

What is Landlord Insurance?

Landlord, or Rental Property Insurance is an insurance policy that specifically covers the property owner (Landlord) for their Rental Home and some of the risks associated with being a landlord.

Owning and insuring a rental property is a bit different from owning and insuring your own home. Firstly, the property is occupied by someone who generally you don't know; therefore you cannot be certain what they (or their guests) might get up to in your home. You might think you have let your home to a lovely couple who tend the gardens and live alone. Then a family member moves in with a drug problem and starts cooking meth in the bedroom. That's why it's so important to get the right insurance cover in place. It's important to be able to take care of the unknowns and the what ifs for you.

So what are the insurable risks?

Damage by Tenants

The Holler v Osaki Case muddied the waters about when a tenant can be held liable for damage to your property. If it's deliberate, you may be able to hold your tenant liable. But you might have a hard time proving that it was deliberate, end up in court, and then if you're lucky, get drip fed \$5 a week. Deliberate damage by tenants can, and should be included in your Landlords cover. Initio automatically includes \$25,000 of cover for this risk, and if the damage is major, such as a fire or explosion, you will be covered up to the full sum insured.

Contents Loss

Even if your rental is unfurnished there are still items you own that cannot be insured as part of the house. This might be curtains and carpets, dishwashers and washing machines, or your tenants might be lucky enough that you have partially furnished their home with beds and lounge suites. Whether it's an appliance or furniture there is always a possibility these could be damaged or ruined when you're not around. Initio automatically includes \$20,000 of cover for landlord's contents. This covers all contents supplied by the landlord and isn't limited to whiteware and curtains like another local insurer. This amount can be increased to \$40,000 if you have a semi or fully furnished rental.

Contamination by Methamphetamine

This fairly recent, and well publicised risk has a number of landlords running scared. Unfortunately, the media has done a wee bit of scare-mongering, and a whole new industry has been created. There are 2 risks associated with methamphetamine. Contamination by manufacture and contamination by consumption.

Of the two, contamination by manufacture can do the most damage to a property. Contamination by consumption can often be remedied by giving the house a good clean; while contamination by manufacture will often require a more rigorous decontamination process. Unlike most other insurers Initio provides cover for Methamphetamine Contamination by Manufacture up to the full policy limit.

Loss of Rental Income

There are 2 risks associated with the loss of rents. The first risk is the tenants failing to pay rent or abandoning the property. Generally, you can lodge a claim with the tenancy tribunal, and the bond would be refunded to cover this. Initio does not provide cover for this risk.

The other risk to your rental income is following property damage. If your rental home cannot be lived in because of damage covered by your insurance policy (such as fire), you will be paid your lost rental income. The Initio policy will pay the lost income for up to 12 months, and unlike most other insurers offers a choice in sum insured of \$20,000, \$40,000 or \$80,000.

As you can see there are risks that are exclusive to landlords, that is why it is important to insure your rental property with a provider that understands the risks and provides the right cover.

Article courtesy of Initio Insurance