

Gradual deterioration and resultant damage

Gradual deterioration

House and contents policies are designed to cover losses that are

- sudden
- unexpected
- accidental or unintended.

Most claims meet these requirements. Things like fires, burglaries, broken windows and earthquakes all happen quickly and unexpectedly.

Some losses happen more gradually, however. That is, the damage occurs slowly over time, not all at once. These losses are known as *gradual damage*.

Gradual damage is usually listed as an exclusion in insurance policies.

Example

This is an example of an exclusions clause in an insurance policy:

Exclusions

This insurance does not cover any of the following:

- *wear and tear*
- *mildew, rot, corrosion, rust or gradual deterioration.*
- *scratching, denting or chipping*

Insurance isn't designed to cover gradual damage. This is because problems that cause damage slowly can often be avoided by taking care of your property and doing regular maintenance. The sooner an issue is found and fixed, the less likely it is to cause damage later on.

Reasonable care and maintenance

Keeping things in good condition is an important requirement of most insurance policies. If you fail to do it and suffer a loss as a result, your insurer might not pay your claim.

Example 1

You always keep your home in reasonable condition by checking the roof for loose nails each spring and re-painting it every 10 years. A storm rips an iron sheet from the roof and water leaks into your house, damaging your ceiling and walls.

Example 2

Your neighbour never checks or paints their iron roof. Over time, it becomes rusty, develops a hole and, during heavy rain, water starts to leak into their house. The water leak damages their ceiling and walls.

Example 1 occurred as a result of a sudden event. You've complied with your insurance policy's conditions by taking good care of your roof and maintaining it regularly, so the damage to your roof will be covered by your insurer.

Example 2 is not sudden and could have been prevented if your neighbour had done regular maintenance on their roof. Your neighbour hasn't met their obligation to take reasonable care of their property. As a result, rust has occurred, so the damage to their roof won't be covered by their insurer.

Tip: Every insurance policy is slightly different. Read your policy documents carefully to understand what cover you have and talk to your insurer if you have any questions.

Resultant damage

Insurers consider the direct cause of each part of a loss when a claim is made.

Example

- The damage to the roof in Example 1 was caused by the storm.
- The damage to the roof in Example 2 was caused gradually.

In both examples, the damage to the ceiling and walls was caused by water. The water was only able to get in because the roof was already damaged. This is called *resultant damage*.

Resultant damage is typically covered by insurers, except in 2 common circumstances:

1. If the resultant damage also happened gradually – for example, if the ceiling was damaged because small amounts of water were getting in through the hole in the roof each time it rained.

2. If you knew there was damage and did nothing to fix it or prevent it causing further damage – for example, if your neighbour knew their roof had developed rust and that there was a hole in it and did nothing to fix it.

In these circumstances, an insurer is unlikely to pay for resultant damage.

Gradual damage extension

Sometimes you can't know something has been damaged gradually until it's too late. Some insurers offer limited cover for these events.

Cover is usually limited to specific circumstances and capped at a certain dollar value (the maximum your insurer will pay for the event). If there is a cap, it will be listed in your policy documents.

Example

A pipe inside a wall in your bathroom has corroded over time and started leaking, causing water damage. You only become aware of it several months later when you notice that your wall has changed colour and the carpet in your hallway has started rotting.

Most losses from leaks aren't covered because they're deemed to be gradual damage, even if they seem to have happened suddenly. This is because pipes and joins tend to weaken over time until they suddenly burst or start leaking. If your policy has a gradual damage extension, however, you will likely be covered for these types of events.

Tip: Sometimes it is necessary to break into wall cavities or floors to find and fix a leak. In these circumstances, not all damage will be covered.

- The cost of fixing the leak once it's been found may be covered by your insurer.
- The cost of opening the wall or floor to get to it, and the cost of repairing that damage once the leak has been fixed, won't be covered.

Insurance policies don't cover deliberate damage so even though it was necessary to break walls or floors to find and fix a leak, the deliberate damage isn't covered.

Every insurer's policies are different, so it's best to talk to your insurer to find out what cover you have.

Find out more

The Insurance & Financial Services Ombudsman (IFSO) website's insurance guides have more information on gradual damage.

<https://www.ifso.nz/information/insurance/house-and-contents-insurance/>