

Consumer guide to accidental & gradual damage

Accidental damage vs gradual damage

House and contents insurance policies are designed to provide cover for damage that occurs suddenly, unexpectedly, and is accidental in nature.

A fire resulting from a power surge or dropping an item and breaking it are examples of events that are sudden, accidental and unexpected. These events can be claimed against your insurance policy and cover will be provided.

Damage that occurs over time (gradual damage) is typically excluded from insurance cover. One of the most common forms of gradual damage in the home is gradual water damage.

Gradual water damage is damage which has resulted from a slowly developing condition rather than a sudden event such as a storm. Gradual water damage is often the result of a variety of issues such as wear and tear, gradual deterioration, rot and/or corrosion.

All of these conditions are excluded under a house insurance policy since the insurance company considers these conditions to be foreseeable damage or routine maintenance which is the responsibility of the homeowner.

Insurers do not change this position when a leak is hidden from view. While a property owner may not realise there is a leaking pipe until the ceiling has noticeable water damage, the floor becomes spongy underfoot, or perhaps suddenly gives way entirely, insurers have an expectation that pipes are being checked on a regular basis as part of the routine maintenance schedule and leaks are discovered before this 'obvious' damage occurs.

Insurers understand however that this could be deemed a little unfair and most insurance policies now include an automatic benefit that brings back a limited amount of cover for gradual water damage.

The benefit will provide cover under certain circumstances and up to a monetary limit – you'll need to check your policy for the exact wording and coverage, but here is a typical example from a policy:

Hidden gradual loss

Provided your property is not rented out, we will pay for hidden gradual loss to your property that you first discover during the term.

If we have accepted a claim under this benefit we will also pay for any costs that you reasonably incur to locate and repair the hidden gradual loss, including damaging undamaged property, provided that any work has been authorised by us before it is incurred.

The most we will pay for all costs and damages incurred under this benefit and during the term is \$3,000.

We will not provide cover under this benefit if the policy condition of 'Take reasonable care' has not been observed, and we will not be liable for any increased claims costs due to a delay in notification.

For the purpose of this benefit hidden gradual loss means hidden rot, hidden mildew or hidden gradual deterioration, caused by water leaking from any internal tank, internal water pipe, or internal waste disposal pipe, or at the immediate point of connection between a hidden pipe and any household appliance, installed at the house.