

ASSEMBLY BILL NO. 123—ASSEMBLYWOMAN HARDY

FEBRUARY 9, 2023

Referred to Committee on Commerce and Labor

SUMMARY—Establishes certain requirements and restrictions relating to policies of rental obligations insurance and rental assurances agreements. (BDR 57-527)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets [omitted-material] is material to be omitted.

AN ACT relating to residential leasing; setting forth certain requirements and restrictions relating to policies of rental obligations insurance; authorizing a landlord and a tenant or prospective tenant to enter into a rental assurances agreement; requiring a landlord to offer to enter into a rental assurances agreement with a prospective tenant under certain circumstances; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law sets forth specific requirements for various types of insurance policies and contracts and the insurers who issue them. (Chapter 687B of NRS) **Sections 2-9** of this bill establish provisions governing policies of rental obligations insurance. **Section 5** of this bill defines “rental obligations insurance” to mean, in general, insurance that provides coverage to a landlord against: (1) financial loss from the nonpayment by a specific tenant of any financial obligation due pursuant to a rental agreement; and (2) damages to the premises caused by the tenant during the term of the rental agreement. **Sections 3, 4, 6 and 7** of this bill define other words and terms for the purposes of this bill.

Section 8 of this bill prohibits an insurer from requiring a landlord or prospective tenant to pay certain fees before the issuance of a policy of rental obligations insurance. **Section 8** authorizes an insurer to require a landlord who applies for a policy of rental obligations insurance to provide certain information about a prospective tenant. Additionally, **section 8** specifies the information that an insurer is authorized to consider in determining whether to issue a policy of rental obligations insurance and in calculating the premium for such a policy.

Existing law sets forth the circumstances under which and the procedures pursuant to which an insurer is authorized to cancel or refuse to renew certain policies of insurance. (NRS 687B.310-687B.420) **Section 8** prohibits an insurer



from: (1) increasing the premium for a policy of rental obligations insurance during the term of the policy, or any renewal or extension of the policy, except as a result of any claim paid under the policy; (2) cancelling or refusing to renew a policy of rental obligations insurance during the term of the rental agreement between the landlord who was issued the policy and the tenant for whom the policy provides coverage, or any renewal or extension of the rental agreement, except for the nonpayment of a premium; or (3) issuing a policy of rental obligations insurance in which the insurer or an affiliate of the insurer is the landlord insured under the policy.

Section 9 of this bill sets forth certain requirements for a policy of rental obligations insurance. **Section 9** prohibits, with certain exceptions, a policy of rental obligations insurance from authorizing or requiring a landlord to assign to the insurer any right of recovery against a tenant for whom the policy provides coverage. Finally, **section 9** authorizes a policy of rental obligations insurance to require a landlord to exhaust all claims against any security deposit provided to the landlord by the tenant before the insurer is required to pay any claim covered by the policy.

Existing law sets forth the Residential Landlord and Tenant Act, which establishes provisions governing landlords and tenants of dwelling units. (Chapter 118A of NRS) **Section 13** of this bill authorizes a landlord and a tenant or prospective tenant to enter into a rental assurances agreement, which **section 11** of this bill defines, in general, to mean an agreement in which a tenant or prospective tenant agrees to pay a landlord a monthly charge to reimburse the landlord for the costs of the landlord for the premium for a policy of rental obligations insurance. **Section 13** requires a charge imposed pursuant to a rental assurances agreement on a tenant or prospective tenant who becomes a tenant to be a fixed, monthly charge in an amount that is equal to the monthly share of the premium paid by the landlord for a policy of rental obligations insurance.

Section 14 of this bill requires a landlord to offer to enter into a rental assurances agreement with a prospective tenant who has submitted an application to become a tenant of the landlord under certain circumstances. **Section 14** prohibits a landlord who is required to offer to enter into a rental assurances agreement from denying the application of the prospective tenant if: (1) the prospective tenant enters into a rental assurances agreement; and (2) an insurer offers to issue to the landlord a policy of rental obligations insurance that will provide coverage for the prospective tenant when he or she becomes a tenant.

Section 16 of this bill provides that nonpayment of any charge due pursuant to a rental assurances agreement constitutes cause for termination of a tenancy.

Section 17 of this bill excludes any charge to be paid to a landlord pursuant to a rental assurances agreement from the definition of "rent."

Section 15 of this bill makes a conforming change to indicate the proper placement of **sections 11 and 12** of this bill in the Nevada Revised Statutes.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 687B of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 9, inclusive, of this act.

Sec. 2. *As used in sections 2 to 9, inclusive, of this act, unless the context otherwise requires, the words and terms defined in*



sections 3 to 7, inclusive, of this act have the meanings ascribed to them in those sections.

Sec. 3. "Landlord" has the meaning ascribed to it in NRS 118A.100.

Sec. 4. "Rental agreement" has the meaning ascribed to it in NRS 118A.160.

Sec. 5. 1. "Rental obligations insurance" means insurance that provides coverage to a landlord against:

(a) Financial loss from the nonpayment by a specific tenant of any financial obligation due pursuant to a rental agreement; and

(b) Damages to the premises caused by the tenant during the term of the rental agreement.

2. The term does not include insurance that provides coverage for:

(a) Damages to a premises caused by normal wear and tear;

(b) Personal injury; or

(c) Consequential damages as a result of damages to a premises caused by a tenant during the term of a rental agreement.

3. As used in this section, "premises" has the meaning ascribed to it in NRS 118A.140.

Sec. 6. "Security deposit" has the meaning ascribed to it in NRS 118A.240.

Sec. 7. "Tenant" has the meaning ascribed to it in NRS 118A.170.

Sec. 8. 1. An insurer shall not, before issuing a policy of rental obligations insurance, require a landlord who has applied for such a policy or a person who is proposed to be a tenant for whom such a policy will provide coverage to pay any fee to cover the costs incurred by the insurer in obtaining information about the landlord or person. The insurer may require the landlord to provide to the insurer information and documentation concerning the person who is proposed to be the tenant for whom the policy of rental obligations insurance will provide coverage that the landlord has received from:

(a) The person;

(b) A person who screens prospective tenants on behalf of the landlord;

(c) A consumer reporting agency, as defined in NRS 686A.640; or

(d) Any other person.

2. In determining whether to issue to a landlord a policy of rental obligations insurance and in calculating the premium for such a policy, an insurer may consider only the coverage limits of the policy and the following information concerning a person who



1 is proposed to be a tenant for whom the policy will provide
2 coverage:

3 (a) The income of the person;

4 (b) The financial and rental history of the person, including,
5 without limitation, any previous claims paid under a policy of
6 rental obligations insurance for losses caused by the person; and

7 (c) The amount the person will pay to the landlord as a
8 security deposit and rent, as defined in NRS 118A.150.

9 3. An insurer shall not issue a policy of rental obligations
10 insurance in which the insurer or an affiliate of the insurer is the
11 landlord insured under the policy.

12 4. Notwithstanding the provisions of NRS 687B.310 to
13 687B.420, inclusive, an insurer who issues a policy of rental
14 obligations insurance shall not:

15 (a) Increase the premium for the policy during the term of the
16 policy or any renewal or extension of the policy, except as a result
17 of any claim paid under the policy; or

18 (b) Cancel or refuse to renew the policy during the term of the
19 rental agreement between the landlord who was issued the policy
20 and the tenant for whom the policy provides coverage, or any
21 renewal or extension of the rental agreement, except for the
22 nonpayment of a premium.

23 **Sec. 9. 1. A policy of rental obligations insurance must:**

24 (a) Specify the information that a landlord applying for the
25 policy is required to provide to the insurer pursuant to subsection
26 1 of section 8 of this act;

27 (b) Describe the method used by the insurer for determining
28 whether to issue to a landlord the policy and for calculating the
29 premium for the policy based on the considerations provided in
30 subsection 2 of section 8 of this act; and

31 (c) Name the tenant for whom the policy provides coverage as
32 an interested party to the policy and require the insurer to notify
33 the tenant of:

34 (1) A denial of coverage under the policy;

35 (2) The establishment of coverage under the policy;

36 (3) The amount of the premium charged for the policy and
37 any change to that amount;

38 (4) The cancellation or nonrenewal of the policy; and

39 (5) Any reduction in the coverage of the policy.

40 2. A policy of rental obligations insurance must not authorize
41 or require a landlord to assign to the insurer any right of recovery
42 against the tenant for whom the policy provides coverage, except
43 to reimburse the insurer for a claim paid concerning a tenant
44 whose coverage under the policy was obtained as a result of fraud
45 or forgery committed by the tenant.



3. A policy of rental obligations insurance may require a landlord to exhaust all claims against any security deposit provided to the landlord by the tenant for whom the policy provides coverage before the insurer is required to pay any claim covered by the policy.

Sec. 10. Chapter 118A of NRS is hereby amended by adding thereto the provisions set forth as sections 11 to 14, inclusive, of this act.

Sec. 11. “Rental assurances agreement” means an agreement between a landlord and a tenant or prospective tenant in which the tenant or prospective tenant agrees to pay to the landlord a monthly charge during the term of a rental agreement to reimburse the costs of the landlord for the premium for a policy of rental obligations insurance.

Sec. 12. “Rental obligations insurance” has the meaning ascribed to it in section 5 of this act.

Sec. 13. 1. A landlord and a tenant or prospective tenant may enter into a rental assurances agreement.

2. A charge imposed pursuant to a rental assurances agreement entered into pursuant to subsection 1 on a tenant or a prospective tenant who becomes a tenant must be a fixed, monthly charge in an amount that is equal to the monthly share of the premium paid by the landlord for a policy of rental obligations insurance issued to the landlord that provides coverage for the tenant or the prospective tenant who becomes a tenant.

Sec. 14. 1. If a prospective tenant submits an application to become a tenant of a landlord, the landlord shall offer to enter into a rental assurances agreement with the prospective tenant pursuant to section 13 of this act if:

(a) The prospective tenant demonstrates that he or she has an income of at least twice the amount of rent that would be due under the rental agreement if the landlord approves the application;

(b) It is the policy of the landlord to allow cosigners to rental agreements; and

(c) The landlord would otherwise deny the application based on the financial or rental history of the prospective tenant.

2. A landlord who is required to offer to enter into a rental assurances agreement with a prospective tenant who has submitted an application to become a tenant pursuant to subsection 1:

(a) Shall make reasonable efforts to identify at least one insurer to issue to the landlord a policy of rental obligations insurance that will provide coverage for the prospective tenant when he or she becomes a tenant; and



1 (b) *Shall not deny the application of the prospective tenant if:*
2 (1) *The prospective tenant enters into a rental assurances*
3 *agreement with the landlord; and*

4 (2) *An insurer offers to issue to the landlord a policy of*
5 *rental obligations insurance that will provide coverage for the*
6 *prospective tenant when he or she becomes a tenant.*

7 **Sec. 15.** NRS 118A.020 is hereby amended to read as follows:
8 118A.020 As used in this chapter, unless the context otherwise
9 requires, the terms defined in NRS 118A.030 to 118A.175,
10 inclusive, *and sections 11 and 12 of this act* have the meanings
11 ascribed to them in those sections.

12 **Sec. 16.** NRS 118A.060 is hereby amended to read as follows:
13 118A.060 A tenancy is terminated with “cause” for:

- 14 1. Nonpayment of rent.
15 2. Nonpayment of utility charges if the landlord customarily
16 pays such charges and submits a separate bill to the tenant.
17 3. Failure of the tenant to comply with:
18 (a) Basic obligations imposed on the tenant by this chapter;
19 (b) Valid rules or regulations established pursuant to this
20 chapter; or
21 (c) Valid provisions of the rental agreement.
22 4. Condemnation of the dwelling unit.

23 **5. *Nonpayment of any charge due pursuant to a rental***
24 ***assurances agreement.***

25 **Sec. 17.** NRS 118A.150 is hereby amended to read as follows:
26 118A.150 “Rent” means all periodic payments to be made to
27 the landlord for occupancy of a dwelling unit, including, without
28 limitation, all reasonable and actual late fees set forth in the rental
29 agreement. *The term does not include any charge to be paid to a*
30 *landlord pursuant to a rental assurances agreement.*

31 **Sec. 18.** This act becomes effective on January 1, 2024.

