



The RentCover Report

Industry News and Views from EBM

July 2010

RentCover Report – we've got you covered

Welcome to the July edition of *RentCover Report*.

As I write, new Prime Minister Julia Gillard is getting down to business.

The NSW property industry is also entering a new era, with the NSW Government passing the new, widely debated, *Residential Tenancies Act*.

Meanwhile, a shocking and bizarre case reminds all landlords and property managers to regularly review their insurance policies to ensure they are adequately covered for even the most unexpected circumstances.

Also in this issue of *RentCover Report*, we take a look at the differences between debt collection services and insurance policies. We also offer you our top tips for achieving a good work life balance.

I hope you enjoy this edition of *RentCover Report* and look forward to updating you again next month!



Sharon Fox-Slater

General Manager, RentCover

What's making news around the country...

The State Government is addressing the shortage of affordable housing in **Western Australia** by moving ahead with three major developments in Perth's southern and north-eastern corridors - Golden Bay; Hammond Park; and Henley Brook.

In **NSW**, the latest statistics released by REINSW show that Sydney and Newcastle have both recorded falls in the percentage of available rental properties. In May 2010, the rental vacancy rate for Newcastle fell 0.3% and 1.1% in Sydney.



During the March quarter, demand for more affordable types of property, such as units and townhouses, slowed, according to figures released by the Real Estate Institute of **Queensland** (REIQ).

In **Victoria**, the State Government's latest Rental Report shows that, during the March quarter, the annual rate of rent rises stabilised in Melbourne but continued to grow in regional Victoria.

NSW property industry gets set for new tenancy laws

The *NSW Residential Tenancies Act 2010* will soon be law.

After being widely debated among NSW property circles for months, the Act was passed in State Parliament in June 2010 and is expected to come into effect later this year.

With current tenancy laws more than 20 years old, the Government decided it was time to review and reform. Three cycles of public consultation attracted upwards of 2000 industry submissions and helped to form the drafting of the Act. During the review, submissions were received from all sides, including property managers, landlords, tenants and industry bodies.¹



There is a range of provisions under the new Act ranging from changes to rent payments and eviction notices to sub-letting and the environment. So what will the new legislation mean for you when it becomes law in late 2010?

One area to be impacted is the notification period for a ‘no grounds termination notice’ which is set to rise from 60 days to 90 days. However, landlords and agents are guaranteed recourse via the NSW Consumer Trader Tenancy Tribunal if the tenant fails to comply. Furthermore, in the event that you do seek recourse from the Tribunal, your case will be heard in a timelier manner under the new Act.

As part of the global effort to be cleaner and greener, properties that are rented will need to meet new water efficiency standards. These standards will be released later in the year.

There are also reforms designed to make long-term tenants feel more secure in their leases. Specifically, the regulations give more protection against being evicted to people who have rented the same place for more than 20 years. Also, tenancy databases that list ‘undesirable’ tenants will be limited in the information they can hold and the length of time information can be kept.

The laws regarding making home alterations, co-tenanting, sub-letting, selling a rental property and breaking a lease early are also subject to the reforms, with more freedom and flexibility being given to renters than under the existing legislation.

EBM Insurance Brokers General Manager Sharon Fox-Slater said the new laws provided an opportune time for property managers and landlords to consider landlord insurance, if they weren’t already covered.

“While the new Act clearly expands many of the rights of tenants, it’s not all bad news for agents and landlords” Ms Fox-Slater said. “For instance, the reforms provide avenues for landowners to recoup losses from bounced rental payments as well as the right to reasonably refuse a range of tenants’ requests.

“That being said, the fact that here at EBM we pay more than 5000 claims to landlords every year tells us that this type of insurance is very important, not only for landlords and property agents in NSW, but across Australia.”

For more information about EBM’s RentCover options, including Landlord Insurance, visit www.rentcover.com.au.

¹ NSW Government Fair Trading, *Residential Tenancies Act 2010*

Snapshot of tenancy laws in other states

Tenancy regulations differ from state to state. As NSW prepares to welcome new laws, we take a look at some of the different legislation governing property managers, landlords and tenants around the country.

Victorian ‘rooming house owners,’ or boarding facility managers, are entitled to make up their own house rules. These rules can relate to the way rooms and house facilities are used and enjoyed by the residents. However, residents must receive a written warning at least seven days prior should the house rules change.²

Park managers in Queensland are included in the State’s Residential Tenancies Act, alongside property managers, tenants and landlords. Therefore, caravan parks and sites for other ‘movable dwellings’ are subject to the same regulations as more conventional dwellings – like houses.³

A \$500 penalty is payable by real estate agents in Western Australia for charging tenants in addition to the usual letting fee. For instance, if a tenant’s lease is extended beyond the initial term of occupancy, agents will be penalised if they attempt to profit.⁴



Bloody circumstances prompt claim

On paper they’re the ideal tenants – great jobs, perfect references – but there are certain situations that, as a landlord, you just can’t predict!

A recent claim lodged with EBM Insurance Brokers in the most shocking of circumstances has highlighted the importance of insurance for property owners and managers.

A Chippendale unit in NSW was occupied by two young professionals – a business marketing executive and a media and communications graduate. The tenants were an on off couple who had decided to break their lease when their relationship broke down irreparably.



While this is a less than desirable situation for any landlord, it’s often commonplace when a relationship ends. The events which followed however, were no less than bizarre, unpredictable and costly.

Following the break-up, the media graduate returned to the unit to retrieve some of her personal items. Upon her return she was allegedly stabbed 12 times with a knife by her ex-boyfriend, who also suffered stab wounds. Both parties were rushed to hospital.

According to the agent who inspected the apartment after the incident had occurred, there was blood “everywhere” – on the carpet, the walls, the bench tops, even the ceiling!

Fortunately, the unit was insured under a RentCover*Ultra* policy through EBM Insurance Brokers.

The landlord was grateful that, in these very unpredictable circumstances, a total of \$6,500 was paid in damages to cover the cleanup costs.

² Victorian Government, *Residential Tenancies Act 1997*

³ Queensland Government, *Residential Tenancies Act 1994*

⁴ Western Australian Government, *Residential Tenancies Act 1987*

EBM Insurance Brokers General Manager Sharon Fox-Slater said this tragic event highlighted the importance of adequate cover for property owners, not only in extreme circumstances like these, but every day.

“In this situation we have a successful, young couple who, on paper, would have appeared to be model tenants,” Ms Fox-Slater said. “Landlords can’t possibly predict when a relationship will go sour, but they can ensure that their insurance policy provides suitable protection.

“Had the apartment owner been unprotected, he would have had to undergo costly, drawn-out and difficult proceedings to attempt any form of compensation.

“Luckily, EBM’s RentCoverUltra policy protects landlords’ property and specified contents against damages, either accidental or malicious, caused by tenants”

For more information about the RentCover range of products including RentCoverUltra, call 1800 661 662 or visit www.rentcover.com.au.

Q & A: Insurance v debt collectors

Question: I have recently purchased an investment property and am keen to get tenants in as soon as possible. I've heard the horror stories about owners being left to pick up the pieces after tenants destroyed their property or skipped out on the rent and I don't want this to happen to me!

What are the benefits of taking out insurance as opposed to employing the services of a debt collection agency?

Answer: You are very right to be cautious, even the best tenants can fall behind on the rent or accidentally cause major damage to your property. Clearly, having adequate insurance cover is important, but how do you choose between the range of different services on the market, all claiming to be the right one for you.



Firstly, it is important to make the distinction between the two – and there is a big one.

In the event of tenant negligence, debt collection agencies will attempt to recover your losses from the offending tenants, making them directly accountable for their actions. However, this is not the same as having an insurance policy. If the collection agency fails to obtain compensation from the tenants, the landlord receives nothing and, as you mentioned, is left to pick up the pieces.

Insurance cover on the other hand, pays upfront to the landlord regardless of whether the losses can be recovered from the tenants or not, providing it falls within policy conditions.

Fortunately, most tenants do the right thing but if its peace of mind you’re after, taking out an insurance policy is the ideal way to ensure your income and assets are suitably covered.

EBM Insurance Brokers offer landlord insurance; features include no excess on Loss of Rent claims and low excesses on damage claims.

To find out more, call 1800 661 662 or visit www.rentcover.com.au.

Important note:

We have recently become aware of material being distributed by a company that specialises in plans that include debt collection on behalf of landlords. Please note that in at least one instance this has created confusion with a real estate agent whereby they (the agent) has written to landlords and represented it as an insurance policy, rather than essentially a debt collection service.

This misinformation is not only potentially damaging to a landlord who may act upon it but is a legal risk for the agent. We would strongly advise any agents that wish to provide information to landlords in regard to insurance to have it checked by a holder of a financial services licence for compliance with current legislation.

Note: The debt collection company has not suggested their plan is an insurance policy, in fact they have clearly stated that "This is NOT insurance", the misunderstanding, unintentional no doubt, is with the agent themselves.

Top tips for a work life balance

It's official – we're working longer, harder and with greater insecurity.

Research shows our working week is lengthening and, with new technology including the i-phone and Blackberry, the opportunity to "turn-off" and take a break has diminished.

While embracing a more balanced lifestyle will make you happier, healthier and more productive, juggling office pressures with your personal commitments is often easier said than done. Here are our top five tips to help you get there:



1. Work smarter not harder

Sometimes simply being more organised will help you to better manage your time at work. So, write yourself a to-do list and clear away the clutter. Also, try cutting back on non-productive activities and stop procrastinating the more difficult / dull / uninspiring tasks. The sooner you start, the sooner you'll finish!

2. Set goals and rewards

Set clear goals and reward yourself when you reach them. Rewards can be as easy as take away for dinner or a new pair of shoes and as extravagant as a family holiday or new car. And always reward yourself at the end of a big work week. Make it a weekly goal to do one enjoyable activity every weekend – take the kids to the movies or go for a walk along the beach.

3. Ask for help

If you don't tell anyone you're drowning in work, chances are your boss and your colleagues will think you're managing just fine. Don't be afraid to ask for help if you're struggling to meet deadlines or attend to clients. It's much better for your sanity as well as your business if you speak up before it's too late.

4. Take breaks

Whether it's a long lunch break (or any lunch break at all!), a lazy weekend at home or an overseas trip, it's important to take breaks – short and long. Time away from the office boosts your focus and productivity when you get back. It also gives you time to re-evaluate your priorities, spend time with family and friends, and do the things you love.

5. Learn to say 'no'

The next time you're asked to take on more work, more commitments or more favours ask yourself whether it places unnecessary pressure on your already lengthy to-do list. Sometimes you just can't say no... but sometimes you can!



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