

Avoiding underinsurance in your home

Underinsurance is when the value you have insured your property for is not enough to cover the full value of the items you are insuring



Top tips to minimise the risk of underinsurance

- Make sure you read and understand your Product Disclosure Statement (PDS) and policy documents
- Identify the types of risks you are exposed to, the likelihood of these risks occurring and their potential impact. Councils and emergency management authorities can help you identify risk in your area and outline local plans and recommendations for each risk
- Building costs and standards change. The costs of building increase every year, and complying with new building standards may add to rebuilding costs if your home is damaged or destroyed
- Find out the cost of rebuilding your property by asking a builder or a valuer. Best practice suggests a property is underinsured if an insurance policy covers 90 per cent or less of the rebuilding costs
- Consider other expenses such as demolition, debris removal and architectural, engineering and council costs. Does your policy include these?
- Use our home and contents calculators as general guides to work out how much cover you may need. You can access them at understandinsurance.com.au/calculators
- Carry out a room-by-room inventory of the items in your home. Our Household Inventory Checklist, available at understandinsurance.com.au/calculators, can help. How much would it cost to replace your belongings with new items? Compare the total amounts with your sum insured to see if you come up short. The Household Inventory Checklist may also help if you need to make a claim
- Consider listing expensive items separately on your contents policy. Most policies have limits on individual items
- Update your cover regularly. Review the sum insured in your home and contents policies when you renew them to make sure you do not become underinsured
- After renovating or upgrading households items, consider whether you still have enough insurance cover to account for the improvements

If you're underinsured you might experience significant financial loss when making a claim because the amount you need to replace what you have lost will exceed the amount your insurer can pay out

Need help avoiding underinsurance?

Visit www.understandinsurance.com.au/do-you-have-enough-insurance for more handy tips on minimising the risk of underinsurance

To find an insurer that offers home and contents insurance, visit www.findaninsurer.com.au