

Consumer guide to purchasing home insurance

Your home is often your most valuable asset and purchasing home insurance cover will provide you with the comfort of knowing that if it is damaged or suffers a loss, it will be repaired or rebuilt, within the terms of your policy.

What you need to know

It is best to arrange your home insurance in advance as confirmation of insurance is usually required by mortgagees before settlement and insurers will sometimes request additional information – this will avoid any delays.

It is wise to check out the insurability of the home prior to purchase. You should insert a “subject to insurance” clause in your home purchase contract to allow you time to check the availability of insurance before your contract goes unconditional.

What your insurer will need from you

The home

To insure your new home, or to provide a quote, your insurer will require specific information about the home. This will include:

- The address of the property.
- When was the home built.
- What the home is constructed of i.e. brick, weatherboard, stucco, type of roof, etc.
- The size and rebuild value of the home and any outbuildings (see the Council’s brochure on calculating the of the value of your house for insurance).
- Any high value or special features i.e. a swimming pool or tennis court.
- If your home joins on to another adjacent home, or is part of a multi-unit complex or body corporate.
- If your home has a heritage listing.
- If purchasing an older home, the insurer will also need to know whether or not the home has been:
 - » Re wired
 - » Re plumbed
 - » Re piled

» Approximately when this work was carried out.

Some insurers may also require a building report confirming the condition of the home.

You must also tell your insurer if there is any existing damage to the home, any known exposures that present increased risk of loss or damage to the home, or any current claim on the home under the previous owner.

When purchasing a house, always ensure you obtain the legally required certification for all electrical and gas installation work on the property.

Legislation, introduced in 2013, makes it compulsory for all electricians carrying out prescribed electrical work on electrical installation, to provide a Certificate of Compliance or Electrical Safety Certificate to the customer.

The regulations apply to all work on electrical installation, whether high or low risk and ranging from new properties to maintenance or replacement work on existing buildings.

Whether a Certificate of Compliance or Electrical Safety Certificate is provided will depend on the risk level of the work. If the contractor does not offer certification, homeowners are encouraged to ask for it.

Anyone planning electrical and gas work should ensure, before work begins, that the electrician or gasfitter they plan to engage is licensed. If someone is not licensed, the customer will have little or no recourse in the event of problems with the work.

To find a Master Electrician in your area see www.ecanz.org.nz, and find a registered plumber or gasfitter at www.masterplumbers.org.nz.

Make sure your solicitor checks that all alterations to the home are compliant with the building Act and consented by the local Council. Insurers recommend that purchasers obtain a prepurchase inspection by a qualified person.

Occupancy

Your insurer also needs to understand what your home will be used for. i.e. whether you will be occupying it yourself, or whether it will be let to tenants. You must also advise your insurer if there is any commercial use at the property (eg: hairdressing business run from home), or if it will be unoccupied for a period of time (generally 60 days) as this may affect the cover provided.

Financial Interest

If you have a registered mortgage over the property, you should also provide details to your insurer who will note this on the policy.

Importance of ensuring accurate information is provided

As your home insurance will normally have a limit, whether it be the size, a sum insured or value, it is important that you obtain, and provide accurate information to your insurer, and if in doubt, consult a professional.

Types of cover

There are different types of house insurance available, and depending on the type of home, the insurer will advise of what type of cover they are able to provide on your home.

The types of home insurance include:

Total replacement (no sum insured)

This means that if your house is destroyed, the insurance company will rebuild the house and pay all the fees (ie. architect, site clearance fees) involved in the process. This type of insurance policy is usually only available for houses that are owner-occupied, in good condition or under a certain age. This type of cover is likely to change to fixed sum insured in the near future.

Specified sum insured (replacement)

This means you and your insurance company agree on the sum insured, and the company will rebuild your house up to that limit if it is totally destroyed. The homeowner has the responsibility to determine the rebuild value of the home. Insurers have calculators which can assist but you are recommended to get a valuer or quantity surveyor if this is likely to be complex.

Indemnity policies (present day value)

This is what the house was worth just before a loss. It is roughly equivalent to the market value of the house (excluding the land).

When Cover Begins

You can arrange insurance prior to the settlement date but cover doesn't begin until after settlement on the Sale and Purchase contract.

The vendor's insurance covers the property up until settlement.