



# Sum Insured

The sum insured is the maximum amount an insurance company will pay to rebuild your home in the event of a claim.

## How does this change my insurance cover?

Until now, most New Zealand house insurance policies covered your home for the cost of full replacement. That is, an insurer would pay to rebuild your home without any upper limit. These policies used the size of your home in square metres as the basis for the cover.

The change to a “sum insured” policy means you will still be covered for the costs of rebuilding your home, but there will be a maximum amount payable, called the “sum insured”. Your insurance company will only pay the costs up to the sum insured. If it costs more than the sum insured to rebuild your home, you will have to make up the shortfall.

## What does this mean for me?

The sum insured is the maximum amount your insurance company will pay in the event that your home is totally destroyed or badly damaged. There is no guarantee that the sum insured will be sufficient to cover the costs of rebuilding your home.

The sum insured is not the price you paid for your home, or the rates valuation. The price you paid also includes the value of land and reflects the market value of your home, rather than the replacement cost. The market value of your home will not equate with what it costs to rebuild it.

## What does the Sum Insured cover?

Typically, house insurance will cover the costs of rebuilding your home and other features or buildings that make up your home. Features can include driveways, fences and swimming pools (see below for examples).

Insurance policies usually also cover additional costs associated with the rebuild, such as professional fees and demolition costs (see below for examples).

Your insurance policy will give details of what will and will not be included in your sum insured. It is important to read your policy carefully to understand what it covers. Please ask your insurer to explain your policy to you if you are unsure.

## What to do

- ① Read your renewal notice and insurance policy carefully.
- ② Check the m<sup>2</sup> of your home and any other buildings on your property.
- ③ Identify any additional features or special finishes or fittings.
- ④ Identify any additional costs covered by the policy.
- ⑤ Determine your sum insured, ensuring it includes the cost of any additional features and additional costs.
- ⑥ Discuss the sum insured with your insurer/broker.

## How do I work out my sum insured?

If you already have insurance, it is likely that the default sum insured on your renewal notice will be based on the square metres of your home. It is important that this measurement is correct. Do not rely on the sales brochures from the purchase of your home or your rateable value to determine its square metres. Either measure it yourself, or get someone to assist you with this.

To help you select the correct sum insured for your home, a free online calculation tool is available on most insurers' websites. These calculations estimate how much it would cost to rebuild the average house, using the information you provide. The questions asked are an indication of what features, finishes and fixtures are used to provide the estimate of your sum insured. Special finishes or fittings you have in your home are unlikely to be considered by this tool. They could include: feature staircases, marble kitchen worktops, high studs, or any special requirements in terms of foundations or structural elements required to build on your property.

You may wish to obtain a more accurate opinion from a builder, quantity surveyor or other suitable professional, for the rebuild costs of your home.

Remember to check that the valuation you use includes any additional features and additional costs.

### Additional features can include:

- Fences
- Driveways
- Paths
- Sheds
- Garages
- Swimming/ spa pools
- Tennis courts
- Sleepouts/ granny flats
- Retaining walls
- Summer houses/ gazebos
- Washing lines
- Tree/ playhouses

### Additional costs can include:

- Demolition and removal of debris costs
- Professional fees
- Costs of obtaining council, resource or planning consents
- Special foundations or structural elements required by your house site
- Costs of meeting current building standards