

## **Uninsured tenants practising a false economy – AA Insurance**

**Auckland, 10 September 2019** – Tenants saving money by not being insured are living in a false economy, according to AA Insurance (AAI).

The 2019 AA Insurance Lifestyle Survey found that one third of Kiwi tenants do not have contents insurance, compared to 92% of homeowners, yet claim data shows that over the last 12 months renters have made five per cent more claims than owner occupiers.

“The Lifestyle Survey has highlighted a worrying trend among predominantly younger tenants,” says Aaron Dickinson, Head of Product, AA Insurance. “Not only are younger renters less likely to be insured but, our claims experience shows, there’s some confusion around what contents insurance covers and what it doesn’t.”

Contents insurance covers the contents of your home, such as furniture, clothes, appliances, tools and sports items. It can also include cover for personal liability, which covers the policy holder for damage to other people’s physical property – such as damage to a rental property.

Contents insurance policies have different levels of cover for certain items, such as replacement cover (where you get a new item or the nearest available equivalent) or indemnity cover a.k.a market value (where you get the reasonable retail value of your item immediately before it was damaged or lost).

### **Personal liability**

“There’s a misconception that contents insurance is just for your items, when in fact, legal liability is a strong reason for young people, and especially renters to get contents insurance. Uninsured tenants can be left vulnerable to hundreds, sometimes thousands, of dollars of debt if they are liable for damaging someone else’s property,” says Aaron.

The survey showed those aged 45+ were significantly more likely to have their contents insured (70%) compared to those aged 18-29 (57%) and 30-44 (58%), yet two per cent of renters mistakenly

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believed they were covered under their flatmate's contents insurance, while another two per cent didn't know if they had insurance at all.

“Without insurance you would need to pay for the damage out of your pocket, cent by cent. And that's on top of the cost of replacing your own belongings. While it's easy to believe you will save money by not having insurance, it's really a false economy because the cost to cover property damage and replace all your items, is often more than the price of a premium. Even a small amount of debt could put a strain on finances, especially for younger tenants who are just starting out.”

One customer was covered for the \$1,100 worth of damage she accidentally caused to her flatmate's car, when the wind caught the shed door she was holding and hit the vehicle's paintwork.

For tenants who carelessly damage their landlord's rental property, the new Residential Tenancies Act (RTA) No. 2 requires them, not the landlord, to pay either the landlord's insurance excess or four weeks' rent, whichever is less, for fixing the damage.

## **Greater risk for renters**

One third of New Zealand households are now in rental accommodation, according to Statistics New Zealand. This has seen an increase in rental properties being family homes rather than temporary flatting situations. The Ministry of Justice reports that rented homes are at greater risk of burglary than owner occupied homes.\*

“Despite half of all tenants saying they checked the security of the house before moving in, thieves will always look for an opportunity to enter a home and take items,” continues Aaron. “Even if you don't think you have enough to insure, the cost of stolen or damaged items quickly mounts up, especially if these items all need to be replaced at the same time.”

One customer found the garage door of his rented property open one morning, and his ute broken into. Overnight, thieves had taken \$38,000 worth of belongings that were stored inside the vehicle including expensive tools and a mountain bike.

Another customer was thankful she was insured when her rental home had been broken into. Her flatmate noticed that the front security door was open, with a hole in the net mesh. All other doors

and windows were also open. Our customer returned home to find her clothing strewn across the floor and \$43,000 worth of jewellery stolen.

#### **Statistics from the 2019 AAI Lifestyle Survey+:**

##### **Renters**

- 32% of tenants don't have contents insurance, and 2% don't know
- 63% of tenants have their own contents insurance, 2% believe they are covered under their flatmate's contents insurance

##### **Landlords**

- 27% of landlords know their tenants have their own contents insurance (22% Auckland vs 31% rest of NZ)
- 67% of landlords don't know if their tenants have contents insurance, while 6% know that they are uninsured

*\*New Zealand Crime and Victims Survey – Ministry of Justice*

*+ In 2019, AAI surveyed 617 tenants and 562 landlords aged 18 years+ about renting. The maximum margin of error on the tenant's sample is plus or minus 3.9%. The maximum margin of error on the landlord's sample is plus or minus 4.1%.*

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#### **About AA Insurance**

AA Insurance is an independently operated, New Zealand-based joint venture between the New Zealand Automobile Association (NZAA) and Vero Insurance New Zealand Limited (VINZL). Since 1994 we have demonstrated trusted expertise in home, contents and car insurance in New Zealand, and in 2018 introduced commercial small business insurance. We underwrite our own policies and sell direct to New Zealanders. Our more than 720 staff look after 410,000 customers with nearly 800,000 policies.

We proudly partner with Eden Park, support youth charity Blue Light, and have been consistently recognised by: Reader's Digest Most Trusted Brands (since 2011), IBM Kenexa Best Workplaces Survey (since 2008),



Canstar Blue Most Satisfied Customers (2013-2018), 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 [aainsurance.co.nz](http://aainsurance.co.nz).

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