

LANDLORD INSURANCE EXPLAINED

Landlords often overlook the need for insurance, mistakenly assuming that if their property is unfurnished, cover isn't necessary. But furnishings within a lot aren't covered by a strata scheme's building insurance. Nor are they covered by the tenant's contents insurance.



There's a clear gap, and landlords choose to ignore this at their peril.

Avoid the risk of underinsurance

Although buying contents insurance isn't mandatory under strata legislation, owners and landlords are encouraged to arrange suitable insurance cover given the limitations of the strata scheme's insurance.

Landlord contents insurance provides cover for items left in a property for use by tenants, such as carpet, curtains, light fittings, furniture, white goods, appliances and utensils. The cost of replacing these items alone can be more than \$20,000 and cover isn't provided under the strata scheme building policy.

What's more, if the property is used as a short stay or a holiday letting, it's likely to be furnished so the replacement cost of both the furniture and inclusions easily justifies the investment in Landlord contents insurance.

It's important to ensure you have the right cover based on the location of the property and type of letting (permanent, holiday, short stay, Airbnb) as this may affect the insurer's ability to provide cover. Certain locations may also be known to be flood prone or high risk, like cyclone areas, and this may also limit cover and/or affect the premium or excess.

Optional covers and policy types

LOSS OF RENT

Provides loss of rental income if the property is uninhabitable or unfit for purpose due to contents damage from an insurable event.

RENT DEFAULT

Provides cover where a Lease Agreement is in place and the tenant leaves without notice, dies unexpectedly or regular rent payments are defaulted, but not where the property is 'between tenants'.

DEFINED EVENTS OR ACCIDENTAL DAMAGE

Accidental damage is more expensive but has broader coverage than a Defined Events policy.

DAMAGE AND THEFT BY TENANTS

Optional or limited cover depending on the type of letting (short, long or holiday). Damage must result from an insurable event and not poor maintenance by a tenant.

Additional benefits of cover

Another benefit of a Landlord contents policy is that it includes Public Liability insurance, usually between \$10 - \$20 million.

This is important because the strata scheme's Public Liability cover only applies to the strata scheme, not lot owners, if they're named as a Defendant in legal action.

Where legal action is instigated against an individual (ie the owner/landlord), it's their responsibility to deal with the matter and have adequate protection against such claims. Public Liability insurance can help where third-party property has been damaged, an injury or death occurs in the property or their exclusive use area, and where the landlord is held to be liable or negligent. It can also help prevent legal action where a landlord is incorrectly implicated.

There are still exceptions

Like all insurance policies, there are some things that Landlord contents insurance doesn't cover.

- Personal effects/property of a tenant.
- Any contents the landlord stores at the premises that aren't for the use of the tenant.
- Any items defined as 'building'.

How we can help

As Landlord contents insurance is held in the name of the unit owner, it's their responsibility to lodge a claim.

If the landlord uses a letting agent, they are usually empowered to act for the landlord and can undertake emergency repairs, submit a claim and provide access for Loss Adjusters if required. They will usually obtain any necessary quotes and provide the information to the unit owner to complete a claim form for lodgment.

However, if the strata scheme has an agreement with the landlord to act on their behalf, BCB can also help. We just need to see a copy of the agreement before we can accept the claim from anyone other than the policyholder.

We can also help if we are the insurance broker for the Landlord contents insurance policy, and we'll liaise with the strata scheme or its nominated representative about any claim that arises.

- We'll lodge the claim with the insurer and work closely with the insurer, its loss adjuster and the landlord to progress the claim and coordinate any necessary repairs/replacements.
- We also act as a mediator between the landlord and insurer to ensure the landlord receives the full benefit applicable under the selected policy cover.

If you have any questions about Landlord contents insurance, please contact your local BCB office.

The information provided is general. It does not constitute legal advice and should not be relied upon as legal advice. BCB recommends seeking advice from a qualified lawyer on any legal issues affecting you before acting on any legal matter. Whilst BCB endeavours to ensure the content of this information sheet is accurate, it does not represent or warrant its accuracy, adequacy or completeness and is not responsible for any loss suffered as a result of or in relation to the use of this information.

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QUESTIONS?

Please contact your nearest BCB office for any queries or advice.

