

## Landlord Insurance



Firstly, some background on Building Insurance...

Most home owners will be aware of the standard Home Building Insurance policy. This covers the structure of the building and any fixtures such as kitchen cupboards and wired-in appliances such as range hoods. It does NOT cover fittings such as: soft furnishings (ie carpets & window coverings); light fittings; or other appliances such as ovens, stoves, and dishwashers. These items are normally covered in your 'contents' insurance which you would take out if you lived at the property.

HOWEVER - If the property is an investment with tenants in place, the contents portion of such a policy is NOT APPLICABLE.

When insuring your property, you need to advise the insurer that this will in fact be an investment property. This is critical if you are moving out of your home and wish to place tenants. It is not simply a case of reducing the contents portion as this will NOT cover the fittings in the event of a claim.

### Landlord Insurance - your Partner in Property.

The good news is that there is a specific insurance that caters for landlords and covers not only house fittings but also protects your rental income. At Solutions Property Management, we highly advise that you take out such a policy.

### What does Landlord Insurance cover?

A good Landlord Protection Policy should cover you for:

- Loss of Rent
- Rent Default
- Malicious Damage by Tenants
- Accidental Damage by Tenants

## How do I know which policies are good?

Beware of policies that are offered by your standard insurers or banks - they may offer you a great deal on the premium, but when the time comes to claim on such a policy, you will find that the cover falls very short. In fact, owners with these policies often find that they are unable to make common claims and may as well not have wasted their money on the premiums.

When taking out insurance, you need to read the PDS and inform yourself of what is covered. Here is a short list of important features to look out for:

*- Does the insurer allow you to use the Bond for cleaning?*

Most insurers will allocate the bond as the first 4 weeks' lost rent. This means if you make a claim for loss of rent after a tenant has vacated your property, the insurer will only pay you from the 5th week because you have received the first four weeks back from the Bond. However, they do not take into account any cleaning or repairs that may need to be done to bring the property back to a satisfactory state. You will have to foot the bill for this.

A good policy will let you use the Bond for cleaning, rubbish removal, and minor repairs, and will pay you the full amount of rent owed from day 1.

*- Will the insurer cover you if the tenant is on a Periodic Agreement?*

A Periodic or month-by-month agreement is a legal and viable agreement where the end of the term is not fixed. However, many insurers use their fine print to excuse themselves from paying out on a claim if the tenancy is periodic.

*- How much Excess does the insurer charge?*

This can vary greatly between policies. Look for an insurer which offers NIL excess for rent default. For malicious damage, many insurers regard each piece of damage as a 'separate event', attracting its own excess. So, if a tenant leaves several holes in the walls, unless it can be proven that they all occurred at the same time, each hole attracts an excess which negates the worthiness of a claim.

## Insurance Brokers

It is worth engaging an insurance broker to assist you with this decision. Just like mortgage brokers, they have access to the good insurers and will do all the legwork for you to find the best value policy for you. And because the insurer pays them, their service is free.

Speak with us about recommendations on this.