



Property Management News

April 2020

FAQS: COVID-19 AND THE IMPACT ON LANDLORD INSURANCE

EBM RentCover are one of the premium insurers within Australia for landlord insurance. They recently published a list of FAQs which was then broadcast to agents around the country. This may answer some of the questions you may have in relation to Covid-19 and your investment. Certain aspects of EBM RentCover policies may not apply to other insurers, so if you have any concerns, we urge you to contact your insurer for clarification.

EBM broadcast starts here:

It is a seemingly confusing time, as Australia and the world battles what has been dubbed a 'once in a generation event'.

These distressing and unusual times bring unforeseen difficulties. And unfortunately landlords and property managers will not walk away unscathed from this global pandemic. The Coronavirus outbreak will undoubtedly impact some tenants and their ability to pay rent. And it may, for a period of time, influence the way property managers inspect rental properties.

...most noteworthy, the situation may determine whether or not investors can continue to pay mortgages.

During this time, a lot of you will look to

landlord insurance to recoup costs and cover losses. But will the rental property be protected? We answer this question (and others) honestly and transparently, to help you better understand how an EBM RentCover policy will respond during these times.

As states prepare to lockdown, and businesses close their doors, how does this impact the running of EBM RentCover and will I still be able to touch base with the team if I need guidance about my policy?

EBM RentCover will continue to be there for clients in need. Need to make a claim? Easy - just use our online claims portal! Want to take out cover? Simply get a quote and apply online! However, the way we interact with clients and offer our services may look a little different behind the scenes. This is how things have changed:

We have been inundated with calls (rightly so!). While we are doing our best to answer each and every phone call, some of our clients may be redirected to a messaging service. But, please don't worry... if you leave your name, number and a brief description of how we can help, our team will work quickly to respond.

EBM RentCover will be issuing EFT payments for future claim payouts (no more cheques).

This is a time for leniency and we have recognised our tenants need help. Can we avoid sending late notices and change our processes? What is acceptable and will this impact insurance?

We know this is a tough time for everyone and people want to do their part to support one another. So, if landlords want to put measures in place to support a tenant through this difficult time, that is up to them. This is how insurance may impact a couple of scenarios:

Reducing rent: if a landlord agrees to reduce rent, they cannot claim for the difference in payments.

Putting rent on hold: again, if a landlord wants to suspend rent for a couple of weeks while the tenant gets back on their feet, this would not be covered as it is a mutual agreement and not an insured event.

Not issuing late notices: if this sort of leniency is given to the tenant, it will only be an issue if it comes to a claim relating to termination. If you offer leniency, and then the situation snowballs, the process for eviction will ultimately drag out. If it drags out further than the number of weeks you are insured for, you will see greater losses. Ultimately, it will likely impact denial of access claims and reduce the number of covered week.

I have a short-term rental (protected with RentCover ShortTerm) and everyone is cancelling reservations in light of the Coronavirus outbreak. Am I covered?

Like in a normal situation, if a guest decides to cancel a reservation, that loss is not covered. We only offer 'loss of rent' cover when a short-term rental property is so badly damaged that it cannot be lived in or rented out to guests. However, unfortunately if a guest just changes their mind and cancels a booking, that cost is not protected.

If tribunals close, how does this impact a claim?

The good news is, this shouldn't impact a claim. It is not a requirement in EBM RentCover policies that property managers or landlords go to tribunal. However, it may impact things when you need to evict a tenant...

Usually, if you are applying to tribunal to evict a tenant and get possession of the property, a termination notice will have been issued. If the tenant refuses to leave and you apply to tribunal, but there's a delay in a hearing due to temporary closures, we will cover you from the date you issued the notice up to 52 weeks under Denial of Access (until the tenant vacates).

TIP: It is important to ensure you issue notices and apply to tribunal as you normally would, so if you do need to make a claim, we can clearly see all reasonable steps were taken to mitigate the loss.

Can we rely on landlord insurance to protect rental properties during times of pandemic?

It is business as usual for your landlord insurance policy. Pandemics do not alter any of the existing terms and conditions in your landlord insurance policy. In fact, all losses are treated with the usual care and consideration offered by EBM RentCover team members. If you need to make a claim for fire damage – we will review it and the policy will respond. Or, if you need to make a claim because your tenant is two months behind in rent – we will again review it and the policy will respond. Rest assured, just because we are in the middle of a global pandemic, an insurance policy will still cover what it is designed to cover.

Landlord insurance policies are black and white. And all are governed by a Product Disclosure Statement (PDS) which outlines exactly what is and isn't covered.

How is landlord insurance impacted if there is a ban on rental property inspections due to the risk on personal health and safety?

If inspections can't be done during this period, it won't make any difference to the outcome of a claim. There is a clause in practically all landlord insurance policies that relates to maintaining the premises and working to prevent future damage or loss. Failure to do so can oftentimes mean a claim won't be paid. Ongoing property inspections help to make sure you are abiding by the policy terms and conditions. However, we understand these are trying times and the change in the way rental properties are managed will not impact the cover.

I need to make a claim – is this process still the same?

Yes! We have already invested in innovative technologies to help provide excellent client support from cover to claim. Our online claims portal allows you to easily tell us what happened, provide necessary quotes and invoices, upload documentation and submit a claim. This means you do not need to call or email us – the portal does it all. And, if we have everything we need, our team will work to process and settle your claim as soon as possible.

If my tenant loses their job due to the economic outlook (which stems from the Coronavirus) and stops paying rent, will I be able to recoup costs through my insurance?

This would be treated as any other loss of rent claim and would be covered up to six weeks under rent default (as long as it meets the usual T&Cs of the policy). In this situation, the tenant has lost their job as a result of the economic impact of the Coronavirus. However, the reason for not paying rent is because they have lost their job. Therefore, the policy would respond.

If my tenant gets Coronavirus and can't work or pay rent, am I covered?

If a tenant tests positive for Coronavirus, is unable to work for a period of weeks, and falls behind in rental payments, the losses are unlikely to be covered under EBM RentCover policies. However, remember that the amount of weeks they are likely to be unable to pay rent is low. According to the World Health Organisation, people with mild illness recover in about two weeks, or six weeks in more severe cases. That is two weeks (or a maximum of six weeks) of lost rent which the tenant may be able to catch up on with encouragement and support from the landlord or property manager.

What happens if my tenant gets caught overseas, or has to self-isolate, and during this time does not want to pay rent? Is this covered?

This is a question we cannot answer without more information. We would need to look at the claim as a whole, take the personal circumstances into consideration and determine the reason for the loss. So, if you are faced with this conundrum and need to make a claim, please contact claims@ebm.com.au.

Will the policy offer cleaning/decontamination cover following my tenant having Coronavirus and having to isolate in a rental property?

Bluntly – the answer is no. EBM RentCover policies do not cover cleaning costs in any situation. It is the tenant's responsibility to make sure the property is left in the state it was first occupied. If the landlord or property manager has an issue with the cleanliness of a property, they may be able to use the bond to cover costs.

It appears the Coronavirus may impact the need for rental properties. If my tenant is soon to move out and then I can't secure another tenant because there is little demand for apartments, will losses be covered?

Like a lot of landlord insurance policies, EBM RentCover does not offer protection for changed market conditions when a property is vacant between tenancies. Also, the policy does not cover empty properties that cannot be rented – so, if you are unable to hold house inspections, and therefore unable to secure a tenant, the losses are unlikely to be covered.

What if we lose contact with our tenant (who told us they were going back to China or Europe) and there has been rent arrears – do we need to go to our tribunal to request possession of the property? And then when will insurance step in?

All laws, regulations and processes must be followed during these times. So, if you are unable to reach your tenant, you still need to follow the appropriate steps to gain possession of the property. The good news is, this sort of loss would be covered, in line with the T&Cs noted in the policy, as a normal loss of rent situation.

We will be upgrading our software as of May 2020, and statements will be more informative.

Landlords will receive the rental funds and statements on the last working day of the month.

We wish you all to be safe, patient, hopeful in these times of crisis and we are here to assist you and do our best in anyway possible.



Hendra Wijaya
Principal

RECENT RENTALS

502/98 Maroubra Road, Maroubra
2 beds 2 baths 1 parking \$620 pw

A21/495-503 Bunnerong Rd Matraville
2 beds 2 baths 1 parking \$630 pw

26b Barker Street Kingsford
1 bed 1 bath 1 parking \$ 390 pw

414/717 Anzac Parade Maroubra
1 bed 1 bath 1 parking \$450 pw

RECENT SALES



210/2 Oscar Place, Eastgardens
2 Bedrooms, 2 Bathrooms, 2 Parking
Price Undisclosed



7/2 Botany Street, Randwick
2 Bedrooms, 2 Bathrooms, 1 Parking
Price Undisclosed



102/39 Rhodes Street, Hillsdale
3 Bedrooms, 2 Bathrooms, 2 Parking
Price Undisclosed

The best reputation in real estate

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