



January 2009

RentCover Report – we've got you covered

Happy New Year and welcome to the first edition of *RentCover Report* for 2009!

Last year was certainly a very busy time for all of us at the RentCover team and we look forward to the new challenges the year ahead will bring.

Although the global financial crisis is still affecting the confidence of consumers and business both here and abroad, we are starting to see some positive aspects to the current conditions.



Housing affordability for example is improving according to data from the Real Estate Institute of Australia who report that the percentage of family income that is required to meet home loan repayments has decreased by 0.7% since the June quarter last year.¹

This improvement in affordability, coupled with an increase in activity from first homebuyers thanks to the increased First Home Owners Boost is indeed welcome as it encourages more people to enter the market.

In this edition, we take a look at third party rent collection schemes and what such arrangements can mean for real estate agents. We also examine the growing problem of underinsurance in Australia, and focus on the importance of motor vehicle insurance today. We also meet Sadi Iftexhar as part of our staff profile series.

Also keep an eye out for a special message about an upcoming RentCover survey with more details on their way very soon!

Sharon Fox-Slater
General Manager, RentCover

¹ Real Estate Institute of Australia, Housing Affordability Report, September 2008.

Employing third party rent collectors

Recognising the benefits they can offer, many real estate agencies are choosing to use outside companies to collect rent from tenants on their behalf.

The practice involves a third party collecting rent payments from tenants, and then depositing the money into the agency's trust account. The agency then transfers the rent to the landlord after making any allowable deductions, and pays the rent collector.



These arrangements can deliver significant advantages and benefits to agents such as reducing staff workloads and removing unwanted hassle and stress involved in collecting rent.

Issues to consider however include increased costs to tenants and the security of money held by third party collectors.

These schemes must also comply with tenancy legislation including the *Residential Tenancies Act 1997* and the *Fair Trading Act 1999*. An example of this occurred in early 2008 Consumer Affairs Victoria ruled a real estate agent in Wodonga could not insist its tenants pay via a "rent card" administered by a third party.²

EBM's Managing Director Jeff Adams said it is also important that agencies understand the insurance implications when contracting with third party rent collectors.

"All agencies who are considering entering into arrangements with third party rent collectors should also seek professional legal advice about the terms and conditions of any contract offered," Mr Adams said.

"EBM Insurance Brokers are available to provide advice to ensure that any business risks posed by entering into the arrangements are covered under the terms of their insurance policy."

Mr Adams urged all agencies interested in finding out more in regard to the insurance implications of using third party rent collectors to contact their EBM Account Manager or email ebm@ebminsurance.com.au.

We want your feedback on *RentCover Report*

EBM is pleased to bring you *RentCover Report* each month and we're always interested in getting your feedback on all aspects of the update.

We know many of our readers have opinions about the stories we feature and we'd like to hear them.

In the coming weeks we will be distributing a short online survey about *RentCover Report*. We would like to hear your feedback on any aspect of the newsletter from the number of stories in each issue to how it is distributed.



² Consumer Affairs Victoria Annual Report 07-08.

By responding you will go into the draw for one of three great holiday prizes, to read more about the prizes [click here](#).

So keep an eye out for the survey, due to arrive in your inbox very soon!

Underinsurance under the microscope

If your home was damaged or your possessions stolen, would the amount they are insured for *completely* cover your loss?

If you hesitated in answering, chances are you're caught in the underinsurance trap - a situation facing thousands of individuals and businesses who have neglected to keep their insurance policies up-to-date.



Underinsurance is becoming increasingly prevalent in Australia and elsewhere around the world. It describes a situation where the amount an individual or business is insured for is less than the true replacement cost of their home, business or contents.

All too often it is in moments of tragedy – be it a house fire or burglary – when people make the discovery they are underinsured. By this time of course, it is far too late.

For many, underinsurance is a consequence of making simple "guesstimations" of their home and contents value — and guessing wrong. Failing to take into account the appreciation of assets is a prime example of how households can under appreciate their possessions.

Even issues like currency fluctuations can play a part. The falling Australian dollar has made the replacement of imported goods much dearer than in recent years.

Underinsurance can also affect the value of your most valuable possession – your home.

Construction costs have increased considerably in most states over the past three years so the replacement cost of the family home can be significantly more than when it was first built.

According to recently released data in the Master Builders Queensland & Cordell Housing Cost Index, over the past twelve months the cost of building new homes in Queensland has risen \$14,469, representing a 5.43% increase in just one year.³

And despite a recent decline in building and construction costs in Western Australia, statistics from the WA Local Government Association show that during the past five years, the rate of cost increases has been as high as 16% per year.⁴

These rises are similar to those experienced in other states. In Victoria, the price of materials has increased significantly. For example steel reinforcement, structural steel and fuel prices increased on average by 44.1 per cent, 33.6 per cent and 24.1 per cent respectively during the last six months of 2008.⁵

³ Master Builders Queensland & Cordell Housing Cost Index – New Home Construction, September 2008.

⁴ WALGA, Annual changes segments of the industry, Economic Briefing, April 2008.

⁵ Master Builders Victoria, Economy Watch No.3, Monday, November 2008.

EBM Insurance Brokers General Manager Sharon Fox-Slater said these increases in construction costs, many of which are passed onto the consumer, can create a significant gap between sums insured and rebuilding costs.

“For home owners, establishing an insurance policy is something they can budget for and can give them a clear idea of what insurable events are covered and what are not,” said Ms Fox-Slater.

“But should a home owner not adequately insure their property and something happens, that's a risk that they cannot escape.”

For more information about EBM's range of insurance products, call 1300 INSURE or visit www.ebminsurance.com.au

No room to car-pitulate on motor vehicle cover

As Australians, we have a love affair with cars and most of us depend on them daily whether it's to get to work, pick up the kids or fetch the groceries.



But few of us realise just how vulnerable our pride and joy really is.

Last financial year it is estimated that 68,500 vehicles were stolen nationally, meaning that 187 vehicles are stolen every day.⁶

That's over seven vehicles every hour!

Behind these numbers of course is the financial pain of having your vehicle stolen and possibly damaged or destroyed. To put this loss in context, the National Motor Vehicle Theft Reduction Council estimates the cost to Australia of vehicle theft to be in the range of \$448 million to \$858 million a year, depending on the community costs associated with police investigations, courts, and corrections.⁷

In the face of these alarming statistics, as a country we are continuing to buy more and more cars, truck and motorcycles. Just last year, the number of motor vehicles registered in Australia jumped 3.5% to reach 15.3 million.⁸ This means there are now 719 motor vehicles for every 1,000 people.

EBM Managing Director Jeff Adams said having appropriate motor vehicle insurance to cover for a person's car, bike or truck can be more important than they think.

“For many people, the value of their motor vehicle is the amount they believe it is worth on the open market,” Mr Adams said.

“But for many of us, cars are indispensable parts of our lives, taking us to work, transporting our families and getting us from A to B.

⁶ National Motor Vehicle Theft Reduction Council – Annual Report 2008.

⁷ National Motor Vehicle Theft Reduction Council – Annual Report 2008.

⁸ Australian Bureau of Statistics, Motor Vehicle Census, Australia, 31 Mar 2008.

“EBM advocates the safe and sustainable use of motor vehicles and an important part of this is insuring the value of our cars is reflected in the level of cover we protect them with.”

Mr Adams said with a proliferation of motor vehicle insurance options available to customers, EBM’s staff can assist individuals choose the best policies for them.

“EBM offers broad cover for all types of vehicles. Our motor vehicle insurance team will research the most suitable policies for all vehicle types and driving requirements (eg, work or family or both, long distance or city driving, vehicle age etc), and make sure the best quote is found,” Mr Adams said.

For more information about motor vehicle cover, call 1300 INSURE (1300 467 873) or visit www.ebminsurace.com.au.

Meet a member of the RentCover team...

This month we meet Sadi Iftekhar who is part of EBM’s RentCover team in Victoria.

Sadi joined EBM a year ago as an Assistant Account Manager. He assists with processing RentCover’s range of policies and advising clients on claim-related matters.



Here are a few other things you might not know about Sadi:

1. **What do you like most about your position at EBM?** The most enjoyable part of my role is the variety of tasks it involves. There are always a wide variety of things to do and I like the challenge of multi-tasking. I also enjoy the challenge of dealing with a range of clients.
2. **What do you find most challenging in your role?** Sometimes it is challenging to explain the nature of some policies to different customers. You need to constantly ask yourself “how can I make them happy?”
3. **When not at work I...** enjoy a game of poker and hanging out with friends and having a beer.
4. **If I had a three week holiday planned, I would...** probably travel back home to Bangladesh to see my friends and family.
5. **I like to splurge on...** myself! Clothes and going out are always good things to splurge on.
6. **One piece of advice that stays with you?** Work hard, play hard.



EBM
INSURANCE BROKERS

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