



November 2016

Homeowners should check they have adequate insurance

Changes to health and safety regulations mean many homeowners may be underinsured, says NZIBS president, Trevor Jones.

"My advice to every property owner is to get your sum insured checked. You may find it's no longer enough because of the extra compliance costs that are now factored into all building work because of the changes to the health and safety legislation from April 2016."

Trevor acknowledges most property owners are now familiar with the concept of property insurance policies being based on a specified sum insured instead of the previous system of replacement value.

He says, as a result of the change, many property owners had their properties professionally valued, often using a Registered Building Surveyor, to ensure their sum insured reflected all the costs they might incur if the property was a total loss.

But the new health and safety legislation has added complexity and cost to any rebuild or remediation work, and it is very unlikely those costs will be adequately reflected in property owners' sums insured.

"The Health and Safety at Work Act 2015 has focussed attention on hazards which need to be taken into consideration and unless a person has taken the effects of that legislation into account they could be underinsured," Trevor says.

"Even if the property was professionally costed for insurance loss purposes when the insurance companies changed to a sum insured basis, it would pay to have the property re-assessed now."

He says another good reason for re-inspecting a property for insurance purposes is the fact that inflation costs in the construction sector have increased much more sharply than in other areas of the economy.

"Inflation is generally low across the board, but the construction sector is the exception. Costs in that sector have risen out of kilter with general cost increases, even over the last two years, and that will impact repair and rebuild expenses.

"So that issue also needs to be factored into the insurance policy sum insured or, again, the end result will be that property owners may be underinsured."

Trevor's advice applies particularly to older properties where repair work – even demolition - can be complicated by a range of factors, including hazardous substances.

"Don't cut corners with the insurance value of your most important asset. Get a professional in to give you a proper assessment. Using a member of the Institute is a good place to start," he says.

