



Captive Program for Renter's Insurance (HO-4)

Situation

What happens when your tenant overflows their bath tub and damages both their apartment and the neighbor's personal property? Property damage caused by a tenant against the property and another tenant should be covered by the liable tenant.

Situation

What happens when the renter's home is burglarized and expensive electronics are stolen? The renter's insurance solution (HO-4) can cover these losses.

Renter's Insurance Solutions (HO-4) Provided by Active Captive

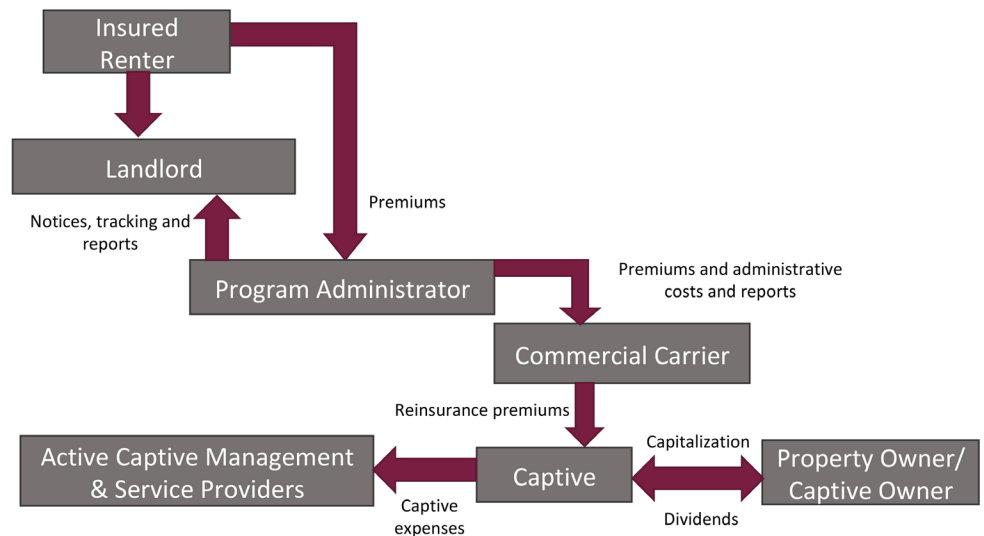
A renter's insurance captive program is an insurance program designed for multi-unit property owners with the purpose of covering the renter's property as well as losses incurred by the landlord caused by the renters. This type of insurance is typically underwritten by an A rated commercial insurance carrier. Subsequently, the risk may be reinsured to a captive insurance company. The captive is owned by the property owner. The captive reinsures a portion of the risk and captures the underwriting profit and related investment income.

The renter is the insured. The HO-4 policy covers: the landlord's property for damages caused by the insured; insured's personal property while anywhere in the world; insured's guest's personal property that is located in the insured's residence; temporary living expense; and personal injury to specific policy limits.

Renter's Insurance Program

Program Goals:

- ✓ Protect the landlord from losses caused by renters.
- ✓ Protect renters who have not protected themselves.
- ✓ Provides content coverage for the renter's personal property.
- ✓ Potential to become a source of revenue.
- ✓ The owner may choose to add additional property and casualty coverages to their captive for the organization's risks not currently covered by the commercial market.



How it Works*

The program starts with a revision to the lease between the landlord and the renter. At move in or renewal, the renter may be required to provide coverage to protect the landlord. The landlord determines if the insurance is required in the lease.

The renter can purchase the required coverage commercially or they can choose the rental insurance program (HO-4) offered by the landlord. If the HO-4 program is chosen, the premium payments are typically collected monthly. The landlord remits the premium to the program administrator, who pays the commercial insurance company.

The commercial insurer may then reinsure a portion of the risk to the captive insurance company owned by the landlord. The owner of the property determines how much of the risk they want to reinsure to their captive.

*Currently the program is under review in six remaining states. Approval is anticipated.



Payment of Benefits*

There are four parts to the coverage offered under the HO-4 program (typically with a \$250 deductible per occurrence):

1. Personal property with optional limits of \$10,000 or \$20,000 (C)
 - Coverage is for personal property owned or used by an “insured” while anywhere in the world.
2. Loss of use coverage (D)
3. Personal liability coverage with a limit of \$100,000 (E)
4. Medical expenses of \$1,000 (F)

*See policy details for specific and additional coverages, sublimits apply to specific losses and perils.

Renter’s Insurance

- The community’s lease or rental agreement provisions may require the renter to be financially responsible for their personal property and negligent acts by providing proof the landlord is an additional insured with their own commercial carrier or they can participate in this product.
- An HO-4 insurance policy is commonly referred to as renter’s insurance. The HO-4 coverage can apply to the rental of a home, condo, townhome, or apartment.
- Renter’s Insurance (HO-4) is an innovative risk management tool designed to fulfill the renters’ contractual obligation specified in the lease agreement.
- The standard HO-4 policy generally covers 16 specific perils including:

1. Fire or Lightning	7. Smoke	14. Sudden & Accidental Tearing Apart, Cracking, Burning of Building
2. Windstorm or Hail	8. Vandalism or Malicious Mischief	15. Freezing
3. Explosion	9. Theft	16. Sudden & Accidental Damage from Artificially Generated Electrical Current
4. Riot or Civil Commotion	10. Volcanic Eruption	
5. Aircraft	11. Falling Object	
6. Accidental Discharge or Overflow of Water or Steam	12. Weight of Ice, Snow, or Sleet	
	13. Vehicles	
- The annual premium rates charged to the renters are filed and approved by the state the property is located in. The premium rate allowed varies by state, generally they range from \$118 to \$321 annually, specific to each state.
- The properties covered under the program are subject to insurance underwriting guidelines.
- The property owner has input as to the extent of the risk he will reinsure to his captive and the limits and deductibles the renters may be required to cover.
- The leasing consultant is not selling insurance to renters, but offering renter participation, under the community-based HO-4 option, to comply with lease requirements.



FOR RENT

The Captive

Active Captive Management provides all phases of risk analysis, company formation and ongoing captive management. The owner of the properties own the licensed captive insurance company. The owner provides the captive's initial capitalization to assure the captive is solvent. The premium paid to the commercial carrier by the tenant, less expenses, are ceded to the captive with reserves held in a trust account at a financial institution determined by the captive owner (the trust must be at a NAIC approved bank). Reserve funds are released to the captive's investment account, at the captive owner's request, as surplus builds above the required reserves.

Captive management services require a perfect combination of experienced talent to deliver an alternative risk solution that is fiscally sound and creative in insurance program design, as well as regulatory compliant. The Active Captive team provides expertise in all capacities essential to the structure, implementation and management of a viable captive. A captive may provide many advantages to the organization, such as:

- Capital preservation
- Access to reinsurance market
- Eliminate coverage limitations
- Risk management
- Owner financed risks / risk retention
- Customized deductibles for self-insured retention
- Structured approach to claims management
- Capture underwriting profit and investment income

The underwriters at Active Captive Management will review the overall organizational structure of the captive owner and provide suggestions for additional property and casualty coverages the captive can directly insure such as, earthquake, wind, cyber risks, wage and hour and employee practices liability. The property owner will purchase these coverages directly from their captive insurance company.

Contact Us For Further Details



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