

Landlords' biggest concern about tenants is unfounded – AA Insurance

Auckland, 19 July, 2016 – Concerns about malicious damage by tenants may be keeping landlords awake at night, but their fears are unfounded.

In a recent AA Insurance Home Survey, which interviewed 500 landlords throughout New Zealand, almost 90% were concerned that tenants might damage their investment property. This was followed by the possibility of missing rent payments (88%) and then contamination of the property by consumption or production of illegal drugs (87%).

Yet over the past 12 months to 31 May 2016, the most common type of landlord claim is for accidental loss or damage to property (25%) for such things as a hole in the wall or stain on the carpet, not for intentional damage. The average cost for insurance claims from landlords is \$3,000.

“Landlords will be reassured to find there’s a gap between what they’re most concerned about, and the types of claims we see most often; accidents that can happen in any home,” says Amelia Macandrew, Customer Relations Manager at AA Insurance. “However, while accidental loss and damage is more prevalent than intentional, it’s important to remember that it can still happen so it pays to have the right insurance.”

As one customer discovered when he had a really bad run with his tenants. He was advised by his property manager that his tenants had broken internal doors and locks, smashed several windows, and damaged the kitchen bench tops - drug use was suspected. The tenants, described as ‘a really nice couple’, had flatmates then vacated the property without notice, leaving our customer with missing rent payments. His landlord policy covered the damage as well as the loss of rent for \$3,800.

While the main issue for landlords is physical damage to their property and loss of income, there is a growing concern for contamination by illegal drugs.

“We know these issues can be worrying to landlords, especially when it’s an investment for their future, so it pays to check you have the right insurance for your circumstances as insurance is designed to cover sudden and unforeseen damage,” Amelia says.

“Loss of rent and natural disasters are generally available under standard cover, but check with your insurer for optional benefits for tenants who leave without notice, are evicted, cause intentional damage, or who use or make illegal drugs. That way, if the worst does happen, you know your investment will be protected.

“If you’re about to purchase a rental, then do your due diligence and ask for the property to be tested for drug contamination, if it hasn’t already, or carry out a test yourself,” says Amelia. “If you already own a rental then consider including this type of test in your property inspections.”

What are tenants concerned about?

In the same AA Insurance survey 500 tenants were interviewed. The survey found that 72% were concerned about rent increases happening more than once a year, as well as repairs not being fixed correctly or adequately. A further 71% were worried their landlord would refuse to conduct repairs without putting the rent up, as well as repairs taking too long to be completed. Tenants were less worried than landlords about illegal drugs, with 66% saying they were concerned about damage to their contents or health.

Amelia notes that the new laws in the Residential Tenancies Amendment Bill came into force on 1 July.

“The laws are good news for the health and wellbeing of tenants. And I think that it’s also reassuring for tenants to know that in order for landlords to meet their insurance policy obligations they’re required to keep their rental in good condition, secure, and make any necessary repairs in a timely fashion. This has the added advantage of making the home safer and more secure for their tenant.

“As most contents policies don’t cover contamination from illegal drugs, it is important you do due diligence if you’re concerned about your rental, or the home you’re about move into. Ask for it to be tested, or you can buy a kit from a hardware store and do it yourself. These precautions could save you from any potential health risks associated with contamination.

“We recommend tenants consult the Tenancy Services website for more information about their legal rights, as well as landlord obligations, including rent increases and providing healthy homes free from contamination.”

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We proudly support youth charity Blue Light, and the NRL Telstra Premiership and Holden Cup referees in New Zealand, and have been consistently recognised by: Reader's Digest Most Trusted Brands (since 2011), NZ Direct Insurer Award (since 2012), IBM Kenexa Best Workplaces Survey (since 2008), Canstar Blue Most Satisfied Customers (since 2011), and the Colmar Brunton Corporate Reputation Index (since 2015) that recognises New Zealand's most successful companies.

AA Insurance has an A+ (Strong) Insurer Financial Strength Rating given by Standard and Poor's (Australia) Pty Ltd. For further information visit www.aainsurance.co.nz.

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