Risk Protection vs. Income Opportunity: Who Says You Can't Have It All?

Introducing the Security Deposit Waiver, a smart solution for property owners that delivers greater risk protection while generating additional income each year.

What is a Security Deposit Waiver?

Owners of multi-family housing generally require tenants to provide a security deposit as protection for the landlord in the event that the tenant does not abide by the terms of their lease. This security deposit is refundable and held in escrow until the termination of the lease.

The SDW program is an alternative to the traditional one month's security deposit. This allows a tenant to lower move-in costs in the form of a non-refundable payment. This payment is made at the inception of the lease and doesn't need to be repaid to the tenant upon termination of a lease.

How Does the Program Work?

In lieu of paying a refundable security deposit, tenants have the option to pay a one-time non-refundable waiver fee. The landlord uses the collected fee to purchase an insurance policy for coverage provided by a captive insurance company. The landlord reserves the right to subrogate against the tenant for all payments made by its captive. Tenants remain fully responsible for all monetary losses and property damages under the terms of their lease.

Atlas Insurance Management

Turn-key Management and Monitoring

A Third-Party Administrator (TPA) provides proprietary software that provides delivery, monitoring and reporting systems that manage the entire process. The TPA will also provide training and support.

This program applies to anything a security deposit would cover including damages, loss of rents, cancellation penalties and other related expenses.

Using Captive Insurance to Optimize the Benefit

This program can provide substantial new revenue to property owners which is captured in a captive insurance company.

Waiver fees are collected by the property owners and sent to a TPA. The TPA deducts an administrative fee and remits the remaining funds to the property owner's captive to buy an insurance policy covering damages, loss of rents, cancellation penalties and other related expenses. Policy limits are between $500 and $3,500 per occurrence with typical premiums between $100 and $500 per lease.

Captive profits when distributed as a qualified dividend are taxed at long term capital gains rates for the owners of the captive.

Tenants benefit by reducing their cash outlay at the beginning of their lease. Property owners benefit from a new, highly profitable revenue stream.

To learn more about how to improve protection while increasing income, contact Atlas Insurance Management.

7301 Carmel Executive Park, Suite 101
Charlotte, North Carolina, 28226
704.945.6620

3rd Floor, Whitehall House
238 North Church Street
George Town, Grand Cayman KYI-1107
345.945.5556

Adam Perea, VP – Business Development
aperea@atlascaptives.com
atlascaptives.com