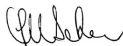


A note from Terri

I hope you have all taken the time to read about the exciting new addition to our Landlord Preferred Policy. This is a unique benefit not found in any other Landlord insurance policy. This reinforces our commitment to the Property Management industry by providing comprehensive cover that Landlords require in both of our cutting edge policies.



New Glass Replacement Standard has implications for Agents and Landlords

The importance of maintaining your Landlords properties to current building standards has been highlighted with the recent upgrade of the Australian Glass Replacement Standard AS1288 (2006). Source: Clarksons Glass

A reminder to all Landlords and their Agents is that failure to comply with the new Standard could result in substantial damages claims should an injury occur.

In addition, the Terri Scheer Landlord Preferred policy states that you must take reasonable care to comply with all statutory obligations, by-laws and regulations imposed by any public authority, for the safety of persons or property.

We suggest you contact your local glazier for further information and clarification on this topic.



INTRODUCING: A new and unique addition to the Terri Scheer Landlord Preferred Policy

Tax Audit Insurance

Landlords should be a little nervous opening their mail in the next few months - particularly if it has the tax office emblem on the envelope - because a major crackdown on property related tax deductions is underway and for the first time the tax office has new powerful data matching capabilities to identify problem areas.

The tax office has announced that one of its key audit activities in the year ahead will be tax deductions relating to rental income and property investment. No surprise there because of a dramatic surge in negative gearing tax deductions. The ATO says rental deductions in 2003-4 financial year jumped 19.5 per cent to \$17.8 billion.

You can understand why it has got the tax office's attention - property investors only declared total rental income of \$15.2 billion. The losses claimed by investors effectively doubled in the last financial year.

Source: "Tax Office Finding Its Property Voice" Smart Investing, by Robin Bowerman 12 August 2005

This is where the most recent addition to the Terri Scheer Landlord Preferred Policy can help. We've added a unique benefit to our policy, called Tax Audit Insurance and what's more, it's at no additional cost to your Landlords.

Tax Audit Insurance provides cover for landlords in the event of an investigation or audit of their financial or taxation affairs relating to the investment property covered by the Landlord Preferred Policy. The audit must be initiated and undertaken by an authorised Commonwealth, State or Territory government, government authority or agency in relation to, and, following the lodgement of a tax return.

The cover provides for the cost of the professional fees (generally accountant's fees) incurred by the Landlord in connection with responding to or defending the audit.

Tax Audit Insurance does not provide cover for the Landlord to have their tax return prepared and lodged by their accountant, it is only to respond to an audit undertaken following lodgment of the tax return.

For further information regarding this exclusive benefit, please contact your local Terri Scheer office.

For full details of the Tax Audit Insurance, please refer to the Terri Scheer Landlord Preferred Policy Product Disclosure Statement and Policy wording dated March 2006.

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@terriscbeer.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.

Protect your investment today!

John Trani
Business Development Manager
New South Wales

It's never too soon to protect your investment property with a Terri Scheer Landlord Preferred Policy. It is always best to start cover at the beginning of the management, as soon as the management agreement has been completed and signed, this will help protect the landlords contents and liability exposures whilst the property is being advertised for rent (please refer to the Product Disclosure Statement for full terms and conditions). If the landlord would prefer, cover can also commence at the beginning of the lease agreement or mid way through a tenancy. However, when cover is not placed at the beginning of the tenancy the following condition applies:

"If during the two calendar months prior to cover being requested, rental payments were in arrears to the extent that a breach notice on the grounds of a breach of the agreement to pay rent could have been issued in accordance with the Act, then we will only provide cover under section 2 Contents (but excluding malicious damage) and Section 4 legal Liability of the policy until such time as the tenant has maintained a rental payment history that does not allow for the issue of a breach notice for a period of two consecutive months."

Most landlord insurance policies are subject to an arrears clause. Our arrears clause is among the most generous available in the market place. This is because we understand that circumstances beyond the tenants control may affect their ability to pay rent in advance on occasions.

If you are unsure about our arrears clause or have any questions about our products or services feel free to contact your local Terri Scheer office.



Issuing and Acting on Breach Notices

Kaylene Kurtzer
Claims Manager, South Australia

When a claim is processed, one of the conditions that must be met relates to the issuing and acting on breach/termination notices in accordance with the Tenancy Act in your state or territory. In many instances we find ourselves needing to reduce loss of rent claims due to this condition not being met. This then puts managing agents and claims handlers in an awkward position of having to explain to a landlord 'why' their claim has been reduced or even declined.

The Tenancy Act in each State or Territory clearly sets out when breach and termination notices can be issued to a tenant, and providing that you follow the Act then you should be able to achieve the optimum result for your landlord in the event of a claim occurring.

In the example of rent arrears, there are times where a tenant promises to make a rent payment by a certain date, which you as the agent agree to. Inevitably the payment is not made by the agreed date, making the tenant further behind in their rent. A breach notice for rent arrears then gets issued, however due to the tenant's failure to meet their promise to pay, the breach notice ultimately gets sent out late.

Another example is where a breach notice has been issued but the tenant calls you and promises to pay and pleads - "don't kick me out". The breach notice expires and you wait for the rent payment to come in, which of course never arrives. A termination notice may then be issued, but again it is sent out too late and unnecessary rent arrears have been allowed to accrue.

The same example can be used when applying for a hearing to obtain a warrant of possession and/or appointing a bailiff or sheriff. Sometimes the landlord feels 'sorry' for the tenant and does not want you to apply for a court hearing or enforce the warrant of possession. Whilst you must follow the instructions of your landlord, you should make it very clear to them that by not following the correct legal process to minimize the rent loss, then their insurance claim could be severely prejudiced.

We refer to the Policy Disclosure Statement which states:-

Failure to issue Vacate/Breach Notices – *If you or your property manager fail to issue and act on vacate/breach notices as provided for under the Act, then we will not pay you under this Policy for arrears that have accrued up to the time the tenant departs the property.*

Based on the above condition from the policy, the insurer could refuse to pay ALL rent arrears that have accrued should notices not be ISSUED and ACTED upon in a timely manner as prescribed by the Tenancies Act in your state or territory. It is, however, more common that the insurer will factor in when the notices were sent (even if late) and if the tenant was paying any rent then apply a reduction only to your rent loss claim. This is still not an ideal outcome for you or your landlord so we would recommend that you keep on top of your rent arrears lists and take the appropriate action against the tenants when their rent stops coming in.

The relevant breach/termination notices that we require in support of any rent arrears claim are:-

- Breach notices (these are not internal letters generated by your office, these should be notices recognized by the court as a legally binding document)
- Termination notices or notices to leave
- An application to the court to request the hearing for possession
- Court order for a Warrant of Possession (this is different to a court order for the bond)

Where a tenant is in default and promising to make rent payments, a general rule of thumb would be to advise the tenant, that as the agent you are bound by the Tenancy Act to issue the relevant notice, and if they pay in the meantime, well and good. You can also advise the owner that a hearing to obtain possession can always be cancelled should the tenant come good with their payments. It is far better to apply for a possession order and cancel it (if an owner instructs you to, or the tenant leaves beforehand), than to apply late and incur a reduction in your claim. Happy notice issuing!!