

Gradual damage

Gradual damage is a common exclusion in house policies in Aotearoa New Zealand. However, it can catch policyholders by surprise and can often lead to disputes about whether damage should be covered or not. This guide has been developed by ICNZ to help explain the insurer approach to gradual damage.

What is sudden?

In Aotearoa New Zealand the courts have given "sudden" a specific legal meaning when a policy talks about sudden and accidental damage. For damage to be "sudden" it has to be abrupt, all at once, or instantaneous.

This means that something has happened within minutes or hours, rather than days, or weeks. For example, a tree falling on your house and damaging the roof would be considered sudden. Insurance policies are intended to cover this sort of sudden damage.

What is gradual?

Gradual damage is damage that isn't sudden. It is damage that occurs over days, or a longer period of time.

Gradual damage is excluded from cover under an insurance policy.

Cause of damage versus discovering damage

When we talk about "gradual" damage and the need for damage to be "sudden", we're talking about the damage that has occurred rather than the discovery of the damage.

For example, you might suddenly discover that a waterpipe has been leaking and damaged a wall of your house, but if it's clear that the pipe had been leaking for days or many weeks, it would be considered gradual damage.

Loss or damage that is not sudden

The following examples are types of loss or damage that insurers don't consider sudden, and aren't covered by insurance:

- rusting roofing iron
- rotten timber weatherboards
- paintwork that has faded or peeled because of age or the weather
- wear and tear (such as worn carpet)
- damage to walls and floors due to a leaking shower
- blocked gutters which lead to water overflowing and damaging walls
- movement or separation of walls and ceiling linings from the house expanding and shrinking
- rotten carpet beneath a pot plant

Special cover for certain non-sudden damage

Most domestic house and contents policies for owner / occupiers include a limited amount of cover (e.g. \$2,000 – \$10,000) for certain causes of damage that are not sudden. This cover might be for hidden damage you find or be more limited to a certain cause like hidden water damage.

This cover is often referred to in a policy wording as "hidden gradual damage".

Check your wording to see what kind of damage might be covered by your policy.



Two examples of the types of special cover that are available for gradual damage are:

Contribution for hidden water damage: We will contribute a maximum of \$2,000 towards damage to your home caused by rot, mould, mildew or deterioration that isn't immediately visible.

Hidden gradual damage: This policy is extended to cover hidden gradual damage to the home that occurs and that you discover during the period of cover.

How does an insurer know if damage is sudden or gradual?

When you make a claim, your insurer will work out if the damage was sudden, gradual, or a combination of both, often based on a report from a plumber and / or a builder.

To do this, your insurer might appoint an assessor to inspect the damage, review photos of the damage and consider any reports you provide from your plumber and / or builder to support your claim. Claims for sudden damage, or damage that falls under any extension for non-sudden damage, which are covered by your policy, will be paid. You will be responsible for repairing any damage that is not covered by the policy. E.g. locating the hidden damage if it is under a floor or behind a wall.

If you disagree with your insurer's decision that there's been gradual damage, you can make a complaint to them. If they can't resolve your complaint within two months, you'll be able to make a complaint to their dispute resolution service, being either the Insurance and Financial Services Ombudsman (IFSO) or Financial Services Complaints Limited (FSCL).

You can find out more about the complaints process in the [Fair Insurance Code](#).

Gradual damage case studies

The external dispute resolution services frequently consider complaints about gradual damage. The following two cases give an example of a situation where IFSO agreed that there had been gradual damage and there was no insurance cover and another where the damage was sudden, and the insurer was required to make a payment.

Case study 1: leaking water

Tama holds insurance on his house. He notices that the toilet floor is water damaged and has warped. He asks a plumber to do repairs and makes a claim to his insurer for the damage. Tama's plumber says the inlet hose from the cistern tap to the toilet cistern has split and caused a leak over about "4 to 5 days".

The insurer says the damage is not sudden and offers Tama the gradual damage benefit of \$1,500, less the excess. Tama disagrees with the decision and makes a complaint to the IFSO.

IFSO looks at the legal definition of "sudden" and finds that, if the damage had occurred because of a leak over 4-5 days, it is gradual. This means Tama can't prove the damage was sudden and the insurer only has to pay the gradual damage benefit.



Case study 2: overflowing gutter

Louise holds insurance on her house. During recent heavy rainstorm, she notices that there is water coming down the wall and onto the carpet. Louise contacts a roofer to investigate. The roofer finds that there is a heavy build-up on leaves in the gutters which means that the gutters have been overflowing each time it rains. It appears that this has been happening for a number of years, but it was only the recent weather event when Louise noticed.

As well as the water damage to the wallpaper and the carpet, parts of the roof and the framing have started to rot. To fix the problem, the carpet needs to be dried out, and the wall, roof, and framing need to be replaced at a total cost of \$15,000.

Louise contacts her insurer to put in a claim. However, the insurer declines the claim as this is a clear example of gradual damage due to lack of maintenance of the gutters.

The plumber therefore recommends that all piping is replaced to get rid of the Dux Quest and prevent further leaks.

To fix the initial leak, the vanity will need to be removed and the wall repaired, at a cost of \$5,000. It will cost a further \$15–20,000 to replace all the piping in the property.

Anthony contacts his insurer and because there was a gradual damage extension under his policy, he can claim the \$3,000 policy limit to put towards the costs of finding the leak and replacing the wall and vanity.

If you're interested in reading more case studies about gradual damage, visit the [IFSO website](#) or the [FSCL website](#).

Case study 3: leaky rental

Anthony holds a landlord insurance policy for his rental property. He carries out regular inspections of his property, but one day, between inspections, his tenants call him to say that there is a damp smell in the bathroom and the wall inside the vanity is spongy.

Anthony organises for a plumber to visit the property who finds that the pipe behind the vanity is leaking. The plumber also discovers that the piping is Dux Quest, an outdated type of pipe that is known to leak.



Still have questions about gradual damage?

You can talk to:

Your insurer

ICNZ:

04 472 5230

icnz@icnz.org.nz

IFSO:

0800 888 202

info@ifso.nz

FSCL:

0800 347 257

complaints@fscl.org.nz