



The RentCover Report

Industry News and Views from EBM

May 2010

RentCover Report – we've got you covered

Welcome to the May edition of *RentCover Report*.

Another day, another rate rise. Fresh off the back of new figures signalling surging house prices across the country and the Reserve Bank did what we all expected and feared with a 0.25 per cent interest rate hike.

The inevitable contraction in the home buying market will lead to increased competition for rental properties. This is where investors need to be sure to keep their properties in tip-top condition to achieve optimum returns, confident that EBM is assisting in the protecting of their investment.

In other news, The Federal Government's first response to the highly-anticipated Henry Tax Review has been met with mixed opinions from the Australian business community. Find out why the commercial property industry has welcomed the reforms.

We also report on a disturbing case from Western Australia where a landlord discriminated against Aboriginal tenants and faced action in the State Administrative Tribunal.

And while the swiftly changing market forces have everyone guessing about their impact on all aspects of the housing markets there is a sobering prediction from Edward Chancellor – the man predicted the Global Financial Crisis two years before it happened - who has warned about the vulnerability in Australia's property markets.

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...

Interest in the property market is being fuelled by experienced investors or those upgrading their homes, according to BankWest and MFAA Mortgage and Finance Association of Australia Home Finance Index (MFAA). The latest Index also said that 74.8% of next time buyers believe now is a good time to purchase an investment property. That contrasts sharply with the record low 14.5% recorded during the credit crisis.



According to the Master Builders Australia's National Survey of Building and Construction, the building and construction industry is showing signs of improvement. However, BIS Shrapnel latest engineering report predicts civil construction activity to decline 6 per cent during 2011, despite a number of large public infrastructure works and a pick-up in residential building.

The Australian Property Institute's 'Property Directions' survey has found residential property markets in Sydney, Melbourne and Brisbane are expected to be in upswing and not peak until after 2012, despite rising interest rates.

Landlord fined \$3000 in racism case

The Western Australian State Administrative Tribunal has ruled that a local landlord, discriminated against an Aboriginal mother and her son, awarding \$3000 to the renters.

The Tribunal ruled that the landlord had discriminated against the prospective tenants in 2008, when she told them that her rental property in Balga was off the market.

The Tribunal was told that the mother had asked to inspect the property but was told it was not available for rent, after asking what nationality the inquirer was.

When a friend of the Aboriginal mother called to inquire about the property, the Tribunal was told the landlord said: "I've been telling people the property is taken if I don't like the tenants." She then told the friend that an Aboriginal lady had enquired about the property adding: "These people are not reliable and do nasty things to each other."

The Tribunal also heard that the landlord said she was not taking Indians as tenants either!

The Tribunal awarded a total of \$3000 for the "hurt and humiliation suffered" by the mother and son.



Property industry welcomes Henry Tax plan

The Federal Government's new tax plan has been largely welcomed by the commercial property sector.

Pundits believe the property industry is set to benefit from a number of the measures outlined in the Government's recent wave of reforms following the release of the Henry Tax Plan.



The Plan - the biggest review of Australia's tax system in more than 60 years - was released on May 2 with 138 recommendations to tackle the broad demographic, social, economic and environmental challenges of the 21st century.

Positive measures include a slow rise in the superannuation rate, a decrease in company taxes, the formation of an infrastructure fund and, importantly, the rejection of any changes to negative gearing or capital gains tax concessions.

The Government has ruled out any new land tax on residences which means that the property industry can now concentrate on reforming property taxes for income-producing real estate ventures.

Additionally, the promise of a second wave of reforms opens the door for the renewal of Australia's current property tax system, described by the Property Council as “outmoded”.

Contrarily, there are concerns about many of the measures being tabled. One, the prospect of a new resources rent tax, has been slammed as disadvantaging one of the most productive sectors of the Australian economy and putting investment and jobs at risk. The Business Council of Australia has emphasised that the new tax system should support investment and growth through a reduced reliance on taxes on capital.

Key features of the Government's first wave of reforms include:

- Lifting compulsory superannuation from 9 to 12 per cent by 2019-20;
- More Government payments for low-income workers into their superannuation;
- Compulsory super payments for those over 70 and concessions on contributions for those over 50;
- A reduction in company tax from 30 to 28 per cent by 2015;
- Small business to benefit from company tax cut from 2012;
- Other write-off concessions for small businesses;
- Mining companies to be hit with a 40 per cent tax on above normal profits; and
- An infrastructure fund to be paid to the States each year to start at \$700m in 2012.

The Government's initial response to the Henry Tax Review can be found in full at www.futuretax.gov.au.

Tragic rugby accident a wakeup call for Australian parents

A tragic sporting accident in Queensland earlier this year left a teenager partially paralysed and provided an unfortunate but timely reminder that the majority of Australian public school children are uninsured for such accidents.

Jeff Adams, EBM Insurance Brokers Managing Director, said that while an insurance policy couldn't prevent 16-year old Ben Knapp's accident – it could ease the added financial trauma that often accompanies such a tragic accident.



Although many private schools typically have insurance policies to cover their students, public schools usually do not have such protection in place, meaning sporting accidents such as Ben's are rarely covered.

According to Kidsafe, each year about 60,000 Australian children (aged 0-14 years) are hospitalised by unintentional injuries and tragically 350 are killed.¹

“Although no parent or guardian likes to dwell on the prospect of injuries to their child, the reality is accidents do happen and families can face significant financial burdens as a result,” Mr Adams said.

“Fifteen years ago, EBM recognised that the range of insurance options specifically designed to cover school-aged children lagged well behind the insurance options available for adults.

“EBM became an industry leader when we developed *StudentCover* – a specific policy to insure students against injury seven days a week, anywhere in the world*.

StudentCover is a low-cost accident insurance policy that provides 24/7 cover*. Cover can be provided for individual students for just \$29 per year by visiting www.studentcover.com.au and applying online.

A whole-of-school option is also available where the school or P & C insure the entire enrolment for as little as \$9 per student.

The most significant benefit of *StudentCover* is that it provides substantial cover when it is needed most such as \$500,000 for paraplegia or quadriplegia.

The policy also includes:

- Compensation for other major injuries such as loss of sight or use of a limb;
- Emergency transport costs, including ambulance; and
- Fee relief if a parent or guardian dies.

The list of benefits is extensive and covers a wide range of injuries such as broken bones, fractures and loss of teeth. In most cases, payments can be made independently of what might be recovered for actual expenses through Medicare or private health insurance.

Cover for almost every sport is included, with only some extreme sport exceptions such as motor racing, hang gliding, parachuting and sky diving.

¹ Source: Child Accident Prevention Foundation of Australia (Kidsafe), www.kidsafe.com.au.

For more information or to apply online visit www.studentcover.com.au (includes access to EBM's Financial Services Guide and the Product Disclosure Statement) and for more information on Whole of School cover, call 1300 783 878.

Some conditions, limitations and exclusions apply. For full details please refer to the Product Disclosure Statement which is available at www.studentcover.com.au

Do your tenant's smoke in bed?

Behind closed doors you really have no idea what your tenant may be up to. Do they smoke in bed? Do they have camp fires in the lounge room? Or are they in fact secretly plotting to set fire to your investment because you've given them notice to leave for non-payment of rent?

If the worst occurs, at least you're insured...or are you? The question may well be how your Insurer will respond to your claim once the smoke has cleared.

Were you aware that many Insurers' will not pay claims where your tenant has deliberately set fire to your property? Some Insurers' exclude this risk under the "malicious damage" section as they do not cover malicious damage caused by the tenant.

This may merely be a misunderstanding by the Insurer's representative where although excluded under the "malicious damage" section, the risk would in fact be included under the "fire" section. By pressing the Insurer (or by in fact taking it further) it may be that you could have a claim settled successfully that had originally been denied

The best action of course is to ensure that the policy you have in place will respond to claims when they occur. Ask your Insurer the question "if my tenant deliberately burns my property down will I be covered?", and then judge their answer accordingly.

Having the right insurance in place is far more important than saving a few dollars on the premium.

RentCover products will respond successfully to the situation detailed above.

Provided by EBM Insurance Brokers who have provided landlord insurance with their range of RentCover products for almost 20 years - 1800 661 662.



All enquiries: 1800 661 662 | admin@rentcover.com.au | www.rentcover.com.au
Sydney | Melbourne | Brisbane | Perth | Gold Coast | Bunbury | Kalgoorlie | Geraldton | Margaret River
Affiliated Offices: China | Indonesia | New Zealand | Philippines | Singapore | Taiwan | Thailand | Lloyd's Coverholder
Elkington Bishop Molineaux Insurance Brokers Pty Ltd | AFSLN 246986 | ABN 31 009 179 640 | Est 1975