



Security Deposit Waiver Insurance and Tenant Legal Liability Insurance

presented by
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CONTENTS

1. Legislative overview and Impacts
2. Security Deposit Waiver Insurance overview and sample addendum
3. Tenant Legal Liability Insurance overview and sample addendum
4. Policy Comparison
5. Austin Market Overview
6. Processes for sign-up and claims
7. Benefits and advantages
8. Frequently asked questions

Legislation: Texas Senate Bill 1783

effective: 9/01/2021

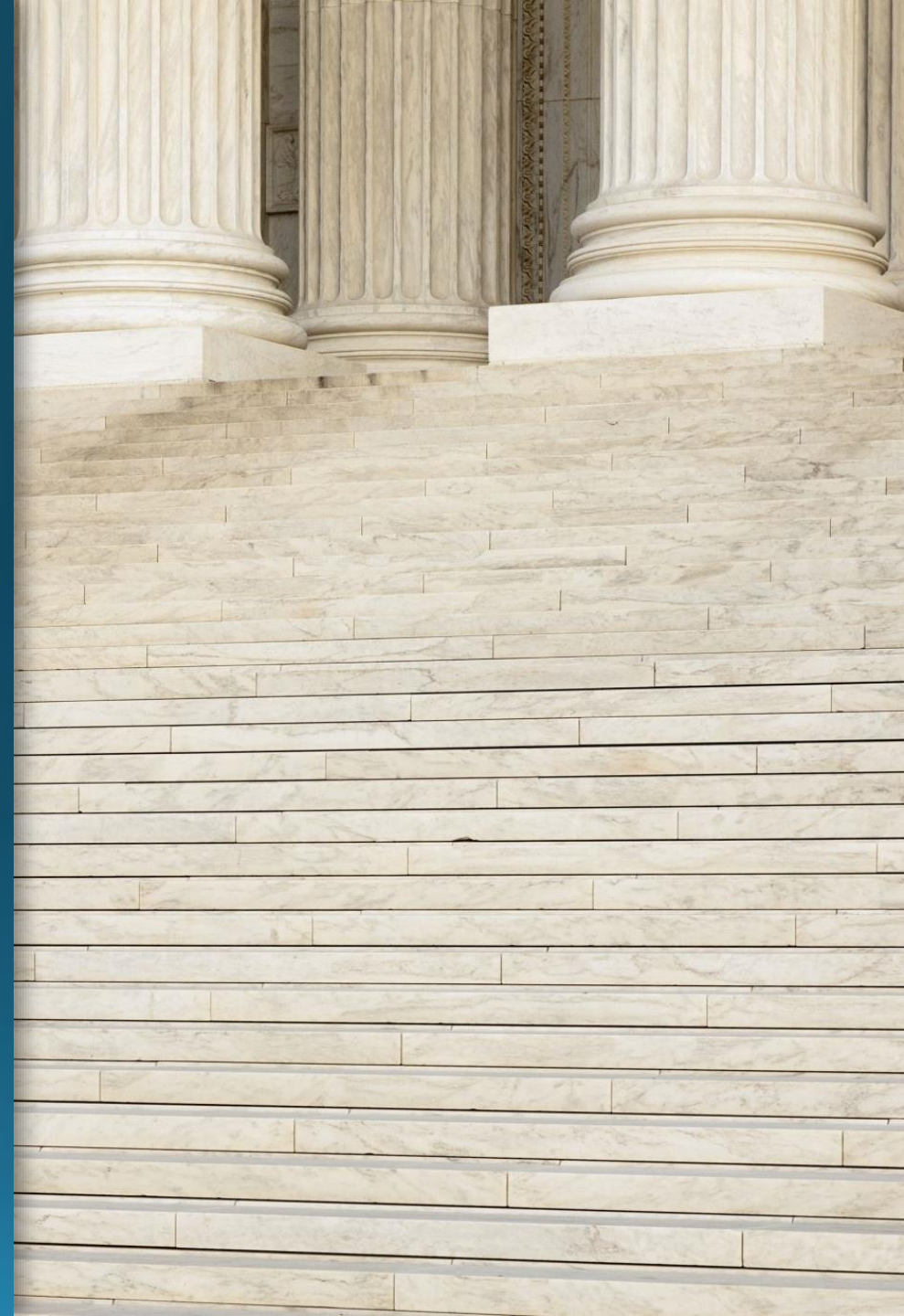
Tex. prop code 92.111

-Allows option for *"fee in lieu of Security Deposit...be used to purchase insurance coverage for damage and charges for which tenant is legally liable"*

-Landlords can offer a small fee added to monthly rent for purchase of Security Deposit Waiver Insurance and/or Tenant Legal Liability Insurance as an alternative to Security Deposits and/or Renters Insurance.

-Many property managers in Texas are not aware of this legislation or these options.

-This legislation benefits Tenants as well as Apartments, Landlords, Property Management and more.



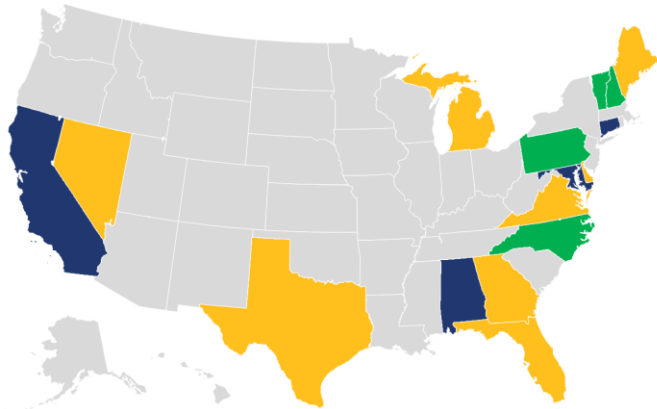
ALIGNED WITH LEGISLATIVE TAILWINDS

States and cities have started passing laws to make housing more accessible by lowering the move-in-cost for renters

SECURITY DEPOSIT LEGISLATIVE LANDSCAPE

- ✓ Nearly a third of US states have passed, proposed, or pledged support for deposit replacement laws, and a majority of US states have deposit restrictions in place
- ✓ Many city lawmakers have also passed new deposit replacement legislation for their locales
- ✓ “In light of mounting renter affordability concerns in the face of COVID-19, this foreshadows a flood of deposit replacement laws to come.” - LeaseLock

Security Deposit Legislation by State (July 2021)



Note: many cities such as Atlanta, Cincinnati, Columbus, Miami, New York City, Philadelphia and Santa Cruz, have either proposed, pledged support for, or passed new deposit replacement legislation which are not reflected in the State map above



CASE STUDIES



TEXAS

Effective September 1, 2021, state law allows landlords to give their tenants the option to pay a monthly fee with their rent instead of paying a security deposit



PENNSYLVANIA

April 21, 2020 – House bill #2427 was introduced stating that if a landlord requires a security deposit, the landlord must participate in a deposit alternative program, such as lease insurance, which allows the renter an alternative to placing a security deposit

OTHER FAVORABLE DEVELOPMENTS



CINCINNATI

January 2020 – Cincinnati passed a bill that frees renters from having to hand over a large lump sum and instead direct landlords to accept a security-deposit insurance policy as an alternative. The proposal made Cincinnati the nation's first locale to mandate a new option for renters to pay security deposits




NEW YORK CITY

March 31, 2020 – Rental security deposits are limited to a maximum of one month of rent. Rental regulation changes enacted in 2019 also prohibit the prepayment of rent. This means that the maximum amount of money a New York City landlord may collect upon lease signing is one month of rent and a one-month security deposit, for a total of two months



NEW JERSEY

April 24, 2020 – In response to New Jersey renters struggling to pay rent during COVID, Governor Phil Murphy issued an executive order that allows renters in the state to direct their landlords to tap into previously paid security deposits either to pay rent in full or to make up a shortfall

The background of the slide features a blurred image of a calculator, a set of keys, and stacks of US dollar bills. The text is overlaid on this background.

SECURITY DEPOSIT WAIVER INSURANCE (SDW)

Covers the landlord when tenants do not pay their bill

Landlord offers “No Security Deposit Required!”

- Attract more renters
- Lowers move in cost
- No more need for security deposits
- Let the carrier do your collections

**Example
LEASE ADDENDUM**

Security Deposit Waiver (must check one)		
<input type="checkbox"/> YES	\$28 per month	You waive payment of the security deposit of \$1,500 in lieu of the indicated monthly payment.
<input type="checkbox"/> NO	Variable	You agree to post the security deposit required by the Landlord

If neither "yes" nor "no" are checked in either of the above, A.1 "Option 2" and A.2. "yes" will be assumed, and the You will be billed accordingly.

This Lease Addendum is attached to and becomes a part of the Residential Lease Agreement ("Lease Agreement") between New Heights Property Management ("Landlord") and Renter ("You"). Both parties are bound by the terms of this Lease Addendum.

Your Lease Agreement contractually requires that You post a Security Deposit to secure compliance with the terms and conditions of your Lease Agreement. The Security Deposit may be used by Landlord as reimbursement for amounts contractually recoverable from You under your Lease Agreement. In lieu of the Security Deposit, Landlord offers to waive the one-time Security Deposit in exchange for payment of the monthly fee indicated above for the term of the Lease Agreement. This waiver does not waive the requirement that You adhere to the terms and conditions of your Lease Agreement. If you have questions, your landlord can provide you with an Explanation of Protections, which is incorporated into this Lease Addendum by reference. In the event the Property Management contract is terminated, the monthly fee referenced herein will cease and the Property Owner may require You to post a Security Deposit.

I HAVE READ AND UNDERSTAND THIS ADDENDUM

Resident Signature: _____ Date: _____

Resident Name (Print): _____

TENANT LEGAL LIABILITY

Tenant Legal Liability (TLL)

Policy Issued to the Landlord

Content \$5k or \$10k

Liability \$100k

Low monthly cost

Example
LEASE ADDENDUM

Liability Protection (must check one)			
A 1	<input type="checkbox"/> YES OPTION 1	\$14 per month	\$5,000 cash value protection to loss of Your personal property \$100,000 legal liability protection, <i>excluding</i> bodily injury
	<input checked="" type="checkbox"/> YES OPTION 2	\$20 per month	\$20,000 replacement value protection to loss of Your personal property \$100,000 legal liability protection, <i>including</i> bodily injury (\$10,000 sublimit)
	<input type="checkbox"/> NO	Variable	You will purchase renter's insurance from a third-party insurer on a form acceptable ¹ to the Landlord and listing the Landlord as an "Additional Insured"

Security Deposit Waiver (must check one)			
A 2	<input checked="" type="checkbox"/> YES	\$28 per month	You waive payment of the security deposit of \$1,500.00 in lieu of the indicated monthly payment.
	<input type="checkbox"/> NO	Variable	You agree to post the security deposit required by the Landlord

If neither "yes" nor "no" are checked in either of the above, A.1 "Option 2" and A.2. "yes" will be assumed, and the You will be billed accordingly.

This Lease Addendum is attached to and becomes a part of the Residential Lease Agreement ("Lease Agreement") between Landlord ("Landlord") and Renter ("You"). Both parties are bound by the terms of this Lease Addendum.

You are required to maintain minimum required coverage for the benefit of the Landlord. In lieu of obtaining this insurance through a third party, the Landlord is willing to provide limited protection for you for a monthly fee. This protection includes limited coverage for your personal property as well as for certain legal liability. Although by selecting either of these options your landlord is willing to waive the requirement that you maintain a standard HO4 renter's insurance policy, the protections offered through these options may be narrower than those provided through a HO4 policy. If you have questions or would like more details about the protections offered by the Landlord, your landlord can provide you with an Explanation of Protections, which is incorporated into this Lease Addendum by reference.

Your Lease Agreement also contractually requires that You post a Security Deposit to secure compliance with the terms and conditions of your Lease Agreement. The Security Deposit may be used by Landlord as reimbursement for amounts contractually recoverable from You under your Lease Agreement. In lieu of the Security Deposit, Landlord offers to waive the one-time Security Deposit in exchange for payment of the monthly fee indicated above for the term of the Lease Agreement. This waiver does not waive the requirement that You adhere to the terms and conditions of your Lease Agreement. In the event the Property Management contract is terminated, the monthly fee referenced herein will cease and the Property Owner may require You to post a Security Deposit.

I HAVE READ AND UNDERSTAND THIS ADDENDUM

Resident Signature: _____ Date: _____

Resident Name (Print): _____

POLICIES

Comprehensive policy offerings were designed to offer competitive coverage, simple enrollment / endorsement procedures, and high-quality claim adjudication

Security Deposit (SD) Policy

- The Security Deposit policy is issued to the landlord to cover excess wear, tear, and lost rent that tenants do not pay
- The Security Deposit policy replaces the upfront security deposits with a non-refundable monthly fee paid by the renter
- Owners, property managers, and renters benefit significantly from reduced move-in costs, helping to secure the lease on the rental property

Tenant Legal Liability (TLL) Policy

- The Tenant Legal Liability policy is issued to the landlord and provides up to \$100,000 of liability protection
- Damages covered include fire, lightening, smoke, falling objects, wind, burglary, accidental water discharge and explosion
- The Tenant Legal Liability policy covers up to \$5,000 of renters' personal property from damage or theft. An optional \$100,000 liability protection with \$20,000 content coverage (replacement value) and bodily injury coverage, is also available

Renter Insurance (HO4) Policy

- The Renters HO4 Insurance policy is issued to the renter for both liability and personal property coverage up to \$100,000 for named perils
- The policy also includes up to \$10,000 of coverage for dog/pet bites
- Renters have the choice between replacement cost or the actual cash value (ACV) at the time of loss

	Tenant Legal Liability	HO4
Policy Issued To:	Landlord	Renter
Tenant Personal Liability		✓
Tenant Legal Liability	✓	✓
Personal Property	\$5,000 or \$10,000	\$10,000 – \$100,000
On-Premise Bodily Injury	✓ ⁽¹⁾	✓
Certain Off-Premise Bodily Injury		✓
Dog/Pet Bites	\$10,000	\$10,000
Legal Liability to Other Tenants	✓	✓
Burglary	✓	✓
Perils		
Fire, Lightening, Smoke, Accidental Water Discharge	✓	✓
Freezing of Plumbing Heating/Cooling, Collapse, Riot/Civil Commotion	✓	✓
Vandalism, Breakage of Glass, Windstorm/Hail		✓

1. Covered under \$20,000 content policy.

Austin Market: Overview of Trends and Data

It's no secret that Austin housing prices have increased over the past few years and tenant-based housing has increased as well. The increase in interest rates and pricing has created a substantial barrier to entry for many people.

- As of July 11, 2023, there are about 1,221 apartments and 293,500 units.**
- Between June '22-June '23 there has been about a 2.6% drop in occupancy to 88.6%**
- In 2021 there was an average rent trend of about +24.5%.**
- In 2023 there is an average rent trend of about -4.20% so far.**

The data trend seems to indicate a dip in occupancy and rent in the past year. By utilizing the option to collect a small monthly fee in lieu of security deposit, it will lower one barrier to entry and perhaps help increase occupancy and the bottom line.

PROPOSED SIGN-UP PROCESS

1. Renter signs the lease.
2. Renter is offered the Security deposit policy, Tenant Legal Liability and Renter's Insurance at time of executing the lease. SDW policy coverage is equal to security deposit amount.
3. Policy is ordered by a file feed for the Tenant Legal Liability and Security Deposit Waiver policies.
4. Policy is given to the renter on the spot. Fast easy and convenient.
5. Confirmation is sent to the property manager.

Note: Tenant can change to prorated Security Deposit or SDW policy mid-lease.

PROPOSED CLAIM PROCESS: LOST RENT

Property Manager Filing a Lost Rent Claim needs:

1. Move Out Date
2. Contracted Rent Amount
3. Rent Amount Due and Not Paid
4. Copy of the Renter's Lease Addendum
5. Copy of the Demand Letter to Tenant
6. Document all Collection Attempts
7. Copy of the Lease Contract
8. Copy of the Renter's Lease Addendum
9. Third Party Administration (TPA)/ Claims Administration

Approved funds wired to Property Management Account within 48 Hours

PROPOSED CLAIM PROCESS: SECURITY DEPOSIT

Property Manager Filing an Excess Wear and Tear Claim needs:

1. Move Out Date and Evaluation Report Including Pictures of the Damage
2. Repair Estimate
3. Copy of the Demand Letter to Tenant
4. Document all Collection Attempts
5. Copy of the Lease Contract
6. Copy of the Renter's Lease Addendum
7. Third Party Administration (TPA)/ Claims Administration

Approved funds wired to Property Management Account within 48 Hours

VALUE PROPOSITION

Benefit possibilities for Renters and Property Managers

Benefits for Renters



LOW-COST RENTERS' INSURANCE OPTIONS

Affordable solutions that satisfy landlords' renter's insurance requirements while protecting renters from damage they may cause



FAST APPROVAL AND ONBOARDING

Seamless approval and onboarding makes the process of moving as smooth as possible



PROTECT YOUR BELONGINGS

Tenant Legal Liability insurance offers up to \$5,000 in personal property protection with additional options that provide coverage all the way up to \$100,000



NO UPFRONT SECURITY DEPOSIT

Renters can keep the large upfront cost in their pocket and rather pay in installments.

Benefits for Property Managers



PEACE OF MIND PROTECTION

Security deposits are a necessity to protect the property and its value. Tenant Legal Liability Insurance covers tenants for up to \$100,000, which gives landlords plenty of room for your liability minimums



FAST TURNAROUND PAYMENTS TO THE PM FOR EXCESS WEAR & TEAR

Smooth process that minimizes disruptions to normal course operations



IMPROVED COLLECTIONS & BAD DEBT

Let the insurance carrier do the collections without collection fees. Drastically lower your bad debt and increase the owner's ROI



SECURE MORE LEASES

Security Deposit Insurance gives tenants easy and affordable monthly payments, which means security deposits won't be an obstacle to closing a lease



NO MORE ARGUMENTS WITH RENTERS ON SECURITY DEPOSITS BEING RETURNED

Deliver a solution that builds trust with tenants and provides peace of mind for all parties



NO NEED FOR SECURITY DEPOSIT ACCOUNTING

Simplifies the landlord / property managers' administrative and reporting requirements



NO TENANT APPLICATION

If the Property Manager accepts the renter, so does this carrier.

Additional Benefits for Owners, Landlords and Property Managers

-SDW insurance reduces or eliminates the need for time and bookkeeping on Security Deposit escrow accounts.

-TLL reduces the need for property managers to constantly check to see if tenants have dropped any required renter's insurance after initial lease signing.

-Monthly administration fees can be added. Up to \$5 per SDW and up to \$2 per TLL for a total of \$7 per door per month. This is cumulative and can be used for increased revenues and/or paid to the property manager for the collection of data and premium.

For More Information on Products or Implementation

Contact: DBJ Insurance Services LLC

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972-365-3681



Frequently Asked Questions

1. Does SDW insurance work the same as a Security Deposit?

Simple answer is Yes.

2. Can I keep the fee to self insure?

Simple answer is No. One reason legislation passed was for use on an insurance product and lower the potential for illegal or bad outcomes.

3. Should I be concerned about the quality of Tenants who choose SDW insurance?

No. Your vetting process will not change.

4. Is SDW insurance an insurance product or is it a bond?

True SDW insurance should only be an insurance product not a hybrid.