

A note from Terri

Recent reports in the news indicate that landlords may be pleased to hear the age old saying 'rent money is dead money', may no longer be advice that people will pay attention to.

Studies have shown that investing money in property and therefore paying the associated interest rates on mortgages may not offer the best financial returns when compared to renting. It has been suggested that renting a property on a long term basis and investing surplus money in shares or other investments may yield greater returns. This is because interest on a home loan can be up to double the amount it costs to rent a similar sized house.

This is great news for Landlords because savvy tenants who do their sums may choose to rent property (and probably on a long term basis) over purchasing in the current market.

Of course, even though tenants may now opt to lease property with the intention of staying long term, this won't necessarily guarantee income or remove the risk of a large liability claim against the landlord, so the smart landlord will want to protect their investment with a landlord insurance policy.

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.

Are your Landlords covered?

Dehran Rendall, Business Relationship Manager
Queensland

An increasing amount of new management packs and agreements are being completed via post rather than the traditional face to face meetings. Generally, when the Property Manager has less direct contact with the landlords, they also have less time to go over certain requirements and protocols.

Insurance is one important and essential element that can be overlooked in this scenario. Without the face to face contact with the landlord, the Property Manager may not be able to stress the need for the landlord to obtain adequate insurance, which could result in landlords having their investments under-insured or not insured at all. Some landlords are opting for the cheaper bank policies without realising there may be differences in cover between policies. This is why it can help to provide the landlords with information about a specialist provider.

Options to assist in this scenario:

With any new management packs/agreements being sent to landlords, provide them with information about landlord insurance, and then of course, follow them up! Terri Scheer has two effective tools that Property Managers can use to ensure the landlord is aware of the need to have insurance:

- ◆ Include the **"insurance details form"** in your new management pack. This requires the landlord to indicate their intentions in regards to insurance and can be kept in your file for future record. This is a valuable form to keep in the event your landlord chooses not to insure—it shows that you gave them the information.
- ◆ **"Mail out letter to landlords with no insurance"** - This letter explains to the Landlord the importance of having Landlord insurance. It also has a response form that the Landlord can return to your office to indicate whether they would like you to assist them to arrange cover, or if they have made their own arrangements. This letter should be sent with a brochure for the landlord to consider.

Both of these forms are on the CD inside your Property Managers kit and are effective tools to assist you in fulfilling your duty of care and risk management processes. It's in your interest to ensure the landlord has insurance because if they don't, who will they turn to in the event of a loss??

Payment of excess from bond money

Ryan Peacock, Claims Manager

The excess is the amount your landlord must contribute to repairs costs in the event a claim is accepted. It is important to know that for any claims involving loss or damage caused by the tenant, the policy requires any available bond money (bond credit) to be applied to that loss. This figure is calculated by deducting costs for 'allowable re-letting expenses' from the bond amount.

You should also be aware that it is the **landlord's** responsibility to pay the applicable excess for the event being claimed – not the tenant. As such, when we process a claim, we do NOT permit the excess as an allowable re-letting expense. In about 70% of rent loss claims, there is in-fact no bond credit from which the excess could be deducted anyway.

On occasion we also see that the excess is taken from the bond and the 'bond credit' is returned to the tenant. If you return any bond to the tenant you are essentially telling them that they are not liable for any cost above the value of the excess – this affects the insurers' right to 'recover' money they have paid out due to the tenants actions. Should bond money be refunded and you make a claim, the claim is likely to be reduced by the amount of money you gave back to the tenant.

If you are in doubt about how to pay an excess, or how we calculate the bond credit, please call our friendly claims team for advice or email to claims@terrischeer.com.au

Death of a sole tenant

Rhianna Willis, Claims Officer

It is an unpleasant and unexpected situation, but unfortunately we are seeing more claims for rent loss due to a tenant passing away. Under a Terri Scheer Landlord Preferred Policy, if the tenant is the only person named on the lease, your landlord will be covered for the resultant loss of rent.

This is obviously an emotional time for the tenants' family so care and sensitivity must be shown. That said, you do have obligations to your landlord in respect to minimising their loss by preparing the property for re-letting as quickly as possible.

The Landlord Preferred Policy can assist your landlord in this situation by covering the rent arrears and the loss of rent that accrues while the tenants goods are removed, the property is cleaned and while a new tenant is found. Cover extends for a period of up to 15 weeks or until the property is re-let, whichever is the lesser.

In a recent claim, a sole tenant passed away unexpectedly. Fortunately, the landlord held a current Landlord Preferred Policy with Terri Scheer, which meant all loss of rent was covered (without an excess), until the property was re-let. This particular landlord was paid 6 days rent arrears, 15 days for time to have the tenants belongings removed and a further 20 days through to when a new tenant was found. In all, the landlord received \$1820.00 - a settlement which would have greatly eased the financial worries created as a result of this unusual claim.

To maximise the claim for your landlord, it is important that you take all reasonable steps to clear and clean the property for re-letting in a timely manner. This initially means working with the tenants family to expedite the removal of their belongings. We appreciate this wont happen in a few days, but it would be reasonable to expect the property would be ready for re-letting within 2-3 weeks from when you became aware of the tenants death. You should then commence advertising, being sure to provide us with copies as evidence of your efforts to re-let.

In addition to the standard loss of rent documents, we need you to provide us with a copy of the tenant's death certificate (you'll probably need to request it from the tenant's family). If done with care and sensitivity, we generally find that the family of the tenant will be co-operative and provide you with a copy of the certificate. If you have any problems, please contact the claims team for assistance.

A claim of this nature does not present itself everyday, but if it does happen, it's nice to know that financial help is available if the property has a current Landlord Preferred Policy in place!!

As long as they are insured, we don't care!

Carol Peach, Team Leader
New South Wales

During my first 12 months with Terri Scheer, I heard this response many times from Property Managers. It is like hearing the tenant's standard response when doing an outgoing condition report – "It's cleaner now than when I moved in!!"

We understand that as Property Managers you are extremely busy with an incredibly demanding role within the Real Estate office – and that is where we can help! Yes, you are quite correct, it is fantastic that Landlords are placing cover to protect themselves from the pitfalls of investment property ownership – however, are they adequately covered? In some cases, landlords may be unaware of the excesses (particularly in a loss of rent or damage claim), and various special terms and conditions which may apply to their policy. For example:

- ◆ Is Malicious Damage by the tenant covered?
- ◆ Will a claim be honoured in a Periodic Agreement?
- ◆ Can we place cover when the tenant is in arrears?
- ◆ Are any excesses per event or per claim?
- ◆ What are the excesses?

I recently attended a team meeting with a fantastic group of Property Managers who have had a horror claims experience with a large company who dabble in a huge range of insurance products. They were thrilled with the service, backup and promptness they received when they had to make a massive \$33,000 claim with Terri Scheer for loss of rent and malicious damage. Can you imagine doing the out-going condition report and finding the property completely trashed? As dreadful as that is, if your landlord has broad cover from a specialised insurer, steps can be taken to swiftly repair the property and minimise the landlord's costs.

We have risk management tools to make your life as a Property Manager easier – please feel welcome to call your nearest Terri Scheer office to find out how these can help you. We are on your side!!!

Are your records up to date?

Request a property list from us at anytime at:
www.terrischeer.com.au

Click on



and then,

→ Please send me an up to date policy list

we will email or fax you a current list - scheer simplicity!!

Please be assured the privacy of this information will be protected.

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/Nth NSW

3/18 Torbey Street
Sunnybank Hills QLD 4109
ph: 07 3216 9555
fax: 07 3216 9500
freecall: 1800 357 788
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