

# Landlord Rent Default Insurance

## Policy Guide

Landlords can finally have peace of mind knowing that their rental income is guaranteed, even when tenants stop paying rent. Landlord Rent Default Insurance covers landlords for the loss of rent resulting from a tenant's default on rent payment\*. Landlords may choose to cover from 1.5 to 4 months of lost rental income during a 1-year policy period.

For questions, email [contact@steadyinsurance.com](mailto:contact@steadyinsurance.com)  
or call 877 7 STEADY (877 778 3239)

### Example of what's covered

- ✓ Tenant stops paying rent and is evicted from the rental unit
- ✓ Tenant abandons rental unit and disappears
- ✓ Tenant breaks up with boyfriend and decides to break the lease
- ✓ Tenant loses job and stops paying rent while remaining in the unit up to 60 days after the original lease expiration date
- ✓ Tenant dies and no one is left to pay rent
- ✓ Tenant is called for military service and has to break the lease

### Example of what's not covered

- ✗ Tenant stops paying rent because the rental unit becomes uninhabitable or inaccessible due to damages to the property or the surroundings
- ✗ Tenant breaks the lease because the landlord or property manager did not comply with the lease terms or with building codes
- ✗ Landlord and tenant collude to terminate the lease with specific intention of collecting insurance money
- ✗ Any loss of rent after the lease expires or after 60 days past the original lease expiration in cases where the tenant is intentionally refusing to vacate the premises
- ✗ Any tenant default arising or resulting from a catastrophic event, such as a natural disaster.

## > About Us

Steady Insurance Agency LLC is a leading Program Manager and Underwriting Manager for Landlord Rent Default Insurance. Steady Insurance Agency LLC works with an A.M. Best rated A+ and Fortune 100 Company. Steady Insurance Agency LLC or Steady Insurance Agency LLC's brokers maintain Excess and Surplus Lines Broker licenses in every state where Landlord Rent Default Policies are bound and issued.

## > Introduction to Landlord Rent Default Insurance

### What is Landlord Rent Default Insurance?

It's insurance that indemnifies landlords for loss of rent resulting from a tenant defaulting on rent payment obligations. This insurance provides landlords with a guarantee on the lease performance and peace of mind knowing that they can protect the rental income used to service the mortgage, pay property taxes or maintain the unit.

### Who should consider getting it?

Any owner of a residential rental unit. This insurance is for rentals that are used as a tenant's primary residence, and so it is not available for vacation homes or short-term rentals. There is also a list of requirements that need to be met to qualify for the insurance, such as the tenant must have a minimum credit score of 580 (540 in Texas), a monthly income of 2.5 times the monthly rent, and must not have been the subject of an eviction proceeding, bankruptcy, foreclosure or judgments in the last 3 years. The full list is available in the [Qualification Requirements](#) section.

### Does my property insurance provide coverage in the event of tenant default?

Traditional dwelling or landlord insurance policies may sometime offer coverage for some portion of loss of rent resulting from a covered peril, such as fire, but not necessarily for loss of rent resulting from a tenant's default. Check your dwelling or landlord policy for details.

### How much does Landlord Rent Default Insurance cost on average and what's the refund policy?

The premium depends on a rental unit's address, monthly rent amount, and the amount of coverage you select. You can choose to cover from 1.5 to 4 months of lost rental income during a 1-year policy period. For example, the estimated annual premium for a rental unit in Downtown Orlando, renting at \$1,500/month, would be around \$290/year to cover for up to 3 months of lost rental income. The premiums are fully earned when paid, which means that we cannot provide any refunds if you cancel your policy.

### How can I buy Landlord Rent Default Insurance?

You can inquire for the insurance through Steady Insurance Agency LLC by providing the landlord's contact information, the rental unit's address, monthly rent amount, required coverage limit, coverage start date, and by certifying that all the insurance [Qualification Requirements](#) are met. Once the completed and signed inquiry form is received, Steady Insurance Agency LLC will survey the insurance markets. If coverage is not available from an admitted insurance carrier, the policy will be bound with a Surplus Lines Insurance company.

### What is Surplus Lines Insurance?

Excess and surplus lines insurance is a segment of the insurance market that allows customers to buy insurance that is not available through insurers licensed in the customer's state. One of the major differences between admitted and surplus lines insurance is that purchasers of surplus lines insurance policies do NOT have the protection provided by the state's guaranty fund.

## > Coverage and Exclusions

### **What does Landlord Rent Default Insurance Cover?**

It covers the insured landlord for loss of rent resulting from a tenant's nonpayment. There are many life events that can cause a tenant to stop paying rent: job loss, job relocations, evictions, break-ups, marriage, newborn babies, death, military deployment, etc... Any of these or other common life events can cause the failure of tenants to fulfill their obligations under the lease resulting in unintended vacancy for the landlord.

### **Does it also cover lease breaks?**

Yes, provided that you provide us a copy of the lease break agreement with the tenant within 5 days of executing it. Also, note that in this case, a rent credit of the greater of one monthly rent payment or the actual amount paid by the tenant as part of the agreement will be deducted from the claim payment.

### **What is a rent credit?**

It is an amount that would reduce the loss payment in the event of a claim. For example, any rent you receive during a pending eviction proceeding or any fee the tenant pays for breaking the lease would be considered rent credits and would reduce the claim payment. Also, any abatement, waiver, release, free rent, or any other reduction in the monthly rent would also be considered a rent credit.

### **What if the lease has a security deposit?**

The policy provides that proceeds from any security deposit must be applied: 1st) to pay for damages to the rental unit incurred during the lease (excluding ordinary wear and tear); 2nd) to the payment of any legal fee incurred in connection with the tenant's default; and 3rd) to pay for any re-tenanting fee. Any remaining security deposit would then be applied as a rent credit.

### **What if my tenant refuses to vacate the unit after my lease expired?**

If your tenant has stopped paying rent and still refuses to vacate your rental unit after the lease expires, the policy would extend coverage for up to an additional 60 days

from the original lease expiration date, subject to the policy's coverage limit, terms and conditions, in order to provide additional protection for landlords who find themselves in these circumstances.

### **What is the maximum amount of loss of rent covered by the insurance?**

When buying the insurance, Landlords can select to cover from 1.5 to 4 months of lost rental income during a 1-year policy period. This is the maximum coverage benefit for the landlord during any annual policy period.

### **What tenant default events would not be covered by the policy?**

There are some instances that could result in loss of rent that would not be covered. For example, a default would not be covered under the policy if the default is caused by the rental unit becoming uninhabitable, the landlord failing to comply with applicable law, building codes, or the terms of the lease. Also, any catastrophic event causing a tenant to default on rent would not be covered by the policy. A complete list of coverage exclusions is available in the policy.

### **Does the policy provide coverage during the COVID-19 Pandemic?**

The policy does provide coverage during the COVID-19 Pandemic, subject to all policy terms, conditions and exclusions. Tenant defaults are not covered if the rental unit is located in a metro area where all recreational or discretionary businesses are ordered closed by the government, or where the government has prohibited payment or collection of rent without providing for any financial assistance to landlords.

### **Does the policy provide coverage immediately when I purchase it?**

The policy has a 21-day waiting period, which means that tenant defaults occurring within the first 21 days from the policy start date would not be covered. This provision does not apply to renewal coverage, for the same unit and the same named insured.

## > Claims

### **Do I need to take actions when my tenant defaults on rent?**

Yes, within 5 days of the tenant default, you need to send the tenant a written notice of default demanding that they cure the default within 15 days, or the number of days required by applicable law, whichever is greater.

If the tenant does not end-up paying the arrears, then you should start any action (Initial Action as defined in the policy) to regain legal possession of the unit. This can be an official eviction proceeding, a plenary action, or any other action available by law, including when the tenant abandons the unit.

If you have executed a lease break agreement with the tenant terminating the lease early, then you need to send us a copy of the agreement and any other relevant documents within 5 days of executing it.

Make sure to read your policy carefully to have a full understanding of the actions you need to take after a tenant's default. Steady cannot provide legal advice relating to the eviction process.

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### **When do I make a claim on the policy?**

You can submit an initial claim upon the earlier of: **1)** regaining possession of the unit, **2)** the lease expiration date, or **3)** the receipt of an official judgement against the tenant. The easiest way to file a claim is to click on the Make a Claim button on your dashboard and follow the steps. You will be prompted to provide us the Initial Claim Supporting Documents.

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### **Do I have to resubmit a claim for each month or months of coverage I am claiming?**

After you submit the Initial Claim, you will need to submit an Ongoing Claim (defined in the policy) for each subsequent month of unpaid rent. This can be simply done by following the steps on your dashboard.

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### **How long can I make a claim for loss of rent payments?**

You can continue to make Ongoing Claims each month until the earlier of **1)** the original lease expiration date; **2)** reaching the coverage limit of your policy; or **3)** re-renting the unit to a new tenant.

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### **Should I re-rent the unit when making a claim? What happens if I re-rent the unit at a lower amount?**

You need to take all necessary actions to re-rent the unit as soon as possible. If the rent amount of the new lease is lower than the defaulting tenant's rent, you will be covered for the difference between the old monthly rent amount and the new monthly rent amount until the earlier of: **1)** the coverage limit being reached or **2)** the old lease expiration date.

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### **My tenant sent me an email saying they are moving out of the unit tomorrow, 3 months before the lease's contractual end date. How can I claim on the policy in this case?**

There are two different ways you can go by in this case. First, you would send a notice of default to the tenant advising that, although they are moving-out of the unit early, they are still responsible for all rent payments for the full term of the lease, and that you will not alleviate them from their responsibility until you find a replacement tenant. Then, once you regain possession of the unit and have re-listed it to find a replacement tenant, an initial claim can be submitted for whatever rent the tenant has not paid you. You can continue submitting ongoing claims for each subsequent month of unpaid rent until you find a new tenant. Note that in this case the original tenant is liable for all the unpaid rent, and that the insurance company will have the right to go after the tenant for whatever claim amount they would have paid you.

Alternatively, the second option you have is negotiating a lease break agreement with the original tenant as soon as you are made aware of their intention to walk away from their lease. In this case, you would need to provide us a copy of the lease break agreement with the tenant within 5 days of executing it. Also, note that a rent credit of the greater of one monthly rent payment or the actual amount paid by the tenant as part of a lease break settlement will be deducted from the claim payment.

### What if there is an eviction ban or other governmental action that prevents me from evicting the tenant?

In these circumstances the named insured (or their designated agent) must take all legal actions available to them in order to regain possession of the unit. For instance, if the landlord is able to issue a notice of default, but is not able to commence an eviction, then the landlord must issue the notice and provide a copy to the insurer upon request. If the landlord is able to file the eviction paperwork, but not legally able to actually evict the tenant, then the landlord must file the eviction and provide a copy to the insurer upon request.

As soon as legally possible the landlord must commence or resume all available actions to legally regain possession of the rental unit.

### What are the Initial Claim Supporting Documents that I need to provide with my Claim?

At a minimum you will be required to provide a copy of the following:

- The lease
  - The rental ledger showing full records of the tenant's rental payment history, including dates and amounts of payments, for the lease period
  - The tenant screening report and/or the tenant income verification documents
  - Documentation of the basis for and the manner in which the security deposit was applied, if applicable
  - The agreement between you and your property manager, if applicable
  - The notice of default sent to your tenant after they defaulted on rent payment; or the lease break agreement
  - Any other documentary evidence proving that the tenant default occurred, such as copies of the eviction filings, or email communications with the tenant, or the tenant's military notice, or the tenant's death certificate, etc.
- > a one month rent credit will be applied to the claim if only one of these documents is provided. The rent credit will not apply if you are prohibited by law to share one or the other document, or if you are not providing the tenant screening report because the lease has been in effect for more than 12 months from the coverage effective date.*



**For any questions specific to Landlord Rent Default Insurance, please email us at [contact@steadyinsurance.com](mailto:contact@steadyinsurance.com) to have your questions answered by a licensed insurance agent.**