



Landlord insurance

FAQs

Tips,
tricks
and
traps

FAQS

Every property owner wants a secure investment and reliable tenants. But not everything goes to plan. And, some events can't be controlled. What can be controlled is whether you have adequate landlord insurance.

To make sure you are well insured, it's important to be guided through the maze of insurance jargon to find a policy that best protects what is important – your investment and income.

Within the pages of this booklet, find the answers to common questions asked by landlords, along with tips, tricks and traps to better arm you with the knowledge needed to choose the most suitable insurance policy for a rental property.

Glossary

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What's the difference between landlord and home and contents insurance?

Home and contents policies typically offer protection for insured events such as fire and storm. However, they often do not cover loss of rent and tenant damage. It is recommended landlords find a specialist insurance policy offering extra protection not covered in standard home and contents policies.

Example: A tenant suffers a job loss and stops paying rent for six weeks before unexpectedly moving out of the property. Upon inspection, it was discovered there was malicious damage to the walls, including two large holes in the hallway.

Which policy covers what?

	Landlord insurance policy	Home and contents policy
Rent default up to six weeks	✓	✗
Loss of rent during repairs	✓	✗
Malicious damage	✓	✗

The above example and comparison is to be used as a guide only and is a representation of our understanding of general policy features and products. Always read the Product Disclosure Statement and use that information to decide what cover is right for you.

Tip: Typical home insurance policies don't protect you from a difficult tenant or loss of rent.

Isn't it one-size-fits-all?

No. The amount of cover and limits offered varies from insurer to insurer. That is why it is important to choose the right landlord insurance policy to protect an investment and reduce the risk of financial and emotional stress. Landlord insurance often offers cover for these main areas: tenant damage and loss of rent, contents insurance, building cover and legal liability. Depending on your property and requirements, you may need a policy that covers ALL areas, or only one.

Trick: Compile a list of non-negotiable essentials (such as accidental tenant damage, a feature not often included in landlord insurance policies) and compare these against features in policies.

I have a fantastic property manager – shouldn't they be enough protection?

Even the best property manager cannot control or predict a tenant's relationship breakdown or job loss, or an attack by Mother Nature, which is why it is important to invest in extra protection.

Trap: You may have trust in the tenant, but circumstances can change and even the best tenancy can go pear-shaped.

Example: A tenant was living in a property for more than five years and built a strong relationship with their property manager. To save money, the property manager decided to cancel the landlord insurance on the property because the tenant had a perfect record of paying rent on time. Unfortunately, two months later, the tenant lost their job and income. The first thing the tenant stopped paying was rent. What was meant to be a cost-saving decision, turned into an expensive mistake.

Doesn't the body corporate look after my insurance?

If you own an apartment, villa or unit (a strata titled property), the body corporate may insure the building and common areas in the property – including common hallways, garden and driveway. Because these are covered through the body corporate, many landlords assume they do not need to purchase insurance themselves – this is not the case. The body corporate does not offer protection for unit contents including non-fixed appliances, furniture and electronics, and does not offer protection for loss of rent or legal liability for non-common areas (such as inside the unit).

Example: During a storm, water entered a landlord's top-level apartment causing damage to the ceilings, walls, carpets and blinds in the lounge and bedroom.

Which policy covers what?

	Landlord insurance policy	Strata building policy
Repairs to walls	X	✓
Repairs to ceilings	X	✓
Repairs to skirting	X	✓
Repairs to carpet	✓	X
Repairs to blinds	✓	X
Repairs to internal paintwork/wallpaper	✓	X

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Trick: Ask your body corporate for a copy of their insurance and find the gaps in cover.

What is an excess?

When you make a claim, you may be required to pay a small amount of the cost (called an excess) and the insurer pays the rest. Not every policy has the same level of excess, and excesses may apply in different situations.

Example: If your investment property is battered in a storm, the cost of repairing damage may be \$6,000. If the excess is \$400, you would be required to pay this fee while the insurer pays the remainder. The excess can often be reduced from what the insurer pays, meaning you would receive \$5,600 for the claim.

Trap: While the cheapest policy is often appealing, in the event of a claim, you may be paying a significantly higher excess amount which is much more than the premium you saved.

Isn't the point of a bond to cover loss and damage?

A lot of the time, the bond is just not enough. For example, a tenant may decide not to pay the last four weeks rent because they figure 'that's our bond anyway'. This leaves no money for cleaning and minor repairs.

Tip: Some policies require a bond equivalent to four weeks rental value to have been taken before you are covered for loss of rent and other policy features. Make sure you collect the right amount of bond to ensure your policy is valid when it comes to claim time.

Furry friends – are they covered?

People seem to think there is a high risk of animals causing damage in rentals – a key reason landlords say ‘no’ to pets. However, truth is, more damage is caused by a human than a pet, which is why more and more property owners are extending their tenant-pool to allow those with furry friends. In addition, pet damage can be covered with a landlord insurance policy, offering protection for domestic animals living at the rental property.

Tip: For extra protection, seek a policy that includes damage by pets named and not named on the lease. Also, be wary of sub-limits that often exist for pet damage – they place extra limitations on cover and can sneak up on unaware policyholders.

What about drug labs?

There is ongoing panic and chatter about the increase of meth contamination in rentals. Whether the cost of meth contamination clean-up is covered or not under a landlord insurance policy depends on the individual insurer and the products they offer. Costs for cleaning up after a drug lab can easily soar into the tens-of-thousands-of-dollars, making this something you should seriously consider on your non-negotiable essentials list.

Trick: Not all policies offer protection for meth contamination and hydroponic set-ups. Make sure your policy covers varying types of drug lab clean-up. Also be aware some policies do not specifically mention drug labs in their policy wording and yet still cover it in the event of a claim. If you are ever unsure, make sure you ask your insurer.

Isn't landlord insurance super expensive?

If you think it is too costly, think about how much more expensive it is to pay the cost to completely restore a home in the aftermath of a natural disaster. Premiums can cost just a couple hundred dollars a year. That is peace of mind knowing you have protection for your property, and can be for less than the cost of a large coffee a day.

Tip: Premiums, amount of cover, sum insured and excess vary from policy to policy – the cheapest policy is not always best and protection for an investment should be based on value not price.

How do I work out the value of my property?

If you have not taken the time to work out the true value of the property you want to insure, you may be left over-insured or underinsured. Over-insured means you are paying more for your insurance premium than you need to; underinsured means you have not insured your property for a high enough sum insured, which can leave you at a significant loss in the event you need to claim for a total loss. There are a number of ways to determine the true value of property, including sum insured calculators and professional property evaluators. Whatever method you use, do some research for common oversights – especially for your bigger assets like your building, such as not accounting for removal of debris and the cost of demolishing buildings containing asbestos!

Trick: There are a number of free sum-insured calculators available online that can help you determine the value of your building and contents.

I have a tenant on a periodic tenancy – does this affect my insurance?

A periodic tenancy agreement (or month-to-month agreement) may be beneficial as it allows for more flexibility in the tenancy. However, many policies require a fixed-term lease to be in place at the time of a loss so make sure you understand your coverage regarding periodic tenancies.

Trap: Not all insurers will pay out a claim when a tenant is on a month-to-month lease. Ask your insurer and read the Product Disclosure Statement to ensure you are covered during periodic tenancies.

It is well and good to protect an investment, but will I really be paid out if I make a claim?

Insurance companies are a popular villain. However, when you purchase a policy from an insurer, it is a commitment to assist when things go wrong, and you should be paid out as long as it falls within the policy's terms and conditions.

If you do not agree with the outcome of a claim, insurers are required to have a dispute resolution process in-line with the General Insurance Code of Practice, which includes the ability for you to escalate your complaint to an external dispute resolution body such as the Australian Financial Complaints Authority. This ensures a fair approach between insurer and client when a claim needs to be made.

Tip: Do your research and partner with an insurer that has a reputation for paying claims.

Glossary

Body corporate

a legal entity that maintains, manages and controls the common property on behalf of homeowners in a strata complex

Bond

a security deposit paid by the tenant to the landlord at the start of a tenancy.

Building cover

covers the financial loss of repairing damage caused by insured events to the structure of a building.

Claim

a request for compensation after loss or damage.

Contents insurance

covers the financial loss of repairing damage caused by insured events to an individual's belongings.

Excess

the amount you are required to pay when you make a claim against your insurance policy.

Insured events (also known as defined events)

an event listed in your policy that causes damage to your home and contents that you are insured for. Common insured events include fire, storm and flood.

Legal liability

protects against claims for compensation that you or your family become legally liable for, including personal injury and property damage (such as injury from an unresolved danger you were aware of and responsible for).

Glossary

Over-insurance

having an insurance policy that covers you for more than the true value of the insured property.

Premiums

an amount to be paid for a contract of insurance.

Product Disclosure Statement (PDS)

contains information about your policy including benefits, conditions, exclusions, risks and costs.

Property manager

manages and operates a real estate property on behalf of the owner for a fee.

Strata titled property

a building that has been divided into lots (such as individual apartments or units). When a person buys a strata titled property, they have ownership of their lot and share responsibility of common areas with the owners of the other lots.

Sub-limits

a limit that exists within another limit and the maximum amount of money you can claim for a specific type of item or event.

Sum insured

the maximum amount your insurer will pay for a claim.

Underinsurance

having an insurance policy that covers you for less than the true value of the insured property.



RentCover

**This booklet is an initiative of EBM RentCover.
To find out more about landlord insurance,
and how to protect an investment,
visit RentCover.com.au or call 1800 661 662.**

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