

Article Date	Headline / Summary	Publication
24 Aug 2024	Take cover for potential rental income loss	Financial Express

● **BUNDLE LOSS-OF-RENT COVER WITH PROPERTY INSURANCE**

Take cover for potential rental income loss

This covers damages due to natural disasters or accidents

SAIKAT NEOGI

FOR LANDLORDS WHO rely on rental income as a steady source of earnings, a loss-of-rent cover is a must-buy before letting out their property. It safeguards the returns on investment by compensating them for the loss of rent when the property is under repair up to the limits defined under the policy.

Given the uncertainties in property management where natural disasters such as floods and other incidents such as fire and structural damage can disrupt tenancy, this cover provides financial stability during repair.

Most home insurance policies offer this cover as an optional add-on, allowing landlords to customise their insurance according to their needs without purchasing a separate policy. It also ensures that all related coverages are managed under a single policy, simplifying claims and policy management.

Gurdeep Singh Batra, head, Property UW (E&S), Risk Engg, Global Accounts, Bajaj Allianz General Insurance, says loss-of-rent cover is beneficial for landlords as it ensures that they are indemnified for the loss of rentals

PROTECT RETURNS ON INVESTMENT

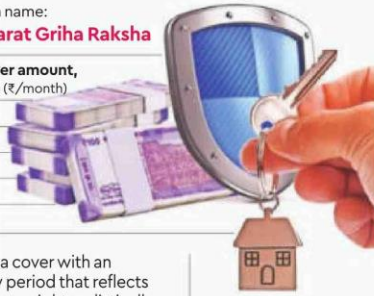
House value: ₹1 crore | Content value: ₹25 lakh | Policy term: 5 years | Plan name: Bharat Griha Raksha

Insurer	Premium* (₹)	Loss of rent cover amount, max six months (₹/month)
Bajaj	13,275	30,000
Digit	15,155	15,000
Reliance	15,195	50,000
SBI	18,802	30,000
Chola MS	13,643	50,000

■ It helps mitigate financial risks associated with property damage and ensures the owner can maintain financial stability during such disruptions

■ Choose a cover with an indemnity period that reflects the time you might realistically need to repair or restore the property

*One time payment for 5-year policy tenure
Source: Policybazaar.com



if the property becomes uninhabitable due to unforeseen circumstances like natural disasters, fires, or other significant damage covered under the policy. "It helps mitigate financial risks associated with property damage and ensures the property owner can maintain financial stability during such disruptions."

Add-on to a standard home insurance

Purchasing a loss-of-rent cover as an add-on to a standard home insurance policy is often more cost-effective and convenient. It offers targeted protection for the specific risk which may not be fully covered under

a general property or home insurance policy.

Rakesh Goyal, director of Probus, an insurance broking company, says add-on covers allow landlords to customise their insurance plans according to their specific needs, ensuring they only pay for what is necessary. "Bundling the loss of rent cover with the primary home insurance policy can to lower premiums compared to buying a standalone policy."

What to watch out for

When buying a loss-of-rent cover, an individual must ensure the cover amount aligns with his

actual rental income. "Choose a cover with an indemnity period that reflects the time you might realistically need to repair or restore the property," says Gaurav Gosain, business head, Home Insurance, Policybazaar.com.

Typically, the indemnity period, which is the time during which the insurer will cover the lost rent, is up to six months. The coverage period is crucial as it should allow ample time for repairs without financial strain. Even the reputation of the insurance provider is an important factor, as a company with a strong track record in claim processing and customer service can

make a significant difference during a stressful situation.

Exclusions to keep in mind

The cover typically does not compensate for loss of rent due to issues caused by the tenant, such as non-payment of rent or voluntary vacating of the property. Loss of rent due to events not covered under the primary home insurance policy, such as wear and tear, neglect, or general maintenance issues, will not be covered. If the damage to the property is due to the landlord's negligence, then the claim may not be honoured.

Loss of rental income due to changes in government regulations or zoning laws is excluded from coverage, as these do not involve physical damage. The cover does not apply to damage intentionally caused by the landlord or tenant, as insurance only covers accidental events.

If the property was already vacant before the damage occurred, the cover might not apply. Even loss of rent due to issues related to subletting arrangements might be excluded unless explicitly mentioned in the policy.

So, understanding the features and exclusions will help landlords make an informed decision and ensure that they are fully protected in the event of a loss of rental income.