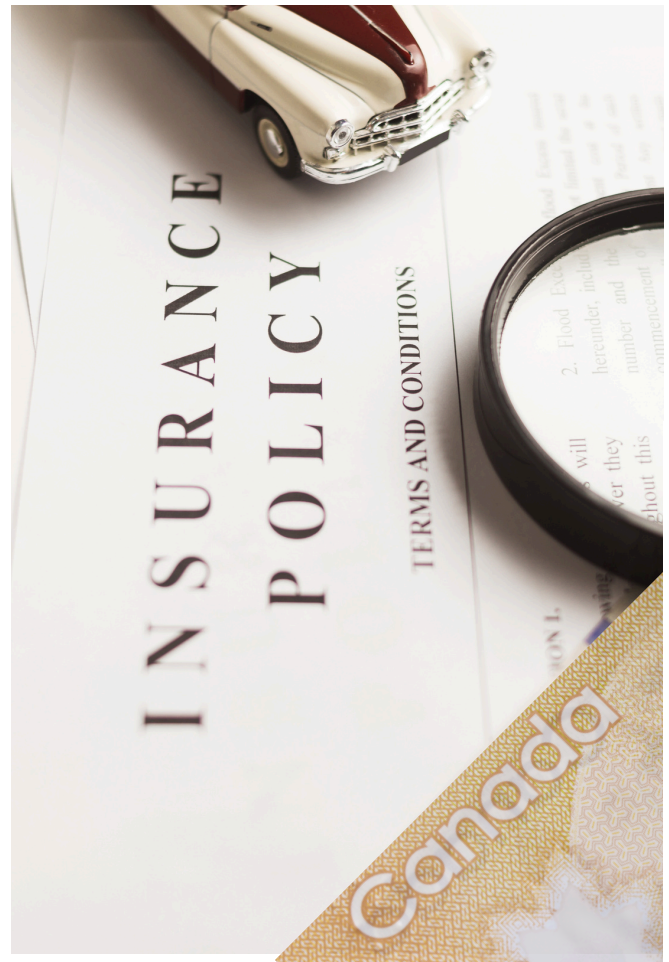
Commercial insurance is not just about rebuilding a property—it is about protecting the income it generates.

An auto-renewed policy based on outdated information can quietly erode that protection, only revealing the gap when it is too late.

In a market where performance is constantly evolving, your insurance coverage needs to keep pace.

Resources:

[Altus Group Releases its 2026 Canadian Cost Guide](#)



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