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

Introducing The Tenant Damage Waiver.



As an owner of multi-family and student housing, you're on the horns of a dilemma. Lease requirements naturally mean either self-insurance or obligating tenants to have their own renter's insurance policy. Trouble is, it's rather difficult for the owner to know if the tenant actually has insurance, much less being able to enforce it.

So, what typically happens? Most renter incidents are modest, less than \$10K in size. For the owner, the time spent in discovering the renter's insurance and filing a claim often outweighs the expense of just paying it themselves. Sound familiar?

How It Works.

With a well-designed Tenant Damage Waiver (TDW) program, a master policy is issued to the owner for \$100K per occurrence naming them as the insured. The owner then offers to new or renewing tenants, in exchange for a fee, either the option to waive their obligation to obtain coverage, or simply includes the waiver as a mandatory part of the lease agreement. The TDW is an alternative to renter's insurance, not a substitute. Within the \$100K per occurrence limit, the program can provide up to \$10K for personal property damage or loss.



What's Covered.

Covered perils insured are for accidental, tenant-caused damages from:

- Fire
- Smoke
- Explosion
- Water discharge
- Sewer backup
- Collapse
- Falling object
- Frozen pipes

Tenant Damage Waiver Delivers Better Protection.

The TDW program allows you to transfer the liability for tenant-caused damages. While not a substitute for renter's insurance, it is a viable alternative, permitting the tenant to meet the lease's property damage liability requirement.

- Alternative to an HO-4 policy
- Tenants not issued a policy for coverage
- Reduces losses on owner's P&C policies
- Can be used as a deductible buy-down
- All tenants are eligible for participation
- No individual underwriting or application process

A Captive Insurance Company Delivers Better Income.

With a captive insurance company, a Tenant Damage Waiver provides a substantial revenue opportunity. The revenue collected need not flow through the operating entity. Instead, revenue can be collected by property owners and sent to a Third Party Administrator (TPA). After taking an administrative fee, the remaining funds are remitted to the captive.

- Profits can be distributed as a qualified dividend
- Dividend taxed at long-term capital gain rates
- Increased risk protection builds wealth over time
- No claim submitted to commercial carrier

To learn more about how a Tenant Damage Waiver program can increase your risk protection while increasing your income, contact **Adam Perea** at aperea@atlasclaptives.com.

