

Landlord Preferred Policy

Your guide to Premiums, Excesses,
Discounts & Claims Payments.



terri **scheer**

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The purpose of this guide is to provide further detail about the amount you pay for this insurance, excesses that may apply if you make a claim and some worked examples of how we may pay claims.

This Guide forms part of our Landlord Preferred Policy - Product Disclosure Statement and Policy Wording (**PDS**), **TS00005 01/07/13A** and any Supplementary Product Disclosure Statement (**SPDS**) we have sent you.

AAI Limited ABN 48 005 297 807, AFS Licence No. 230859 trading as Vero Insurance is the insurer and is the issuer of the PDS and policy and this Guide.

This Guide applies to policies which commence on or after 1st July 2013.

About your premium

The premium we charge for this insurance Policy consists of an amount that we calculate to cover the risk plus Goods and Services Tax (GST) and any relevant government charges (such as stamp duty and fire services levy).

We consider a number of factors in calculating your premium. The key factors that affect your premium are:

- ▶ The State/Territory in which the property is located.
- ▶ Optional covers selected. For example, if you elect to increase the weekly rent cover to more than the standard \$1000.00 per week included in the premium, then your premium will increase.
- ▶ Your premium will also vary depending on the effective date of your Policy.

New Policies

State	Policy Effective Date		
	1/7/13 to 31/7/13	01/08/2013 to 31/8/13	1/9/13 onwards
NSW	\$382	\$382	\$382
VIC	\$292	\$292	\$292
QLD	\$313	\$318	\$318
SA	\$290	\$290	\$290
WA	\$289	\$289	\$289
TAS	\$263	\$263	\$263
NT	\$320	\$320	\$320
ACT	\$326	\$326	\$326

Renewal Policies

State	Policy Effective Date		
	1/7/13 to 31/7/13	01/08/2013 to 31/8/13	1/9/13 onwards
NSW	\$371	\$371	\$382
VIC	\$284	\$284	\$292
QLD	\$299	\$303	\$318
SA	\$277	\$277	\$290
WA	\$282	\$282	\$289
TAS	\$252	\$252	\$263
NT	\$305	\$305	\$320
ACT	\$307	\$307	\$326

Each time you renew your insurance, your premium may change even if your personal circumstances have not changed. This is because in addition to the premium factors we use, premiums are also affected by other factors including:

- ▶ The cost and frequency of claims we have paid to other customers and claims we expect to pay in the future,
- ▶ New and updated data we use to calculate your premium,
- ▶ Changes in our approach to calculating your premium,
- ▶ Our expenses of doing business and other commercial factors,
- ▶ Changes in government taxes or charges.

Premium discounts

In addition to the premium factors, the discounts you qualify for are also a significant factor affecting your premium. The following discounts are available to eligible applicants.

Online Discount

To be eligible for the online discount you must apply and pay for a new Landlord Preferred Policy (LPP) via the Terri Scheer website -www.terrischeer.com.au. If you meet this criteria then you will be entitled to a discount on the premium payable for that policy.

Multiple Property discount (MPD)

To be eligible for a multiple property discount, the policyholder must have a minimum of 3 of the following current policies:

- ▶ Landlord Preferred Policy, or
- ▶ Scheer Short Stay Policy, or
- ▶ Landlord Preferred Policy– Self Managed.

If you take out a new policy which means you qualify for a MPD, you get the discount on that new policy immediately. Your other existing policies the discount applies to will receive the discount from their renewal date provided you still qualify.

Policy options

An additional premium as described below will be charged if any of the following policy options are selected.

Policy option	Sum Insured	Additional Premium
Contents sum insured	\$60,000	Nil
	\$70,000	\$100 + relevant Government charges
	\$80,000	\$200 + relevant Government charges
	\$90,000	\$300 + relevant Government charges
	\$100,000	\$400 + relevant Government charges
Policy option	Weekly rent range	Additional Premium
Weekly rent sum insured	Up to \$1000	Nil
	\$1001 - \$1250	\$100 + relevant Government charges
	\$1251 - \$1500	\$200 + relevant Government charges
	\$1501 - \$1750	\$300 + relevant Government charges
	\$1751 - \$2000	\$400 + relevant Government charges
	\$2001 - \$2500	\$450 + relevant Government charges
	\$2501 - \$3000	\$500 + relevant Government charges

Government taxes & charges

Government charges are applied as the final step in the premium calculation. Home and contents policies are subject to:

- ▶ Stamp Duty imposed by State and Territory Governments,
- ▶ 10% GST, and
- ▶ Fire Services Levy (FSL) if applicable.

The amount of any government charges that have been applied to your policy are shown on your Policy Schedule.

How we calculate the amount you pay for this insurance policy

Premium Calculation

Step 1	First, we calculate an amount to cover the risk, which is dependant on the state in which your insured property is located.
Step 2	To the amount in step 1, we add applicable government charges.
Step 3	Once this amount is calculated we calculate any discount that you are eligible for, and apply it to the amount from step 2.

Increase contents sum insured – optional cover

Premium calculation (if selected)

Step 4	Based on the sum insured you select, we will calculate any additional premium. We will add this amount to step 1 and then recalculate the applicable government charges in step 2.
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Increase weekly rent sum insured – optional cover

Premium calculation (if selected)

Step 5	Based on the weekly rent range you select, we will calculate any additional premium. We will add this amount to step 1 and then recalculate the applicable government charges in step 2.
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The amount payable for this insurance is shown in your Policy Schedule.

Excesses

An excess is an amount payable by you when you make a claim under your insurance policy. We will either deduct any excess from your loss or ask you to pay it to a repairer or supplier. The amount of any excess will either be set out in the PDS or shown on your policy schedule. The excesses which may apply to claims under this Policy are:

Claim Type	Excess
Loss of rent (new policies)	Nil*
Loss of rent (renewal policies)	Nil*, except for properties in QLD for absconding and defaulting claims where a \$180* excess applies, but only for policies with an effective date prior to and including 31/8/13.
Malicious, Accidental, Deliberate damage and scorching	NSW, Victoria, Tasmania, Queensland, WA, SA, ACT: \$250.00* NT: \$500.00* Note: <ul style="list-style-type: none"> For Malicious damage discovered at the end of a tenancy only one excess will be applied. For Accidental damage, the excess applies per event and is capped at 2 per claim. For Deliberate damage and scorching the excess applies per claim.
Earthquake	\$200* This excess applies for claims directly or indirectly caused by earthquake. All loss, destruction or damage occurring within a period of 48 hours of an earthquake is regarded as the one event.
Representation Costs, Replacement of locks, Removal of goods, Legal Expenses/ Liability and Tax Audit	Nil*
Other Claims	\$100* for any other claim for a claim type not listed above.

*In certain unusual circumstances we may impose a higher excess than the amounts listed above. We may impose a higher excess where:

- We assess you to be a greater than usual risk based on your claims history or other risk factors; or
- Your property is vacant for a period of 90 days or more.

If you are required to pay a higher excess the amount will be shown on your *Policy Schedule*.

Claim Payment Examples

The examples on the following pages illustrate how a claim payment is calculated and designed to assist you in understanding some of the important benefits in the policy. The examples do not cover all scenarios or all benefits and do not form part of your policy terms and conditions. They should be used as a guide only, as all claim payments will depend on the facts in each case. You should consider all examples as each one explains different benefits and scenarios.

Please note our examples assume that the policyholder is not registered for GST.

Example 1: Loss of rent – absconding

You have the Landlord Preferred Policy with no optional increase in the loss of rent sum insured. Your tenant, 6 months into their 12 month lease, breaks their lease (and absconds from the property). The rent was paid up to three weeks prior to the tenant absconding and, therefore, they owe 3 weeks rent. An additional 5 weeks rent is lost until the date that the property is re-let. The rent is \$200 a week, the bond is \$800 and cleaning costs of \$600 are also owed by the tenant under the terms and conditions of their lease.

Rent claimable	\$1600	Under Section 1 – Loss of rent, you are covered for rent that a tenant is liable for when they break their lease. In this case 8 weeks at \$200 per week is owed.
Less bond credit	- \$200	Under the terms of Section 1, you are required to apply any available bond money to the claimed loss, once any other re-letting expenses that the tenant is liable for, have been paid. \$800 bond less \$600 cleaning costs = \$200 bond credit.
Rent loss incurred by landlord	\$1400	The amount the tenant owes after applying the bond credit is \$1400
Apply policy limit	\$1200	We apply the 6 week policy limit for an absconding tenant. In this case the limit is 6 weeks at \$200 per week.
Total claim	\$1200	

Example 2: Loss of rent - default by court order plus representation costs.

You have the Landlord Preferred Policy with no optional increase in loss of rent sum insured. Your tenant is on a periodic lease and is evicted by court order due to non-payment of rent (defaulting tenant). The tenant owes 7 weeks rent in arrears. The weekly rent is \$300. Therefore the loss of rent is 7 x \$300 per week = \$2100. The bond is \$1200 and non-claimable re-letting expenses are \$1300.

Your Property Manager has also charged you \$300 to attend the court hearing and a further \$300 was incurred for the bailiff/sheriff to evict the tenant.

Rent owed	\$2,100	<p>Under Section 1 – Loss of rent, you are covered for rent that you would be legally entitled to recover from a tenant due to non compliance with their lease. Coverage is calculated from the tenant’s ‘paid to’ date until the date the tenant vacates or until the policy limit is reached- whichever occurs first.</p> <p>Note: The eviction of the tenant terminates their lease, so they are not liable for any additional rent beyond the date they vacated</p> <p>In this case the tenant is liable for the 7 weeks rent owed up until the date they vacated (as a result of an eviction order) – 7 x \$300 per week = \$2,100.</p>
Less bond credit	- \$0	<p>Under the terms of Section 1, you are required to apply any available bond money to the claimed loss, once any other re-letting expenses the tenant is liable for have been paid. \$1200 bond less \$1300 expenses = Nil bond credit. Note you are unable to claim re-letting expenses that exceed the bond amount unless they relate to an insured event.</p>
Rent loss incurred by landlord	\$2,100	<p>The amount the tenant owes after applying the bond credit is \$3000. This is within the 15 week limit applicable to claims for Defaulting Tenant (by Court order), so no further reduction applies to the rent claim.</p>
Plus Representation costs	\$500	<p>Section 1 of the policy provides \$500 cover for any one period of insurance for costs you incur from your Property Manager to represent you in court for the purpose of obtaining an order against the tenant. A \$300 sub limit also applies for bailiff/sheriff fees. Total costs incurred in this case are \$600, so the policy limit of \$500 would be applied.</p>
Total claim	\$2,600	

Example 3: Accidental damage – contents

You have the Landlord Preferred Policy with no optional increase in the contents sum insured. After your tenant vacates, you complete a final inspection and find there are numerous stains on the carpet caused by numerous events over the course of the lease. There are 5 carpeted areas in the property and we agree that 4 of them have sustained accidental damage by the tenant. The tenant owes no rent and you have established their bond has already been spent on other non-claim expenses – therefore there is no bond to apply to the carpet claim. The quote you provide is for \$2340 to replace all 5 areas of carpet and is itemised as follows:-

- ▶ Lounge - \$800
- ▶ Bedroom 1 - \$500
- ▶ Bedroom 2 - \$500
- ▶ Bedroom 3 - \$240
- ▶ Bedroom 4 - \$300 (undamaged)

For the purpose of this example the property is in NSW and we will assume that the accidental damage excess is \$250.

Lounge carpet	\$550	Section 2 of the policy provides accidental damage cover to your contents subject to an excess per event. Under the terms of the policy, where the carpet is damaged by more than one event we will treat the damage to the carpet of one room as 'one event'. In this example the accidental damage was caused by numerous events and so we will apply an excess for the carpet of each room. We have accepted that the lounge carpet damage was accidental and that the quote of \$800 is reasonable. We apply the excess of \$250 and would pay \$550.
Plus Bedroom 1 carpet	\$250	Section 2 of the policy provides accidental damage cover to your contents subject to an excess per event. We have accepted the Bedroom 1 carpet damage was accidental and that the quote of \$500 is reasonable. We apply the excess of \$250 and would pay \$250.
Plus Bedroom 2 carpet	\$500	Section 2 of the policy provides accidental damage cover to your contents subject to an excess per event. We have accepted the Bedroom 2 carpet damage was accidental and that the quote of \$500 is reasonable. Because the policy caps the number of accidental damage excesses to 2 per claim, we will pay for this room of carpet without applying a further excess.
Plus Bedroom 3 carpet	\$0	Section 2 of the policy provides accidental damage cover to your contents subject to an excess per event. We have accepted the Bedroom 3 carpet damage was accidental and that the quote of \$240 is reasonable. Because the quote falls below the policy excess of \$250, we are unable to include this room of carpet in the claim. It's important to note that the capping of accidental damage excesses only applies to events whose cost exceeds the applicable accidental damage excess.
Plus Bedroom 4 carpet	\$0	The conditions relating to carpet replacement in Section 2, state that we will only pay for the materials in the room or functional area where loss or damage occurs. Therefore we would not pay to replace the undamaged carpet in this room.
Total claim	\$1300	

Example 4: Malicious and deliberate damage

You have the Landlord Preferred Policy with no optional increase in sums insured. You have evicted a tenant by court order due to non-payment of rent. The tenant vacates owing 6 weeks rent and has damaged the property to the extent that it is untenable. A Claims assessor appointed by us has inspected the damage and reports that the property has sustained the following tenant damage:

- ▶ 4 doors have been kicked in - \$1200 to repair,
- ▶ 6 walls had punch holes - \$900 to repair,
- ▶ the glass in 2 windows have been smashed - \$500 to replace,
- ▶ 3 walls had numerous picture hooks installed without the landlord's permission - \$800 to patch and paint, and
- ▶ cleaning and rubbish removal - \$1500.

The weekly rent was \$300 and a bond of \$1200 is held. The repairs take 3 weeks to complete and a new tenant moves in 3 weeks after that. For the purpose of this example the property is in Victoria and we will assume the excess for both malicious and deliberate damage is \$250.

Malicious damage	\$2600	Section 3 'Building' provides malicious damage cover to your building if caused by the tenant. We agree that the doors, windows and punched walls are malicious damage and therefore the total repair cost is \$1200 plus \$900 plus \$500 which equals \$2600.
Less excess	\$250	The excess for malicious damage is applied per claim, so costs for all malicious damage events submitted as one claim have one excess.
Subtotal (1)	\$2350	Amount payable after the excess has been applied.
Plus Deliberate damage	\$800	Section 3 'Building' also provides cover for deliberate damage where there was no malice or spite involved. The tenant has installed picture hooks without permission and whilst this act was not motivated by malice or spite, it was still a deliberate act which the tenant knew would damage the wall.
Less excess	\$250	The excess for deliberate damage is applied per claim giving a total of \$550.
Apply policy limit	\$500	We then apply the \$500 policy limit for deliberate damage.
Subtotal (2)	\$2850	Sub-total (1) \$2350 plus deliberate damage \$500
Plus Loss of rent (arrears)	\$1800	6 weeks rent in arrears at \$300 per week. Section 1 of the policy provides rent cover for up to 15 weeks where a defaulting tenant is evicted by court order.
Plus Loss of rent un-tenantable	\$1500	If your property becomes un-tenantable due to an insured event such as malicious damage, we will pay your loss of rent until the property becomes tenantable and up to 2 weeks loss of rent whilst a new tenant is obtained. Repairs took 3 weeks (\$900) and we can cover 2 of the 3 weeks it took to re-let the property (\$600). Therefore the total payable is \$1500.
Subtotal (3)	\$6150	Sub-total (2) \$2850 plus loss of rent in arrears \$1800, plus loss of rent whilst un-tenantable \$1500.
Less bond credit	-\$0	Bond held is \$1200 less cleaning/rubbish removal costs \$1500 = nil
Total Claim	\$6150	