

## CHANGES TO DWELLING INSURANCE

The Canterbury earthquakes have had a major impact on all property owners affected by the earthquakes. Major changes to dwelling insurance cover will take place over the remainder of this year. This is as a result of overseas re-insurers demanding that NZ insurance companies cease to provide replacement insurance for homes.

On the annual renewal of insurance policies this year the new term will provide for a sum insured instead of replacement cover. The sum insured is to be nominated by the property owner and there is assistance for calculating the sum insured on-line. However calculating the “sum insured” is not a simple task and advice may be obtained from a registered valuer. The sum insured is the maximum amount the insurance company will payout so each property owner should include not only the cost of a new house but also, costs of demolition of the former dwelling, paths driveway fences etc. If the sum insured is too low and a disaster occurs a property owner could find themselves under insured.

On the other hand if a house is replaced for less than the sum insured, the insurance company will only pay out the actual cost.

One insurance company sets out its options:-

- (1) It may pay up to the rebuild cost or the sum insured whichever is lesser.
- (2) Repair or replace the damaged portion of the dwelling up to the repair or replacement cost whichever is less.

It is not difficult to conclude that insurance companies will not pay a cent more than they are obliged to. There is a hefty onus on property owners to put a realistic sum insured on their policy at the time of renewal.

While it is always possible to challenge insurance companies’ decisions the cost and stress involved would be huge. So it is vital to get insurance cover which adequately covers the property owner’s needs, and a realistic “sum insured” is vital.

This article has been prepared by Bessie Paterson, a Partner with Ronald Angland & Son, Solicitors, who may be contacted on Tel: 03 349-4708 or e-mail [bessie@anglands.co.nz](mailto:bessie@anglands.co.nz)

