

Risks and the property rental landscape: a look at landlord-tenant insurance dynamics

Many South Africans purchase a property for the purpose of letting it out and earning a rental income. Becoming a landlord, however, does come with certain obligations and responsibilities related to protecting that property from key risks.



Source: [Pexels](#)

Offering her advice on this subject is Karen Rimmer: head of distribution at PSG Insure, who says that before letting out a house or apartment or opting to become a tenant, there are a few considerations to make regarding insurance. She also expresses the importance of understanding the key obligations of both the tenant and landlord when it comes to insuring the rental property.

- **Landlord vs. tenant insurance obligations: a fundamental principle:** According to Rimmer, the easiest way to understand how insurance works in terms of the landlord-tenant relationship, is to remember that someone can only take out insurance on a property or assets that belong to them, or that they have an insurable interest in.

“In a practical sense, this means that tenants cannot be responsible for taking out and paying building insurance, given that the financial consequences of any damage or destruction would not fall on them. It is therefore the responsibility of the property owner to ensure that they have adequate insurance in place to protect their asset.

"Likewise, the cost of household furniture, movables and the contents of a home is (in most cases) covered by the

tenant. The onus of protecting those belongings would therefore fall on the tenant, who would be responsible for replacing or repairing any of those assets in the event of theft, burglary, accidental damage and other risks.

"In this case, the tenant would need to take out adequate home contents insurance to protect themselves from the potential financial effect," she says.

- **Important considerations for landlords:** For landlords renting out houses or stand-alone structures, the most important consideration to make is whether the insurance product they choose is comprehensive enough to cover multiple risks.

Some of the most common risks to insure against include natural disasters such as fire, lightning, wind, floods and earthquakes. Rimmer advises that there are also several other risks that can threaten a property structure including burst geysers.

Sectional-title buildings and the insurance thereof will cover residential sections and common property for their full replacement value in the event of unforeseen incidents such as earthquakes, fire and flooding. Sectional-title insurance only covers the 'immovable' sections of common property and excludes any movable contents.

"Landlords may also need to consider public liability cover that will provide compensation for any person who gets injured or dies while on the premises, and where the owner is held legally liable.

This will not, however, include injuries that are due to negligence on the part of the landlord to adequately maintain the structure. An example of this would include injury caused by improperly maintained staircases. Tenants, however, have a responsibility to ensure landlords are notified of any maintenance issues in advance," says Rimmer.



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Traditional insurance policies do not, however, provide coverage for intentional harm, willful destruction or vandalism perpetrated by tenants, commonly known as malicious damage. In these cases, landlords would need to pursue a civil claim against the tenant and follow any due legal processes. This highlights the importance of conducting the correct screening methods, criminal checks and other precautionary methods when selecting a suitable tenant.

- **What tenants need to remember:** A tenant's main responsibility relates to protecting their own belongings and the contents of the property. One of the most effective ways of doing this is to take out a household contents insurance policy.

Some insurers may require tenants to provide a comprehensive list of these possessions as well as their value in order to streamline the process should a claim need to be filed. However, this process would not be applicable should the policyholder own all of the contents.

Insurers may also include an additional clause within this policy to provide cover for portable possessions such as jewellery, laptops, mobile phones and other valuables that may leave the property at certain times.

Adding to this, Rimmer says that, in addition to a comprehensive household contents insurance policy, tenants should also take out tenants' liability cover, which will "Protect them against unforeseen instances such as accidents, injury or death that may occur while someone is visiting the property that they are renting."

- **The imperative role of insurance advisers:** As Rimmer concludes, in both the case of landlords and tenants,

insurance advisers are a crucial source for expert advice on how to protect assets in the most comprehensive and cost-effective ways possible.

"Equipped with access to a diverse range of products and a keen understanding of the market, advisers can help their clients obtain the most suitable coverage for their specific needs.

"By outlining what each party is responsible for and advising on the necessary insurance measures, advisers can provide much-needed assurance to clients that they will be fully compensated in the event of an unforeseen incident."

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