

Tenants are taken hostage in cases of rehousing

The insurance companies are liable for damages when tenants need to be rehoused, but in many cases the bill is passed on to the housing associations and their tenants.

By Kristine Seest

Tenants must be rehoused when there are damages that make leases in a housing association uninhabitable. It is the insurance company's responsibility to cover the damages to the household effects and also the cost of rehousing if the tenants have taken out home insurance. Even so, WTW has come across several cases where the insurance companies have declined to cover the costs.

»When our tenants have their claims rejected by the insurance company where they have taken out their home insurance, they get frustrated and have no idea what to do,« says customer manager Bettina Jarl Darlslund from the housing association KAB.

WTW represents KAB in disputes with the insurance companies and has therefore been involved in a specific case where a fire occurred in one of KAB's properties. The fire caused damage to three homes, and after the fire, one of the tenants contacted her insurance company to have her expenses for the rehousing covered by her personal home insurance. But in January, she had her claim rejected by the insurance company that urged her to contact her housing association.

'As a tenant in a social housing association, which is subject to the General Rent Act, your housing association has an obligation to arrange for rehousing and cover the reasonable and documented additional expenses you will incur in connection with this.'

Following this answer from the insurance company, the housing association turned to WTW for help.

»Private home insurance is a bit outside our normal field of expertise, but when an insurance company denies its liability and places it with our clients, we take action and handle the case on behalf of our clients. In these cases, the insurance companies have tried to place the responsibility on the housing association and their residents, and that is neither right nor reasonable,« says VP Uffe Philip from WTW Real Estate.

The Rent Act used as an argument

The insurers have justified their rejection with reference to sections 85 and 86a of the General Rent Act. WTW has approached the Danish Social Housing Association – Danmarks Almene Boliger (BL) – for an assessment of the insurance companies' interpretation of the Rent Act, and BL confirms that it is the insurance company and not the housing association that has the rehousing obligation when rented housing becomes uninhabitable due to a defect or due to repairs of a covered damage.

Although WTW has made the insurance company in question aware that they, according to BL, have misinterpreted the Rent Act, the insurance company has continued to reject claims from other tenants on the same grounds. According to the housing association KAB this practice creates a precarious situation for their tenants.

»We are making great efforts to encourage our tenants to take out home insurance when we enter into contract with them – even though it is a private matter and not something we otherwise interfere with. Home insurance may cost two or three thousand kroner a year and some tenants with smaller incomes prefer to do without. But if you have taken out insurance, you expect that you will get help when damage occurs. And if you don't have the skills to argue your case when faced with rejection from your insurance company, then you end up losing,« says customer manager Bettina Jarl Darlslund from KAB.

And according to service assistant Britt Justesen from KAB it can be quite a challenge to discuss with your insurance company.

»Even if you have taken out insurance, you don't know all the terms and conditions in your policy. In fact, only the insurance company does. So, who can argue against an insurance company that refers to a law? Not many people and then you end up paying the bill yourself out of a tight budget, even though you are actually entitled to compensation,« says Britt Justesen, who is in contact with tenants who currently have damages and need to know where they stand in terms of insurance coverage.



When an insurance company denies its liability and places it with our clients, we take action

Uffe Philip

VP, WTW Real Estate

A change of mind

WTW has repeatedly requested a general assessment from the insurance company in question, and in January 2022 they finally returned with an answer. Their attorneys had reassessed their view on rehousing claims from tenants in social housing associations and decided to cover these types of damages under the home insurance going forward. They also wrote to WTW stating that similar cases dating back to 1 July 2021, would be reopened and reassessed.

»It is great that the insurance company has listened to us and decided to change its practice. At the same time, it is extremely important that these cases are brought to light, because there may be other housing associations and more of the more than one million Danes paying rent who have received similar wrongful rejection from their insurance companies. It's certainly a problem that we've encountered repeatedly over the years,« says Uffe Phillip of WTW.

Potential consequences of a serious nature

If the housing association was to pay for the damages that should be covered by the tenant's home insurance, it would have serious consequences for the housing association's bargaining position when their insurances are tendered for.

»If we were to cover cases concerning household effects, our insurance premium would go through the roof – I don't even dare to think of how big an increase we are talking about,« says Bettina Jarl Darlslund from KAB.

And Uffe Philip agrees:

»It is already difficult to find offers for housing associations when their insurances are out to tender. And no housing association wants to see an increase in damage expenses – especially when it is neither necessary nor correct. But it is also about protecting the housing associations' reputation and ensuring that the tenants get their rightful compensation,« says Uffe Philip.

WTW has discussed the issue with several housing associations and handled the cases that have been brought to WTW's attention. WTW has asked the insurance company in question for an overview of rehousing cases among WTW clients dating back to 1 July 2021. When this is in place, WTW will contact the housing associations and encourage affected tenants to contact their insurance companies to have their cases reopened in order to get their rightful compensation.