



# are you covered?

The house burns down due to an electrical fault, a storm takes off the roof or a pipe bursts while you're on holiday. Does your insurance policy cover such things? It might not.

Home insurance. It's one of those phrases that may make you cringe – premium payments, forms, claims, excess. But one thing is for sure, you need it. And not just the bare minimum – enough to replace your home and everything in it.

There are always different options to consider when you're purchasing insurance. Don't scrimp on the research or the premium or you may find there are some circumstances for which you are not covered.

**1** Acts of God – this is an old term meaning unforeseen events that could not be attributed to a person who could then be held liable for the damage caused. A storm could be considered an 'Act of God' but nowadays insurance policies can cover damage caused by a specific event such as a storm or unforeseen and accidental damage caused by wind, rain or trees blowing into your house.

**2** Maintain your house. Chris Ryan, CEO of the Insurance Council of New Zealand, says your insurance will cover you for all sorts of accidental damage,

but he says it's vital to ensure you maintain your home. "If you have a leak that is left unrepaired for years and the house incurs gradual damage as a result, this will not be covered by your policy."

Also, if the wiring of your old villa hasn't been upgraded for years and causes a fire, you may not be covered. This is a very grey area where no two cases will ever be the same. Essentially, it is about knowledge and intent – if you knew the wiring was dodgy, then your insurer may not cover any fire it causes.

Or if you know that the gum tree in the back garden has unstable roots, do nothing about it and then it falls on the house, your insurer is within their rights to reject a claim.

**3** Beware when renovating. Another pitfall homeowners can fall into are when changes are made to the house. You should always notify your insurer if you're undertaking renovations – especially if they're structural.

**4** Vet your guests. Chris Ryan also points out that damage wrought by people lawfully on your

Resene  
Escapade

Resene  
Midwinter Mist

property may not be covered. For example, if you have a party and one of your guests gets drunk and starts smashing things, aside from the friendship being over, your insurance may not cover the damage.

**5** Notify your insurer of any prolonged absence. If you're going to be away from your house for a long time, and this absence is longer than the period stated in your policy, then your house cover may automatically reduce to fire damage only. Just notify your insurance company to ensure you have the correct cover while you are away.

## You should always notify your insurer if you're undertaking renovations – especially if they're structural.

**6** Take out replacement house insurance, specifying the square metre floor area. This means if your 250m<sup>2</sup> house is destroyed, your insurer will pay for a new 250m<sup>2</sup> house to be built. Another option is market value insurance, where you are insured up to the value of your house. The pitfall here is when you claim after a total loss, you may not have enough money to build an entire new house. Only having enough money to build half a house is not a pleasant thought.

Also be aware that if you own an older house, you may not be able to get replacement insurance. Or you may only get it after supplying certain reports, for example to show that the electrical wiring is in good condition.

**7** Be as accurate as possible when listing your contents. When you buy contents insurance, the insurer will often provide a list of typical household items so that you can work out the value of your own contents based on the furniture, appliances, accessories and personal effects. It pays to be as accurate as possible so you'll be compensated appropriately.

It's also a good idea to keep receipts and serial numbers, and take photographs of your possessions. Some people even make a video recording of their entire house. This all helps at claim time.

**8** Be aware that when it comes to the contents of your home, cheaper policies may depreciate the value of your possessions at claim time, meaning you can't afford to replace everything. Others will only cover items younger than 10 years. Although you may make small savings on your premiums, you may find yourself seriously out of pocket after a major incident.

Also know that some contents insurance policies include your carpet, whereas some don't.

**9** Consider the excess amount carefully. When buying insurance, you'll most likely have a choice of the excess amounts. This is the amount you pay for each claim you make. Usually it's around \$100, but higher excesses mean lower premiums. Although this sounds like a good idea it means the excess applies to each claim you make.

**10** Be honest. Remember, an insurance policy is a legally binding contract. It demands honesty. If you lie or mislead your insurer, your policy could be declared void, and you would not get any payout from your insurance company. Failure to tell your insurer everything they need to know to accurately assess your risk may jeopardise your insurance cover.

And remember, it's not all a one-way street. If you don't feel your insurance company has treated you fairly, you can take your case to the Insurance and Savings Ombudsman at no charge to you. Alternatively, you can go to the Disputes Tribunal or, as a last resort, the District Court. **H**