

## Strata Insurance – Loss of Rent Policies

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This fact sheet provides general information only and does not substitute legal advice.

Whitbread are insurance brokers, specialising in residential strata, commercial strata, common ground liability and landlord insurance.

Strata Community Australia (Qld) Limited (SCA Qld) is the peak industry body for Body Corporate and Community Title Management in Queensland.

Membership includes body corporate managers, support staff, committee members and products and services providers to the sector.

### Loss of Rent Cover – a general definition

Where a unit suffers damage accepted as a claim under a Strata policy, and is unable / unfit to be occupied for its intended purpose, a loss of rent claim is possible. This cover is automatically included in most strata insurance policies, and is designed to protect the interests of the owner of the property, whether they are owner occupiers or landlords.

### When will Loss of Rent respond?

Loss of Rent or Temporary Accommodation will only be considered following a claim made for damage to the building that has been accepted by the insurer. If there is no property damage, or if the insurer has not accepted the property damage as a claim, then Loss of Rent cannot be considered.

### Uninhabitable vs Habitable...Who decides?

While the property may be assessed by the owner as unsuitable for living or in a less than ideal condition for new or existing tenants, ultimately it is the insurance company who has final say on this.

#### Example of 'habitable'

*If resident lived alone, and suffered severe water damage to the walls and ceiling in one bedroom of a two bedroom apartment, it is unlikely an insurer would consider this to be uninhabitable. There is another bedroom, a bathroom, and a kitchen where an insurer would expect any reasonable person to be able to continue living uninterrupted.*

#### Example of 'Uninhabitable'

*If there was a fire that caused extensive damage to the kitchen of the same apartment, and as a result it was unable to be used, this would generally be considered by the insurer to be uninhabitable.*

Other instances may be where the property is without power or water, or if there is a significant safety risk within the property.

### What does Loss of Rent cover mean for you?

#### A) Temporary Accommodation as a Unit Owner Occupier

As a unit owner who lives in their property, Loss of Rent extends to cover for temporary accommodation costs should the insurer deem the property to be uninhabitable, as a result of an accepted claim for building damage.

This section of the policy also covers reasonable costs associated with the removal and storage of the resident's contents, if they need to be stored elsewhere while approved repairs are carried out to the affected lot. Some policies will even cover temporary accommodation for pets!

#### B) Loss of Rent cover as a Landlord

As a unit owner who rents out a property, Loss of Rent can cover for lost rental income should the insurer deem the affected property to be uninhabitable, and tenants are unable to live in the property as a result of building damage.

It is important to note that this cover only applies if there is a signed lease agreement from an existing tenant. Settlement is calculated based on the rental amount noted in the lease agreement.

Cover will only apply for the period the tenants were unable to live in the property, and as a direct result of the inability to charge rent during this time.

#### It doesn't have to be immediate

A claim for Loss of Rent doesn't always have to occur immediately following the loss. For example, the damage may not make the property uninhabitable initially, but the residents may need to move out to allow repairs to be completed.

Payment for loss of rent or temporary accommodation can be arranged for the time when it is actually needed.

### Loss of rent claims on a Strata Insurance policy:



There must be damage to the building



Speak with your broker and lodge your claim



Don't assume that cover will apply – seek approval from the insurer

\*\* This article is not intended to be personal advice and you should not rely on it as a substitute for any form of personal advice. Please contact your insurer.