

LANDLORDS INSURANCE DURING COVID-19

During this unprecedented time, it's important for Landlords to be clear on the extent of cover under their Landlords Protection insurance. There are many variations between insurers and it's important to understand the common meaning of two very different "loss of rent" definitions:

Rent Default by Tenant

Outstanding rent owed when the tenant stops paying rent. May only apply if a rental agreement is in place. Insured must have taken all reasonable steps legally available under the Residential Tenancies Act to rectify the non-payment and evict the tenant

Loss of Rent (Sometimes referred to as Loss of Rent – Defined Event)

The money a Landlord would lose if the property is uninhabitable due to an insured event under the policy, eg, fire, flood or storm damage.

COVID-19 has increased the risk of tenants not being able to pay their rent hence a substantial increased exposure to Rent Default claims. So significant is this risk that some insurers have stopped accepting ANY new Landlord Protection policies even if the optional Rent Default by Tenant cover is not required. Most insurers will still accept new policies but without the optional Rent Default by Tenant cover. Some insurers have agreed to continue cover even past renewal date. There is also some uncertainty as the State Governments' recent response to residential tenancy agreements and potential protections for tenants also could have material impacts on the operation of the optional cover "Rent Default and Theft by Tenant".

Our experience shows that insurers attitudes can vary greatly and so does the cover under their respective policies. It is in times like this that professional advice is warranted so speak to CoverMax Insurance about how your particular policy will respond to your individual circumstances.

At the end of the day, if your policy does cover rent default by tenant due to the COVID-19 crisis, in addition to assessing the specific policy triggers and conditions that need to be met, your insurer will most likely want to know what steps have been taken to reach an agreement with your tenant and also whether full use has been made of available government assistance.

Landlords also need to be mindful that other perils can still occur during COVID-19, eg fire, water damage either from storms or water leaks and this type of damage is usually covered in all Landlord Protection policies. Another important automatic inclusion is Public Liability for \$10 Million or \$20 Million. This is intended to cover claims for property damage or personal injury to third parties, example injury to someone visiting the property from tripping on poorly maintained steps.

This information is of a general nature only and neither represents nor is intended to be personal advice on any particular matter. Covermax Insurance Pty Ltd strongly suggests that no person should act specifically on the basis of the information in this document but should obtain appropriate professional advice based on their own personal circumstances and the specific coverage afforded under their policy wording.

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