



<http://understandinsurance.com.au/understand-your-insurance-policy>

## Understand your insurance policy

An insurance policy is a legally binding contract between the insurer and the policyholder.

The contract sets out the terms and conditions under which you agree to pay a premium to the insurance company, and the terms and conditions under which the insurance company agrees to compensate you for loss after an unforeseen event.

### Making sure you disclose accurately

Insurers will usually help you put together an accurate assessment of the property or risk that you are insuring.

Many insurers use online questionnaires, calculators and experienced customer service representatives to help you to fill in your details accurately.

You will always know more about your property and circumstances than the insurer, and you are obliged to make sure you disclose all of the relevant details accurately.

However, you don't need to disclose something:

- That reduces the amount of risk to the insurance company
- Is common knowledge
- Your insurer already knows
- You don't know
- Anything the insurer tells you it doesn't need to know or is not relevant

If you are insuring your home, your insurer may ask how old the property is, whether it has been well maintained, and the construction materials (such as roofing) used.

It's important that you answer all questions as accurately as you can because the insurer will calculate the risks to your property based on your answers.

Honesty is always the best policy. If you have not answered questions truthfully and accurately disclosed all of the information about your property when you buy, update or renew a policy, the insurer may not be legally obliged to pay out some or all of your claim if something does go wrong.

### Terms and conditions

All insurance policies include terms and conditions that describe the ways in which the policy will operate and specify what is included and what is not, what the insurance company promises to do and what the policyholder promises to do.

Terms and conditions are fundamental components of the insurance contract.

If you do not comply with the terms and conditions of the policy, you may be in breach of the contract with the insurer. This may mean that the insurer is not obliged to fulfil its promise and pay out some or all of your claim.

## Product Disclosure Statements

Australian law requires insurers to include all the terms and conditions of the insurance product in a document, known as the Product Disclosure Statement (PDS).

A PDS is an important legal document that usually forms part of your insurance contract. It is written in plain English and gives a full description of all of the terms and restrictions of the insurance policy. It includes a description of the features, benefits, cost and risks associated with the policy.

The PDS will help you understand the insurance policy and provide you with sufficient information about the terms and conditions, policy benefits and exclusions that will allow you to compare different insurance policies you may be considering and make an informed decision about whether the policy meets your needs.

Information provided in a PDS does not take into account your individual needs or financial situation. You should consider whether a policy offers cover that is right for you before making a decision.

Insurance industry PDSs may run to dozens of pages. However, reading the PDS will help you compare and make an informed choice about the policy. The PDS should also provide you with all the information that tells you how your insurer will respond if you incur a loss covered by the policy and need to make a claim.

If you don't fully understand the PDS you should phone your insurance company and ask for more information. You must be satisfied the policy is what you need before you purchase it.

## **Policy certificate or policy schedule**

When you have supplied the insurer with all of the required information, received the Product Disclosure Statement (PDS) and paid your premium, you will be issued with a document that confirms you are the holder of a particular insurance policy.

The Certificate of Insurance is a formal document that specifically lists information about you, what you have insured, the sum you have insured it for, how much the premium is and when it is due, and any other options you have agreed to when signing up for the policy.

The Certificate of Insurance must also list any other fees or expenses charged, such as taxes or commissions. Additional options might include an agreement to pay an excess, which means insurance cover is only provided once the policyholder has paid the first portion of the total sum of the loss or damage. The policy certificate will also list the expiry date of your insurance policy.

When you receive your Certificate of Insurance you should read it carefully to make sure it matches what you purchased.

You need to tell your insurer immediately if any details on your Certificate of Insurance are no longer accurate.

If you don't fully understand the PDS you should phone your insurance company and ask for more information. You must be satisfied the policy is what you need before you purchase it.

## **Key Facts Sheet**

Australian law requires insurers to provide consumers purchasing home building and contents insurance with a one-page Key Facts Sheet (KFS). The KFS, which summarises the events (such as flood, storm, fire and explosion) that a policy covers and doesn't cover, can be used as a quick reference document. However, you should still refer to the Product Disclosure Statement (PDS), which sets out the full terms and conditions of a policy.