

Market boom...interest rate hikes...what next?!

Carolyn Majda - Marketing & Operations Manager

There is a lot of uncertainty in the market place at the moment following recent rate rises and stories in the media about rents increasing by as much as 50% over the next five years.

The .25 percentage rate point increase in official cash rates imposed by the Reserve Bank in March means the official cash rates are now at an almost twelve year high. Despite the RBA holding rates in April, many banks and financial institutions added another .25% to their home loan rates, taking the average variable home loan to as high as 9.25%. Investors are now faced with a frightening increased exposure to mortgage sales. Investments are only as good as the income they earn so an unprotected investment property can place a huge risk on income earnings, placing some investors in a very unstable position.

When interest rates rise, rents invariably follow suit. Over the past months we have observed an increase in loss of rent claims as tenants find themselves unable to cope with the increase in their rent. We have spent a lot of time talking to property managers around Australia and the stories are the same in every state. Many tenants have overcommitted themselves with interest free terms on big ticket items and the increased rent means they have reached their financial limit. An agent in Queensland who has only had 3 claims in the last three years recounted several instances during our appointment last week where tenants have decided it's all too hard and have just packed up and left, leaving the keys to the property in the letterbox.

Of course, if tenants fail to pay their rent, landlords may not be able to meet their mortgage payments. To protect the landlord against the pressures of mortgage stress it is imperative that they consider insuring their rental income. Landlord Insurance was designed for the sole purpose of protecting the landlord from circumstances where income might be interrupted.

As a Distributor of Terri Scheer, there **are** things you can do to help encourage your Landlords to protect their asset.

As their agent it is important that you alert your clients to the fact that despite your best efforts, there are risks associated with owning an investment property and that many of these risks can be protected by purchasing landlord insurance. Many investors, particularly first timers are unaware that they can protect themselves against losing their rental income.

Mail outs are an effective way of both alerting your clients to the availability of insurance and the fact that as a Distributor of Terri Scheer landlord insurance products you arrange it for them. Terri Scheer has designed a specific letter you can use to print on your office letterhead and post with information on the Landlord Preferred or Scheer Short Stay Policy. This provides the Landlord with the information they need to make the decision to protect themselves.

Don't forget too that our 15 4 12 promotion still has another couple of months to go - all new policies provide the landlord with 15 months cover for the price of 12. Slipping the flyers into your monthly statement run can help to reduce your risk of having uninsured landlords. Due to the current uncertainty you may also consider holding information sessions for your Landlords to help reassure them their assets and their best interests are being looked after. Your Terri Scheer Business Relationship Manager is able to attend these functions should you wish.

Protecting your Landlords with insurance - Protect yourself by staying safe

Does someone at your office know where you are at all times? Do you have a procedure for staying safe when you're out on the road?

Of course no-one likes to think that something may happen to them, but it can and does. We encourage you and your office to implement a policy to help protect Property Managers and staff when they are out of the office, and to have procedures in place to minimise the risk of serious injury. These procedures should also include a process of what to do if you are in a dangerous situation and require assistance. Ensure all staff are trained in these procedures no matter what.

Your local Police may be able to provide you with some ideas on how to keep safe while you're out of the office showing people through properties and at appraisals etc.

A note from Terri

We are pleased to announce that our 15 4 12 promotion has so far been a great success. Many clients have been embracing the promotion and providing all of their landlords with the DL flyer in an effort to remind them of the availability of landlord insurance.

Not only is it great for us, but you also have the confidence in knowing that your landlords are protected with landlord insurance which is always supported with excellent customer service.

With just over 2 months left to go, time is running out to alert your landlords to the availability of this fantastic promotion.

In other news, we have just hosted our WA client party. The theme 'red carpet' encouraged clients to dress 'glamorous' and the paparazzi were snapping all who entered on the red carpet. We had visits from 'James Bond', 'Marilyn Monroe' and even 'Austin Powers'. I'm sure those who attended agreed it was a great night, thank you for your support, we look forward to our continued business relationship with you all.

Terri

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.

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.

Landlords with Multiple Properties



Dehran Rendall
Business Relationship Manager, Queensland

The majority of Real Estate offices will probably have at least one Landlord that has more than one investment property that you manage for them.

If so, we encourage you to check that all their investment properties are adequately insured. It's often the case where owners have a number of properties in their portfolio, but not all of them are insured. This is usually unintentional and is often an oversight or an innocent mistake which could be very costly if not detected.

If an owner has 4 properties for example and only 3 of them are insured, then it's highly likely that the 4th property has been overlooked, the owner may believe all their properties are insured. They may all have been at one stage, though it is possible that a policy may not have been paid and has then been lapsed, or the owner or Property Manager may have forgotten to place the policy for this property initially.

Owners with 3 or more properties insured with the Terri Scheer Landlord Preferred or Scheer Short Stay Policies in Australia receive our multiple property discount of \$20 per property.

Please don't let your valuable multiple property Landlords get caught out, check their insurance arrangements immediately.

Landlords that place a policy that commences before 30 June 2008 will also be eligible to receive 15 months cover 4 the price of 12. Please see website for full terms and conditions.

A bank is the obvious place to acquire finance...

So what makes you think it is the best place to buy your insurance?

Hayley Price, Business Relationship Manager, Victoria

Terri Scheer has a new flyer containing a simple checklist of the most important considerations a landlord should look at before deciding to take out or renew a landlord insurance policy. The most important areas of a policy should always be the level of cover offered and the amount of excess that is required to pay when making a claim.

We find it alarming that many times the only consideration a consumer makes before purchasing their insurance product is the premium amount. This is a short term consideration because in the long term, a lower priced premium may turn out to be the more expensive option in the event of a claim. In some cases an owner cannot even claim against their policy because the applicable excess is higher than the claim amount. To be proactive for the long term, the best way is for landlords to ensure they have comprehensive coverage, a reasonable premium and low excesses.

By using our checklist (extract below), this points consumers in the right direction to do their homework before deciding to purchase a policy.

- ◆ Can you retain the bond for re-letting expenses?
- ◆ Can you place cover when the tenant is already in arrears?
- ◆ Is there a waiting period?
- ◆ Can your Property Manager submit a claim on owners behalf?
- ◆ Can you claim the legal costs incurred for the time a Property Manager spends at Tribunal?
- ◆ Can you claim if tenants are on a periodic lease?
- ◆ What are excesses for loss of rent, malicious damage by tenants, and accidental damage by tenants?
- ◆ What is the timeframe from receiving a claims payout?
- ◆ What is the limit for public liability cover?

We trust this flyer will assist you when you are communicating with your clients about Landlord insurance. It's a simple checklist the Landlords can use to educate themselves on the cover they have (or think they have!)

If you haven't yet received a supply of our comparison flyers or you would like more copies, please contact your local Terri Scheer office or your Business Relationship Manager directly.

Landlord insurance, it's scheer simplicity

SA/NT/TAS
102 The Parade
Norwood SA 5067
ph: 08 8132 3100
fax: 08 8363 3811
freecall: 1800 804 016
email: tsibho@terrischeer.com.au

WA
31 Teddington Road
Burswood WA 6100
ph: 08 9361 6822
fax: 08 9361 7608
freecall: 1800 853 694
email: tsibwa@terrischeer.com.au

VIC/ACT
Level 1/159a Glenferrie Road
Malvern VIC 3144
ph: 03 9576 2533
fax: 03 9576 2544
freecall: 1800 609 911
email: tsibvic@terrischeer.com.au

QLD
3/18 Torbey Street
Sunnybank Hills QLD 4109
ph: 07 3216 9555
fax: 07 3216 9500
freecall: 1800 351 788
email: tsibqld@terrischeer.com.au

NSW
Level 2/5-7 Bryson Street
Chatswood NSW 2067
ph: 02 9413 9700
fax: 02 9413 9800
freecall: 1800 300 394
email: tsibnsw@terrischeer.com.au