

## Claim Recovery

Ryan Peacock, Claims Manager

When we make a payment to your landlord for a tenant related claim, then we have effectively cleared any debt owed to the landlord and have taken that debt as ours. This means we have the right to 'recover' the associated costs from the person who caused the loss in the first place - typically the tenant. It is important that you are aware that:

- The recovery process is taking place
- We can only recover a loss from a tenant which they are liable for under the terms of their lease and the relevant tenancy act legislation in your state or territory. Commonly, the types of claims we pursue recovery from a tenant on are loss of rent, malicious damage, theft and accidental damage.

Many insurance providers seek to recover their losses as it helps keep the cost of insurance at an affordable level. Terri Scheer policies require that you don't do anything that prevents our right of recovery against the tenant - see below the relevant extract from our policy wording.

*'If you have agreed to not seek compensation from a person who is liable to compensate you for any loss, damage or legal liability (which is covered by this policy), we will not provide you cover under the policy for that loss, damage or legal liability'*

As a Property Manager, your actions or advice to a tenant can have significant implications on our right to recover from them. It is therefore important that you have an understanding of what types of actions could impact on our recovery rights – see 2 common examples below.

1. Giving the tenant some or all of their bond back and then trying to claim tenant related expenses from us – doing this suggests to the tenant they are not responsible for any other costs. If you have a bond from the tenant, you must retain it in FULL and apply it to any losses the tenant is liable for - a claim can then be submitted for any insurable losses above the bond amount.
2. Telling the tenant that signing over the bond will relieve them of any further financial responsibility in relation to their tenancy. The bond may cover some losses caused by the tenant, however there are generally other costs which are claimed through insurance that also need to be considered. We have the right to pursue the tenant for the extra costs we have incurred (above their bond amount) that they are liable for. For that reason, the tenant should NOT be given the impression that signing the bond over will release them from further financial obligations.

At Terri Scheer, we use an independent recovery agent called AXESS to undertake our collections against tenants. From time to time they may contact you in relation to a recovery against one of your former tenants – typically to verify contact information or debt amount. Your co-operation with Axess is appreciated as it will hopefully aid in a successful recovery against the tenant. This not only allows us to recoup some of the claim we have paid out, but the amount recovered (net of our costs) will also be applied to your claim history, thus reducing your loss ratio.

If we have had a successful recovery, we will notify you and provide you the last known address (if we have it), in case your landlord needs to locate them for the purpose of recovering non claim costs from them. This also gives you the opportunity to remove the tenant from any default database you may have registered them on, or maybe to reduce their outstanding balance to zero.

Recovery is an important aspect to the claims process, so we hope the above information provides an insight into how the process works and how your actions can affect it. If you have any questions on this topic or other claim related issues, please contact our Claims Department on 1800 804 016 or email to [claims@terrischeer.com.au](mailto:claims@terrischeer.com.au)

### Comments from Carolyn

What interesting times we find ourselves in at the moment.

The collapse of significant financial institutions in the US and subsequent government bailout and many of the world economies being in or near recession makes the immediate future seem quite bleak.

It should be remembered though that the economy is cyclical - peaks and troughs have always occurred. There is no doubt that this is the biggest crash since 1987 but we've also experienced long periods of solid, sustained growth and so had a much higher peak to fall from.

A natural instinct for consumers in tight economic times is to look for ways to reduce their costs without sacrificing too much quality of life. Insurance is one of the things that could be seen as a cost that could be saved. Landlords may think, "I've never had a claim, if I don't pay this renewal I can spend the money on something else".

That type of thinking is very short sighted, particularly in these times where no job is guaranteed and the "R" word heads almost every news bulletin.

What if the tenant loses their job? What if the tenant's relationship breaks down due to financial stress and one partner leaves leaving the remaining partner unable to pay the rent? Would the landlord be able to meet the mortgage payments on the investment property without a regular income from the rent? We certainly hope that none of these things happen to your clients - either your landlord clients or your tenant clients, but if it does, how reassuring to have insurance in place to minimise the loss.

As we get closer to Christmas it's more important to consider the "what ifs" because no one ever wants to have a dreary Christmas and if it gets to a question of buying your child a Christmas gift or paying the rent, unfortunately the rent may be sacrificed.

Let's hope the economy picks up quickly, economic commentators aren't forecasting a rapid upswing, but we know it will turnaround eventually. In the meantime, you and your landlords can have peace of mind that the rental income is protected by Terri Scheer.

Carolyn

### No Longer Managing a Property?

Please ensure you use the 'No Longer Managed' Form when you cease management of a property. This helps us to finalise the insurance for the landlord without delay.

The form is on your risk management tools CD in your Property Managers kit or can be obtained from your local Terri Scheer office.

## Why should landlords compare insurance policies?

As a specialist Landlord insurance provider we are very familiar with the importance of having an insurance policy that landlords understand. We are regularly being informed by unhappy Property Managers and Landlords when they have a poor claims experience on their so-called 'landlord insurance' policy. Generally this is because the landlord was not aware of the different policies available and the different levels of coverage.

When the claim comes as they invariably do, many find they have large excesses, the bond has to be used as the policy excess or even that certain events are not covered.

When researching insurance, it's natural that landlords consider the price, but it is also very important that they consider value for money. Many products available will include cover for Loss of Rent and rent default, contents cover, accidental damage by tenants, malicious damage by tenants, legal liability and tax audit cover or a selection of these. Landlords should consider which features are important to them, the excesses applicable and ensure that the policy they are purchasing provides that cover.

Another point for landlords to consider is does the insurer work with the Property Manager to speed up the claim process? Or will the insurer even allow the Property Manager to assist with the lodgement of a claim?

Talk to the insurer. How easy are they to do business with? How easy is it to find someone to talk too? It could be an indication of how they will respond should a claim need to be lodged.

Landlords should feel confident that the policy they have purchased will cover them for their risks, be satisfied with the service provided.

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## Not, 'only tenants' but customers

How many of you consider your landlords as your only customer?

Do you consider tenants as a customer?

Very often we hear negative comments about tenants, one of the most common, "they're only tenants". What does that mean, only tenants?

Tenants are customers of the landlord and of your agency. Without tenants, the landlord would not have income to support their investment.

We all know there are some bad tenants in the rental market and thankfully there is insurance to protect against many of the risks they pose, by and large though, a good deal of tenants do the right thing by the landlord and your agency. Anyone in business wants repeat business from customers - it's no different in a landlord/tenant/agent situation.

Good tenants should be recognised and valued. How much simpler is it to renew a lease each year with a tenant who pays on time and treats the house as a home they might own themselves? As opposed to having to go through the application and screening process each year, always with the risk that whilst references may check out and the tenant presents well, they just might turn out to be your worst nightmare.

People rent for many reasons. Some because they can't afford to buy their own home, some because they've been transferred for work and are only in the area for a short time. Others may choose to rent for financial reasons, they may actually own another home they rent out, there are some good tax advantages and wealth creation opportunities to do that.

For whatever reason they're renting, tenants, especially the good ones should be considered as valuable a customer as the landlord is. Not only does it make your job easier - it also helps to keep insurance premiums down!



## Communication is the key

Communicating with your landlords about everything from maintenance requests to lease renewals and rent arrears is extremely important. Most landlords like to be kept up to date with what is happening at their rental property, it helps put their mind at ease.

Good communication skills can help you to avoid conflict and solve problems. It should be no different when you need to make an insurance claim. The landlord has taken out insurance because they are aware of the risks involved in owning a rental property and so should be kept in the loop should the unforeseen happen and the tenants abscond, trash the property or are attempting to sue the landlord for loss, damage or injury.

Discussing the situation and process to move forward with your Landlords will no doubt have them appreciating your time and effort, as well as giving them confidence that everything is being dealt with. Of course, they'll be ecstatic when you call them to inform them that you have their claims payment at the end of it too!!!!

Don't keep your landlords in the dark, ensure they are well informed. Communication is the key!

*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 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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