

scheer tips



terri scheer

It can happen to anyone!

Deeon Aslin, Business Relationship Manager, NSW

Over the past few months we have seen a shift in Property Managers and Landlords views in relation to the importance of having landlord insurance. This has been evident particularly in the more affluent suburbs; they are beginning to see that things can go wrong, even in the high end of the market.

One of the most common reasons for landlords not taking out insurance is that they have had they same fantastic tenant for years. In the past, many were of the belief that since their property was in a more "exclusive" area then they are attracting a tenant that is less likely to default in rent or because they are paying a higher rent, and they will not damage the property or abscond.

This is certainly not the case!! Any tenant's circumstances can change at any time and now more than ever with the economic climate, corporate companies are cutting jobs. Speaking to Property Managers of late, many have commented that the higher end market is struggling as companies are choosing not to continue leases for their executive employees. As a result, rents at these properties are being lowered considerably (when compared to this time a year ago) in the hope of securing a tenant.

As you already know, a tenants circumstances can change at a moments notice, whether it be losing their job or suffering an illness and, no matter what area they live in, can go to the Tribunal claiming hardship. If they are then released from their lease obligation, where does that leave your Landlord? They now have a vacant property mid-lease!

This is why it is important for investors to consider the changing times and make sure their valuable investment is protected.

Landlords who hold a Terri Scheer Landlord Preferred Policy, will have peace of mind that any insurable loss that may occur at their rental property can be minimised*

*Subject to policy terms, conditions and coverage.

Interesting Claims Statistics

- Terri Scheer Loss of Rent Claims have increased by an average dollar amount of 41% over the last year
- The number of Loss of Rent Claims submitted also increased by 21% in the last year

Period: April 08-April 09

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 Belinda Butler belindab@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.

Comments from Carolyn

The end of the financial year is rapidly approaching and no doubt you and your landlords will be looking to ensure no allowable tax deductions relating to owning an investment property are missed. Don't forget - insurance on the property is an allowable tax deduction, be sure that all new business policies and renewals are paid by June 30 to ensure your landlords get their deductions in this financial year.

It's interesting to note the claims statistics above and Deeon's comments regarding the higher end of the market. There is often a perception that the lower end of the rental market is a higher risk for claims. Certainly the frequency of claims is higher in the lower end, however, the size of claims is often much higher at the top end of the market due to the higher rents. To put it into more perspective for you, using New South Wales as an example of the higher end of the market, where rents increased dramatically over a period of time, and South Australia, where rents were more stable during the same period, our claims statistics show a 44% increase in the \$ value of claims in New South Wales between 2006 and 2008 compared with only a 16% increase in the \$ value of South Australian claims. South Australia recorded 263 more claims than NSW for the same period but we paid just short of \$200,000 more in NSW claims. I wonder if, during tighter economic times, landlords who choose not to insure have the funds available to cover the mortgage and other expenses on their investment property if something does go wrong.

Happy End of Financial Year - here's to a bigger, brighter, 2010 and thank you, from the Team at Terri Scheer Insurance for your ongoing support.

Carolyn

Yes, Terri Scheer can provide Building Insurance!

Julie Matthews, Business Relationship Manager, Queensland

Typically, when a property changes from being owner-occupied to tenanted, many landlords choose to remain with their existing building insurer and just arrange a Terri Scheer Landlord Preferred Policy. We hear of many cases where Landlords are 'caught out' when a loss occurs as these types of building insurance policies are usually intended for owner occupied properties and do not extend to cover loss or damage caused by a tenant.

Many Property Managers are unaware that Terri Scheer can provide Landlords with our Landlord Residential Building Insurance which is designed to complement the Landlord Preferred Policy.

The Terri Scheer Landlord Residential Building Insurance is tailored specifically to provide cover that may result from a tenant occupying the property. Policy benefits include cover for standard fire and perils (excluding flood) as well as accidental and malicious damage to the building (including by tenants) and fire, whether it be intentionally started by your tenant or not. The policy also provides cover for up to 52 weeks loss of rent, should the property become untenable due to an insured event covered by the policy.

As a Distributor of Terri Scheer Landlord insurance products, you have authority to obtain a quote and arrange cover following your landlords request. The process is simple; complete the Landlord Residential Building Insurance Quotation/ Referral form located on our Risk Management CD in your Property Managers Kit and fax to our office.



Check your sum insured

Nick Maddox, Business Relationship Manager, Western Australia

Checking the sum insured on any Building insurance policy is vital. The insured value of the home should reflect the cost of rebuilding the property - if it was completely destroyed, this should not be confused with the current market value of the property. Without revision it is likely that over time, you could find that your property is underinsured.

The sum insured is an important component of a building insurance policy and landlords need to take reasonable steps to assess this amount as accurately as possible. Many make a "guesstimate" of the rebuilding cost — and guess wrong. Not considering issues such as demolition and debris removal (eg. following a fire or major storm damage), architects, surveyors and legal fees. But above all, property owners are underinsured because they arranged their insurance 5 or 10 years ago and have not adjusted it to reflect rising construction costs, renovations and/or improvements.

Under-insurance can be a real problem because the insurer is only obligated to pay to the sum insured; if the property costs \$275,000 to rebuild but is only insured for \$150,000, the landlord needs to find the balance. This problem that can be very easily rectified, by simply reminding your landlords to check and review their sum insured. It is recommended that your landlords review their sum insured at least once a year, remembering to consider any renovations and/or improvements they have made. Making this review process easier still, an ideal opportunity to action this important review is each year when the policy is to be renewed.

Market News

Tim White, Team Leader- Victoria

The median price in property sales has a hit a record 6.7% drop across Australia for the January- March quarter.

In a release by the Bureau of Statistics in early May 2009, it showed that house prices in Australia have had their biggest fall in the survey's 23 year history.

Sydney has suffered the second largest annual price fall of 7.3% with Victoria not far behind at 7%. Perth suffered the highest drop at 10.1% where the abrupt end of the commodities boom dragged house values down.

It is suggested that the prices began to spiral earlier this year however, the market has had the support of the first home buyers grant which has migrated many Australian's from rental accommodation into home ownership.

As a current home owner the news may be a little bleak, however investors are relishing this opportunity to increase their portfolios once again. In saying that, rents have also dropped for the second consecutive month but nowhere near the capacity of sales, with a decline of 3%.

The forecast in years to come maybe that those who took advantage of the first home buyer grant will be able to one day be investors themselves and increase their portfolios.

We call it 'scheer simplicity'

In order to make your service experience with Terri Scheer Insurance as friendly and efficient as possible, we've improved some of our processes.

When mailing any correspondence, whether it be remittance advice or claims documentation, please send it to:

Terri Scheer Insurance
GPO Box 1619
Adelaide SA 5001

Depending on your need, email us at either:
customerservice@terriscbeer.com.au
claims@terriscbeer.com.au
processing@terriscbeer.com.au
finance@terriscbeer.com.au

And of course we welcome your call at

1800 804 016

Where one of our customer service team will be delighted to assist

