

A note from Terri

Wow, this year is going quickly and April is here already.

Around this time of year is perfect for Property Managers to remind their Landlords about the availability and importance of protecting their investment with Landlord Insurance.

Landlords often like to accumulate expenses for their rental property close to tax time so that they can get re-imbursed (where applicable) for their expenses as soon as they complete and lodge their tax return.

A welcome section to our policy, Tax Audit was added just over 12 months ago. If a Landlord was audited in relation to their taxation return, we could assist with the cost to respond to that audit (subject to policy conditions). Many Landlords have seen this as an added bonus to their already comprehensive policy and new Landlords will also see the importance of having this benefit available to them.

We are here to provide peace of mind for you and your landlords and from the team at Terri Scheer, we wish you a Happy Easter with your friends and family.

Terri

Telstra South Australian Business Woman of the Year 2006

Free Risk Management with Terri Scheer

Lisa Heffernan
Business Relationship Manager
New South Wales

Risk management affects virtually every business today, but in particular private businesses, such as Real Estate Agents. Solid risk management tools enable you to enhance your protection, minimize lawsuits, meet regulatory compliance standards, and make better business decisions.

Undertaking a cost benefit analysis of implementing a risk management plan can show you the cost of potential risks your business could incur. Comforting to know then that the cost to manage your risk management pertaining to insurance and your landlords is **FREE!**

You all should have received our Landlord Insurance Information Pad when visited by your Business Relationship Manager. This is one tool you can use to help manage the risk of a taking on the management of a new property.

Simply have the landlords sign this document when they're signing their managing agency agreement to acknowledge that you have informed them that there are risks in owning a rental property and that landlord insurance is available. You've therefore covered your duty of care from the start. Now that's peace of mind.

It can be very confusing researching risk management, that's why we have Business Relationship Managers to service you and provide you with tools to help you manage your risk and potentially save your agency from an expensive law suit. Our team is available to discuss this with you at a suitable time. Call your local Terri Scheer office if you'd like one of our Business Relationship Managers to visit you and your team.

Make sure the Building Insurance sum insured is adequate

Sue Temby
Business Relationship Manager
Western Australia

Home Building Insurance Policies that provide hundreds of thousands of dollars in cover may seem sufficient if Landlords think that they will only ever need to claim for limited damage to part of their house. But they should always consider the possibility that their house might be totally destroyed, for example in a natural disaster like a bushfire. If this happens, does the Landlords policy provide enough insurance to cover the cost of rebuilding their house and any extra costs that they might incur?

If they are not covered for these costs, they may be underinsured, which means the Landlord will not receive enough money to cover the cost of rebuilding if a disastrous loss occurs.

Landlords should consider the following when nominating a sum insured for their Building insurance:

1. Buy enough insurance to cover rebuilding costs. This should include labour and materials.
2. Buy enough insurance to cover the extra costs of replacing the home such as removal of debris from the site, architects plans, rent lost while your property is untenable, cost of lodging plans with your local council/shire etc.
3. Know what risks are covered or not covered.
4. Make sure any Special Risks are covered:
 - If it's a RENTAL PROPERTY
 - Is cover provided for damage or theft by the tenants?
 - What is the coverage if they are renovating or altering the home?
 - What is the coverage if the home will be vacant for an extended period?

Please remember that Distributors are not able to provide advice on insurance to their Landlords. To determine a figure on how much a Landlord should insure their property for, there are insurance calculators available on the internet. We recommend Landlords visit the insurance section of www.asic.gov.au/fido for tips and advice on using these calculators.

We are happy for you to use any of the information provided to you in scheer tips for your own newsletter. You should however, acknowledge that the information was provided by Terri Scheer Insurance Brokers otherwise you might be at risk of providing advice.

Please contact Carolyn Majda - carolynm@terrischeer.com.au if you need further advice.

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Terri Scheer is happy to provide you with this information. However, if you would rather not receive future issues please let us know and we will delete you from our distribution list.



Claim Recovery - How does the insurer get their money back?

The irony of insurance is that you take out a policy to protect yourself against any loss you may sustain but in doing so the insurance company then suffers a loss. The question begs; how does the insurance company recoup their loss?

When your claim is accepted by QBE (our insurer) we will compensate your landlord for any loss that they have sustained that falls within the scope of the policy. QBE then takes over that debt and has the right to recover it from the responsible third party. For malicious, accidental damage and loss of rent claims, this is usually the tenant. Our insurer has the right to try and recoup its loss by instigating 'recovery' action against the tenant. This is undertaken by an independent 'debt recovery' company that is contracted to QBE.

When a claim is settled, we will forward the tenant's contact details to the recovery company so that they can attempt to track them down and arrange a method for the debt to be repaid. This process is not always successful but you can help improve our recovery chances by providing us the tenant's tenancy application and any forwarding address or phone details you may have on file. If we can track them down and make them responsible for the loss they have caused then they may think twice before doing this to another landlord in the future.

Recovery action is only undertaken for those losses a tenant is legally responsible for under the terms of their lease. Generally these losses relate to either property damage or rent loss and below we have listed some key points that we look at when deciding on whether recovery action should be carried out or not:

Rent Loss

1. If the tenants lease is fixed then they are liable until the lease expires. This is unless they are issued with a termination notice or are evicted from the property beforehand. If they are, then their legal responsibility ceases at that time and this would be where we would try to 'recover' up to. Whilst recovery must stop here, the rent payment to your landlord would continue through to the re-let date, end of lease or when the policy limit is reached- whichever occurs first. We will pay you this extra money even though we are legally not able to recover it from the tenant.
2. If the lease is periodic then the tenant is liable for rent until the property is re-let or until the appropriate end of lease notice period expires. I.e if a tenant leaves today and doesn't give the 3 week notice they were required to give you, then they would be deemed liable for an extra 3 weeks after the date they vacated. If they do give notice, then they are liable up to the expiry of that notice. Recovery would be carried out subject to the conditions outlined in point (1) above.

Property damage

1. Was the claimed damage present when the tenant moved in? If it was we would be unable to consider this in the claim or be able to recover it from the tenant. To be able to verify this we need to sight a copy of the 'Entry Condition Report' for the tenant you allege caused the damage. If this is not provided we may not be able to process your claim.
2. The damage must be caused by an insured event covered under the policy i.e malicious or accidental damage or theft. If we accept a claim for any of these events and make a payment to you, then we will attempt recovery against the tenant.

If there are expenses that your landlord incurs that are above and beyond what is claimable under your Terri Scheer policy, then they too are legally able to take recovery action against the tenant themselves. This can sometimes be a time consuming and costly exercise however in some instances such action may be warranted depending on the amount of debt the tenant owes you. Such action is at your discretion, but remember that you can't pursue the tenant for any loss that you have already been compensated for through your insurance claim.

We will do our best to make the tenant accountable for their actions by carrying out the above processes. Obviously this helps our insurer by keeping the cost of claims down but it is also vitally important in deterring tenants from defaulting on their rent or causing property damage to other unsuspecting landlords in the future. When we make a recovery from a tenant, we will always inform your office in writing which tenant we recovered from, how much was recovered and the tenants last known address. This information could be used if the Landlord wanted to pursue the tenant for amounts which exceeded the claim. An added benefit to you and your office is that any recoveries made by the insurer will help to reduce the claims loss ratio of your office.

Remember— Landlords are now able to arrange insurance themselves on our website

www.terriscbeer.com.au

A recent comment from a Landlord who has used this service was:

"The on-line internet request form is a great idea and worked well—very quick and easy!" 5/3/07