

Top Tips on Avoiding Landlord Insurance Pitfalls

Landlord insurance is vital for every property investor. Just like building insurance covers you for the unexpected, landlord insurance also covers you against unexpected loss like rent default and malicious damage.

However not every landlord insurance policy available performs the same way and in fact there can be several pitfalls you need to be aware of. Below we reveal to you what pitfalls you can avoid.

Tip One- Building Insurance is not Landlord Insurance! Some investors believe that building insurance also includes landlord insurance. Standard building insurance will cover you for fire and storm damage etc, however will not cover you for losses relating to a tenancy like rent default and malicious damage caused by the tenant. Comprehensive landlord insurance must be implemented separately to ensure you are covered for tenancy related risks.

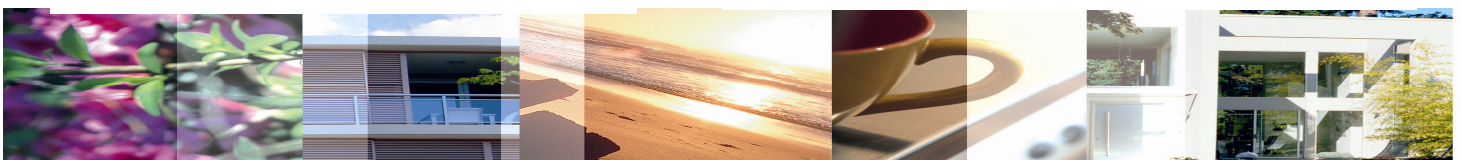
Tip Two- Beware Bank Landlord Insurance- when you take out your loan with the bank, no doubt they will also offer you building and landlord insurance cover. Be aware that policies sourced through financial institutions can contain large rent default excesses not found in landlord insurance policies sourced through property management agencies. Restrictive clauses can also result in your claim denied, which may have been otherwise covered by landlord insurance sourced with your property manager.

Tip Three- Don't Delay Serving Legal Notices- if you are managing the tenancy yourself, never delay in serving your legal notices on time when a tenant falls behind in rental payments. If you have submitted a claim for rent default and it is found that the process has been delayed or compromised, this will affect your claim and possibly result in it being denied!

Tip Four- Always Take the Maximum Bond- never compromise and ensure you always take a maximum bond. Some landlords choose not to take a full bond, and some even choose not to take a bond at all! It is important to know that choosing not to take a full bond can result in a landlord insurance claim being compromised or possibly denied! Therefore ensuring the correct bond is charged is a must!

Rental Market

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| ➤ Properties Leased in August : | 36 | ➤ Current Vacancy Rate: | 0.95% |
| ➤ Average Days on Market: | 8.5 | ➤ Average Length of Lease: | 10.5 months |



Case Study: Landlord Insurance

You insure every aspect of your life – from your car insurance down to your life insurance, so why would your rental property be any different?

A recent survey (Source: Home Insurance Comparison) has shown that 2 out of 5 landlords have experienced tenants defaulting on rent or causing property damage beyond what is covered by the bond. Even with these numbers many landlords still do not have landlord insurance, as they see it as an unnecessary expense.

The reality is that most tenants do take excellent care of the property they are leasing, but as with anything, accidents happen and it only takes a few rotten apples to ruin the bunch.

We have recently had tenants vacate one of our rental properties. Upon vacating there were a number of small stains on the carpet in the living room which could not be removed by a professional carpet cleaner. The landlord was about to put the unit on the market for sale and the stains were an eye sore; he was concerned it would put off potential buyers. The only option was to replace the carpet.

The cost to replace the carpet in the living area only was \$1,495, which the bond would have covered, however the tenant was not in agreement that they should be responsible for the whole cost of replacement as the stains only covered a minor area of the carpet.

The Consumer, Trader & Tenancy Tribunal will only allow compensation for the percentage of the area which is actually damaged and also takes into account the age of the carpet – in this case we estimated that approximately 25% of the carpet was damaged.

The case was heard by the CTTT and in conciliation prior to the formal hearing the tenant agreed to pay \$700.00 as compensation towards the cost of the replacement carpet.

As our landlord had Insurance with Terri Scheer Landlord Insurance we were able to then put a claim in for the remaining \$795 that the landlord was not awarded as well as the \$250 excess charged for the claim – which meant that the landlord was able to cover the cost of the carpet replacement in full.

As with any insurance policy, no two policies are alike so it is important to read the fine print to see exactly what is covered – especially when it comes to loss of rent, accidental damage and water leaks.

The most common claims made on behalf of our Landlords are:

Water damage to contents caused by burst water pipes, hot water systems etc, carpet damaged by accident - iron burns, pot rot stains (wine spillage)
Damage to contents which includes paint & carpet from leaking shower recesses & Loss of rent

At Doyle Spillane Real Estate we are of the opinion that Landlord Insurance is a pre-requisite when owning an investment property - in most cases for less than a weeks rent annually your property will be protected, it's better to be safe than sorry!



If you would like further information regarding landlord insurance, please contact our Property Management Team.

IMPORTANT:

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