

HOUSE INSURANCE – WHY IS IT DIFFERENT?

- Allistar Walker

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Insurance issues have been more in the news because of the Christchurch earthquake and more recently the Rugby World Cup. Unlike life insurances, house and contents insurance is not a 'set and forget' type of policy. It is a yearly renewable contract, which means that an insurer can decline to continue to insure you if information or events come to the insurers notice that would change the initial relationship of trust implied in the contract, or change ongoing commercial reasons justifying the continuance of cover. Therefore notify your Insurer if convicted of a felony after insurance in place or are turned down for other insurance claims.

A clearly defined document

The application is a clue and more importantly the printed terms and conditions on your policy document should be read and understood. If you are not sure you should ask your broker or adviser. I know it's a pain and who has time to read all that gobble-de-gook anyway? You do, because the excruciating agony of a declined claim for reasons you didn't understand could have devastating consequences, financially and emotionally.

What changes the Insurers attitude?

So often we hear Insurers look for reasons not to pay, when in fact many of these observations are uninformed. Now I'm not writing to defend the insurance companies, hell no, but all of us need to be very clear what we are covered for. Check for exclusions and always be painfully truthful when completing the initial proposal.

Some instances where payout may be denied:

- a) Residential owner-occupied home turned into a rental without advising the insurance company. In this case you would be wise to take out a Landlord Protection policy.
- b) A property being vacant for 60 days or more can negate a payout. If going away for any extended time, check the period in your policy. If in doubt, tell your broker or the insurance company anyway.
- c) Change of purpose of the property. Similar to a) above but say you are going to rent to a bunch of rugby fans at the World Cup when previously you rented to a family. An Insurer can view the two risks presented quite differently. Check such situations out so you don't get caught.
- d) Unauthorised structural alterations can also negate a payout. No permit, maybe no payout, when the chips are down. In fact if you are doing any alterations to your property it would pay to notify your broker or insurance company as to the nature of the alterations and expected time to complete.
- e) Lying (or should I say being forgetful) about any criminal convictions, or about your previous claims history could and most probably will, give the Insurer all the reasons it needs not to pay out. Dishonesty could be expensive.

A little story of Fraud confirming this last point.

A prominent private detective I know rang me up one day and asked me to come over to discuss a case he was on. It so happened that an insurance company was ready to pay out a cheque for about \$400,000 on an item which was destroyed in an 'accident'. To check the facts of his application they called in the private eye. It also happened that while investigating the background of the document that court records revealed diary notes I had recorded as a Bank Manager on this same chappy.

The notes I had made were in direct contrast to the remarks this chap had made to another Bank on the same day. Also the court records revealed the fellow had a fraud conviction and appeared to be a habitual liar. The conviction was not disclosed on his insurance application and the insurance payout cheque was torn up.

Other things we never give a thought – check out your coverage for 'Acts of God', destructive guests or lack of maintenance, such as fixing that leak before more damage occurs, dicey wiring in an old villa or other area where routine maintenance would have avoided an expensive insurance claim.

Cut your premiums down by taking a high excess, after all the loss of \$1,000 or so is not much when hundreds of thousands are at stake, and always take out replacement insurance, making sure you have stated your floor area and decking accurately. You don't want to end up worse off when it comes to claim time.

The last word on home insurance. Get yourself more than one smoke alarm and some spare batteries – how much is your life worth?

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