

Comments from Carolyn

What's so scary about landlord insurance?

Flying home from Sydney during the week, the man sitting next to me struck up a conversation which of course led to him asking what I do. I explained that I work in insurance, with Terri Scheer and that we specialize in landlord insurance.

"Landlord insurance", he said, "I've never heard of that, what does it cover?" I proceeded to tell him how we protect against loss of rent and damage caused by tenants. He then said, "I'm surprised my property manager hasn't told me about it".

I'm surprised too. Having as much of your rent roll insured with a quality landlord insurance product is as much a benefit for you as for the landlord. Risks are all around us and there are many ways to manage a risk. One of the best ways to manage a risk is to transfer it.

Insurance is a form of risk transfer. Instead of your landlord being out of pocket (and potentially seeking to recover the loss from you) they can transfer the risk of that loss to their insurance policy, then, if a claimable loss occurs, the landlord can be assured that he's protected and you're saved the stress of having to explain to the landlord that the tenant has absconded from the property owing six weeks rent and the house needs \$25,000 of repairs before you can re-let it.

How many people would give a perfect stranger the keys to their car, especially if it was not insured? I suspect no one would. Yet many landlords hand the keys to a house worth far in excess of a car to perfect strangers and don't think about insuring the risk that poses. Strange. Even stranger given that the annual premium for a landlord insurance policy is often less than the cost of one week's rent and is a tax deduction.

As a Terri Scheer Distributor it's very simple for you to arrange cover for your landlords as soon as they sign your managing agreement. In fact that's the best time to take out the cover because the landlord faces a risk as soon as the property is advertised and you start showing tenants through.

Have a close look at your rent roll. How many uninsured properties are you managing? Is that a risk you're happy to have? With the end of the financial year approaching fast, now is a great time to take cover – landlords get another tax deduction and with our 15 4 12 promotion, they also receive an additional three months cover. We've even created a special end of financial year mail out letter you might like to use. Visit www.terrischeer.com.au, click on the Real Estate Agent icon and go to download forms – you'll find the End of Financial Year Mail out letter there.

Carolyn

Carolyn Majda, General Manager—Insurance Services

Why Terri Scheer Building Insurance?



Ryan Peacock, Claims Manager, SA

It is not uncommon for landlords to assume that their Landlord Preferred Policy will provide full cover to their building against loss or damage, regardless of the cause. It is important to recognise that the LPP must be complemented by a building insurance policy which will protect the building against insured losses which have nothing to do with the tenant.

Examples of some events a building insurance policy may cover include:-

- ◆ Storm damage – tree blows onto your roof in a wild storm
- ◆ Water damage – pipe bursts in the roof and wets the ceiling causing it to collapse
- ◆ Impact – out of control car runs through the front fence and into the house.

If your landlord was unlucky enough to sustain damage of this nature, it is likely that the property would become untenable and the tenant may have to move out. No tenant means no rent, which means no money to pay the ever increasing mortgage payments which landlords are facing these days.

Terri Scheer has a Landlord Residential Building Insurance policy specifically for owners of rental properties. Some of the significant benefits this policy can offer your landlords are:

- ◆ Accidental damage and malicious damage cover to the building, whether caused by the tenant or an intruder up to the full sum insured of the building.
- ◆ 52 weeks of loss of rent cover should the property become untenable due to a defined event in the building insurance policy. Many building policies do NOT have this level of cover as they are typically designed for owner occupied properties, where rent loss is not required.

An example of the importance of our tailor made building policy can be seen in a current claim we have which involves \$75,000 of damage caused by the tenant. Unfortunately the landlord of this property only has our Landlord Preferred Policy, which provides cover up to \$45,000 for Malicious damage by tenants. His building insurance is elsewhere, and regrettably they do not cover for any damage caused by the tenant. This is likely going to result in this landlord being out of pocket to the tune of \$30,000 – can you imagine the impact that this devastating and financial crippling loss will have on the landlord and his family?

Situations like this can be avoided by ensuring the insurance policies your landlords have are designed specifically for their needs as the owners of rental properties. If you suspect your landlords do not have building insurance or have an unsuitable policy, please give us a call today and we would be happy to arrange a quote for them. If they get in quick, they will also receive an added bonus of 15 months cover for the standard 12 month premium!!

Note: Our building policy is not available for strata titled properties, properties located in the Northern Territory or in Western Australia if they are above the 26 parallel.

Death of a tenant

Stephen Blair
Business Development Manager, South Australia

Loss of rent due to the death of a tenant is one loss of rent situation that is often overlooked by landlords. Landlords at their own peril continue to think that they only need landlord insurance for the common rent loss claims where tenants are evicted or abscond.

Many landlords would probably be surprised to learn that in the past year, we have received at least one claim per month for loss of rent due to the death of a sole tenant. These claims have been for an average of 43 days rent and an average amount of \$1,355.00.

The Terri Scheer Landlord Preferred Policy has been specifically designed for landlords and includes loss of rent cover for death of a tenant (under a sole tenancy) of up to 15 weeks rent.

Property Managers should alert their landlords to the risks in owning a rental property and ensure that their Landlords are well informed of the availability of Landlord insurance.

Landlords and bank policies....

Nick Maddox
Business Relationship Manager, Western Australia

Many Property Managers are still concerned at the amount of Landlords who have already arranged Landlord Insurance cover through a banking organisation, prior to them signing the managing authority.

We recognise your concerns and know that not all insurance policies are the same. Landlords should be encouraged to take the time to research the insurance options available.

We have recently developed an insurance comparison form which provides landlords with a unique opportunity to compare the insurance cover provided under the Terri Scheer Landlord Preferred Policy against that of their own insurance policy. If nothing else, this form should help landlords to be more aware of the cover provided in the policy they have purchased, but it may even provide the landlord with enough incentive to re-consider their insurance arrangements.

The form has been simply designed for the landlords to easily identify the differences in policies.

We are happy to supply you with stocks of these forms, please contact your local Terri Scheer office and we can arrange delivery.

Industry Update

Tim White
Business Relationship Manager, Victoria

What an interesting time to be in Property Management- vacancy rates are at an all time low and demand for rental properties is high. It's staggering to think at a national level vacancy rates were at an average of 1.9% (2007/08) from an average of 3.5% over the past 20 years.

The demand for rental properties and the increase in prospective tenants has helped these statistics together with the fact that buying a home has never been so far out of reach, especially for first home buyers and young families.

But it appears change is in the wind....

The industry is now seeing an increase in rental properties available for lease and it appears tenancy turn-over is on the rise. Why is this occurring?

Interest rates were left on hold this month at 7.25% however many economists predict it may peak at 7.5% by the end of the year. Many first home buyers are desperately seeking to secure their first home as soon possible, and are finding new strategies to help them achieve this.

A recent trend shows that co-ownership is an option many first home buyers are using and the amount of properties bought in this way is set to rise. Many buyers are electing to split their mortgage with family, friends and/or colleagues just to be able to purchase real estate. Of course, there are risks, such as one member defaulting in payment resulting in all parties to be responsible for the repayments, but it has given buyers a new alternative to securing their first home.

Change is imminent, so be ready for those rental lists to start growing again!

Act now, 15 4 12 expiring soon

Have you informed your landlords of our 3 months bonus offer?

If not, you only have until **June 30th** to alert your landlords to the offer. Landlords must take out a policy effective prior to June 30 to qualify.

Don't delay, now is the time to target your existing rent roll. Whether your landlords have insurance with another provider or have no cover at all, they may like to take advantage of our bonus offer.

Call your local Terri Scheer office today should you require further promotional stationery.

For full terms & conditions, see www.terrisheer.com.au

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