



## Household insurance

Whether we own or rent, our homes and our possessions are precious. Choosing to insure them, and making sure you have the right insurance products for your circumstances, offers peace of mind and lowers the financial pain of repairing your home and replacing damaged or stolen belongings.

You can choose to insure your property, its contents, or both.

The most common forms of household insurance are:

- **Home insurance** – covers financial losses associated with damage or loss of a property you own. Continue reading this section for more information
- **Contents insurance** – covers financial losses caused by the loss, theft or damage of your possessions. [Click here \[ http://understandinsurance.com.au/types-of-insurance/contents-insurance \]](http://understandinsurance.com.au/types-of-insurance/contents-insurance) for more information
- **Home and Contents** – policies that combine the features of both types of insurance
- **Renter's or tenant's insurance** – a low-cost contents policy for tenants that provides limited cover for events such as fire and theft. [Click here \[ http://understandinsurance.com.au/types-of-insurance/landlord-and-renters-insurance#tab-1 \]](http://understandinsurance.com.au/types-of-insurance/landlord-and-renters-insurance#tab-1) for more information.
- **Landlord's insurance** – covers the risks associated with renting out a property. [Click here \[ http://understandinsurance.com.au/types-of-insurance/landlord-and-renters-insurance#tab-2 \]](http://understandinsurance.com.au/types-of-insurance/landlord-and-renters-insurance#tab-2) for more information.
- **Strata insurance** – covers financial losses associated with damage or loss to a property that operates under a strata-title, company title or torrens title arrangement with multiple units. [Click here \[ http://understandinsurance.com.au/types-of-insurance/strata-insurance \]](http://understandinsurance.com.au/types-of-insurance/strata-insurance) for more information

To find an insurer that offers these types of policies, visit [www.findaninsurer.com.au](http://www.findaninsurer.com.au) [ <http://www.findaninsurer.com.au> ]

## Home insurance

Home insurance (also called property or home building insurance) is essential if you own or are buying a home. This type of insurance can cover you for damage to your house or apartment and legal liability. Your lender usually requires you to have it if you have a home loan.

Most home insurance policies cover the main dwelling, garage and other outbuildings that can be locked up, home improvements at your site, and fixtures or items permanently attached or fixed to your home such as light fixtures and built in wardrobes.

Your home insurance policy may also cover other events that cause loss or damage, and may pay for costs such as rebuilding fees and temporary accommodation for home owners.

Many different types of home building insurance policies are available to suit a wide range of living circumstances. It's important to think about [your specific risks \[ http://understandinsurance.com.au/what-are-your-risks \]](http://understandinsurance.com.au/what-are-your-risks) – for instance, you may live in a flood or cyclone-prone area, or near fire-prone bushland – and find a policy that covers the risks you wish to insure. Most policies cover storms, cyclones and bushfires, but not all insurers offer [flood insurance \[ http://understandinsurance.com.au/types-of-insurance/flood-insurance \]](http://understandinsurance.com.au/types-of-insurance/flood-insurance).

## Having enough home insurance

It's important to make sure you've got the right amount of cover for your home so that you're not underinsured. Your insurance cover should always match the replacement cost of your property. This means in the event of a claim your replacement cost will be matched by your sum-insured.

You should also consider if the sum insured is enough to cover any supplementary costs and expenses. For more information on total replacement and sum insured policies [click here \[ http://understandinsurance.com.au/types-of-insurance/household-insurance#tab-3 \]](http://understandinsurance.com.au/types-of-insurance/household-insurance#tab-3) .

You can find calculators to help you work out the cost of rebuilding your home or replacing your contents [here \[ http://understandinsurance.com.au/calculators \]](http://understandinsurance.com.au/calculators) .

Underinsurance can mean you end up paying the gap between your insurance payout and the costs of replacing or repairing your building, plus other costs – such as rental accommodation – while your insurance claim is assessed and finalised and rebuilding is underway.

For more on underinsurance and how to minimise your risk [click here \[ http://understandinsurance.com.au/do-you-have-enough-insurance#tab-2 \]](http://understandinsurance.com.au/do-you-have-enough-insurance#tab-2) .

### Supplementary expenses and costs

Rebuilding your home after it has been destroyed or badly damaged can be a financial nightmare and a logistical headache. You will have to pay for labour and materials.

You will also incur supplementary costs. These are other common expenses (such as temporary accommodation, professional services such as architects and surveyors), and site clearance and preparation.

Each insurer treats these costs differently. Supplementary cover might be included in the sum insured or might be an additional amount listed under your policy. When purchasing your insurance, review the Product Disclosure Statement (PDS) to make sure you know if these costs are covered. If they are included in the policy, ask yourself what services and expenses are covered and are there any limits or caps.

## How premiums are calculated

The premium for home insurance is based on the likelihood of a claim being made on your policy in the future. Your insurer may take into account many different factors when calculating your premium, including:

- The level of cover you have chosen
- How your home is occupied
- The construction materials
- The basic excess amount you choose
- Location of your home
- The year your home was built
- How you use your home, for example residential or business use
- Applicable government charges
- The risk profile of the property

For more information on what goes into your premium [click here \[ http://understandinsurance.com.au/premiums-explained \]](http://understandinsurance.com.au/premiums-explained).

## Discounts and savings

Insurance companies may reduce your premium if certain safety and security measures are in place, such as deadbolt locks, fire extinguishers, smoke alarms and security systems. In some cases, these items may be required under the policy.

Once your premium is calculated, your insurer can then work out if you are eligible for any discounts such as:

- Linked policy discount
- Multi-policy discount
- Years of insurance discount
- No-claims bonus

Your policy details, along with any discounts you have, will be shown on your current Certificate of Insurance.

## What else is included?

The final amount you pay will also include:

- State and territory government stamp duties which range from 11 per cent (South Australia) to 6 per cent (ACT). These are applied after the GST
- In NSW, each policy includes an Emergency Services Levy (ESL) that helps fund fire and other emergency services, which is applied to the policy before any other taxes. The ESL is applied to the premium before the 10 per cent GST and 10 per cent stamp duty. A fire services levy is also applied to some commercial policies in Tasmania
- Goods and Services Tax (GST) is an additional 10 per cent of the premium

## Choosing the right policy

Some insurance policies will specifically define what is covered, such as fire or storm. These policies are called defined or listed events policies. Other people prefer to be covered for any potential mishap – these policies are known as accidental damage policies.

Some insurers offer defined events policies with an option to pay extra for damage to your home that is caused unintentionally. You may also be able to take out optional cover for things like electric motors that burn out and are part of your home, such as ducted air conditioning.

When purchasing a policy, you will also have to choose between sum insured or replacement cover.

### Total replacement or sum insured?

Total replacement cover includes all the costs to rebuild your home to the standard it was prior to an event. However, most insurance policies cover a policyholder up to a set financial limit. This is called the sum-insured and represents the maximum value of your policy. Total replacement policies are usually more expensive than sum insured policies.

Sum insured policies will reimburse you for the value of your possessions in the condition they were in just before they were damaged or stolen.

For example, a roof that cost \$6000 to install six years ago might cost \$9000 to replace if it is ruined by hail damage. A replacement policy will cover the whole cost of replacing the roof at today's prices, not just a fair market value for the old roof at the time of the loss.

Choosing the right sum insured for your property and contents is important because it represents the maximum amount your insurer will pay in the event of a claim. This is on your Certificate of Insurance. Should the worst happen and you have undervalued your assets, you may then have to find and pay the difference between your sum insured and the rebuilding costs.

Your home insurance sum insured should reflect what it would cost to rebuild your house today using the same materials and the same style of fixtures and fittings. The cost to rebuild your home is not its real estate market value.

It is your responsibility to make sure you take out enough insurance to cover replacement costs. Many insurers offer [online calculators \[ http://understandinsurance.com.au/calculators \]](http://understandinsurance.com.au/calculators) to help you determine the right level of cover for your home. You should also check whether your home insurance pays for supplementary costs.

### Linked policy packages

Many insurers will offer home and contents insurance as a linked policy package. Take the time to compare a few different policies before you make your final decision, to make sure you have the best cover possible for your budget and that the payment you receive will cover the loss of all your belongings.

### Managing your insurance

A standard requirement of your insurance policy is to keep the property well maintained and repair any damage or deterioration. If damage occurs because you haven't maintained your home properly, your insurer might not cover some or all of your damage or loss.

It's important to review your policy each year and add any renovations or alterations that might affect the value of your property.

When protecting what most people would consider their most valuable asset, it's important to remember the least expensive policy may not be the best one for your needs.

For tips on reducing your premium, [click here \[ http://understandinsurance.com.au/premiums-explained#tab-2 \]](http://understandinsurance.com.au/premiums-explained#tab-2).