

Calculation of the area of a house for insurance

Some domestic house insurance policies provide for replacement cover up to the total size of the dwelling that has been declared and which is shown on the policy schedule for some or all insured events. The obligation is on the individual property owner at the time of taking out the policy to give the insurer the area measurement of the property.

It is very important that the calculation of a house size is done accurately for the purpose of insurance. It helps insurers establish their overall exposure, as well determining the premium they need to cover that exposure. It can also be used to help calculate the sum insured where a dollar amount is the maximum that the insurer will pay. If the area of a property advised to the insurer is underestimated, the policyholder may end up with a smaller house in the event of it being destroyed or be underinsured where the policy is limited to a sum insured.

TIP



The area of a house is based on the **external perimeter** measurements of the dwelling. If you measure the internal area of the rooms and total these to find the area to insure, you may end up with a 10 – 15 % smaller area than your house actually is. This means you could end up with a 170–180 sq metre house replacing your 200 sq metre dwelling

To find the total area of your house:

1. Using a tape, measure the external perimeter of the building. If you have a multi story house make sure you include the perimeter of each floor
2. Measure the external area of decks and covered pergolas. Don't include uncovered paved or concreted areas
3. Measure the perimeter of any garage or outbuildings
4. Calculate the area of the building, decks and outbuildings. If you are uncertain how to do this, ask for the assistance of an architect, surveyor, builder or valuer.

Use these calculations when using the insurer's calculator for finding your sum insured or give them to your insurance company when taking out your policy.

Remember to update the house area when you make additions or add a deck garage or outbuilding.

If you have commissioned a valuation of your property you will often find the total floor area included in the valuation report. When asking for a valuation, make sure the valuer knows you will be relying on the area measurements for insurance purposes. It is best not to rely on the Quotable Value floor area measurement. Experience has shown this can sometimes be wrong.