



# Lost on Loss of Rent? What does it really cover?

Most Strata Insurance policies include cover for Loss of Rent, but time and time again we see much confusion over what exactly Loss of Rent covers.

Lia de Sousa, General Manager | Strata at Whitbread Insurance Brokers, seeks to clear up some of the confusion surrounding this often misunderstood section of the policy. Below is some information for you to share with your clients, to help them understand the real features and benefits Loss of Rent can offer.

## Loss of Rent Cover – a general definition

*Where your Unit suffers damage accepted as a claim under the Strata policy, and is unable / unfit to be occupied for its intended purpose.*

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 v Habitable...Who decides?

While you may feel your property is unsuitable for living or in a less than ideal condition for your new or existing tenants, ultimately it is the insurance company who has final say on this. To help provide some clarity we have some examples featured below.

### Example of Habitable:

If you lived alone, and suffered severe water damage to the walls and ceiling in one bedroom of your two bedroom apartment, it is unlikely an insurer would consider this to be uninhabitable. There is still 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. Where would you cook, wash dishes or eat?

# Lost on Loss of Rent?

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

### Temporary Accommodation as a Unit Owner Occupier

As a unit owner who lives in their property, Loss of Rent extends to cover you for temporary accommodation costs should the insurer deem your 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 your contents, if they need to be stored elsewhere while approved repairs are carried out to your lot. Some policies will even cover temporary accommodation for your pet!

### Loss of Rent cover as a Landlord

As a unit owner who rents out your property, Loss of Rent can cover you for lost rental income should the insurer deem your property to be uninhabitable, and your 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 you are unable 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 you or your tenants may need to move out to allow repairs to be completed.

You can receive payment for loss of rent or have temporary accommodation arranged for the time when you actually need it.

## Some points for you to remember...

### 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 for the insurer

**If you would like further information on the Loss of Rent section of your policy, and what it could mean for your situation, please contact your broker at Whitbread Insurance Brokers.**

**Ph. 1300 424 627**

**Email: [info@whitbread.com.au](mailto:info@whitbread.com.au).**

*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 Whitbread Associates Pty Ltd ABN 69 005 490 228 Licence Number: 229092 trading as Whitbread Insurance Brokers for further information or refer to our [website](#).*