

Replacement and indemnity cover

There are 2 common methods of calculating settlements for insurance claims:

- replacement cover (also called *as new*)
- indemnity cover (also known as *present-day* or *market value*).

Most insurance policies will apply a mix of these settlement calculation methods.

Your contents insurance policy might contain replacement cover for laptops and cellphones that are less than 2 years old and indemnity cover for them if they're older.

EXAMPLE



Replacement insurance

Replacement cover (also called *as new* cover) is about giving you back the functionality you had right before you suffered a loss.

When you have *as new* or replacement cover, your insurer will

- repair a damaged item to as new a state as possible
- provide you with a new item of equivalent quality, value and functionality to the one that was lost or damaged
- provide you with cash.

You may need to pay an excess on your claim before your insurer can settle it.

TIP



You can find out more about excesses in our consumer guide: <https://www.icnz.org.nz/understanding-insurance/consumer-guides/>.

House insurance

Most homes in New Zealand are covered under replacement policies. If they are damaged or destroyed, insurers will pay the cost of repairing or replacing them, up to the sum insured shown on the policy schedule.

Limits and exclusions

Some limits apply to what insurers will replace *as new*.

Items that become outdated very quickly and very old items often don't qualify for replacement cover.

EXAMPLE



This may include:

- electronics
- jewellery
- clothing and shoes.

It's important to check your policy wording and talk to your insurer if you're not clear about what cover you have.

Indemnity insurance

An indemnity policy puts you back in the same financial position you were before a loss occurred.

When you have indemnity cover, your insurer will pay you in cash either

- what you would pay if you bought the item(s) second-hand
- the replacement cost of the item less an allowance (depreciation) for age and use.

Indemnity value is often referred to as *market value* or *present-day value*.

Sporting equipment and personal effects (shoes, phones, jewellery) are often insured for indemnity value because they tend to depreciate quite quickly.

EXAMPLE

