

PROTECT YOUR HOME WITH CONFIDENCE

A Guide to Home Insurance

What is Home Insurance?

Think of home insurance as a backup plan for your home. When bad things happen like a fire, theft or storm, it helps cover the cost of repairs or replacements. It also covers you if someone gets hurt on your property and decides to sue you. You make regular payments, and the insurance company supports you during tough times when it comes to your home.

Calculate the cost of rebuilding your house

Imagine you have to rebuild your house from scratch. Most insurers have calculators on their websites to help you calculate the rebuild cost you need for your insurance coverage. This helps you avoid being underinsured.

Check the exclusions

Before signing up for home insurance, take a close look at the exclusions. These are situations the insurance won't cover you for. For example, if you use your home to run a business, or rent out part or all of your home, home insurance might not cover you. Being aware of these helps you to understand exactly what protection you're getting.

Comparing and renewing your policy

When it's time to renew your home insurance, don't just stick with the same plan – look around and compare other options to find the best deal.

- ★ Understanding what events and types of damage are covered by insurance can help you get the right cover for your home. Knowing if you live in a disaster-prone area can give you a better understanding of your risk. This helps you choose coverage for the events that are most likely to happen to your home.
- ★ If you choose a higher excess, your monthly premium will be lower.
- ★ If you choose a lower excess, your monthly premium will be higher.

Words you may come across

- ★ **Product disclosure statement (PDS):** A document provided by your insurer to explain what the insurance covers, what it doesn't cover, and any special conditions you need to know about. It is best to read this on a laptop or computer screen rather than on a phone, or you can ask your insurer to post it to you.
- ★ **Excess:** The amount of the insurance claim that you must pay. This amount is on your insurance policy. Usually, a higher excess will mean you pay a lower premium.
- ★ **Premium:** The amount of money you pay to an insurance provider for coverage.
- ★ **Exclusions:** What is not covered by your insurance.
- ★ **Repair:** Fixing something that's already there so that it works.
- ★ **Replacing:** Getting rid of the old thing and replacing it with a new one.
- ★ **Underinsured:** When you don't have enough insurance to cover the replacement value of what you own.
- ★ **Policy:** The agreement between yourself and insurance providers.
- ★ **Sum-insured cover:** An estimate of how much it would cost to rebuild your home if it was totally destroyed.
- ★ **Total replacement cover:** What it would cost to repair or rebuild your home to the same standard.

Smart Tip: Understanding what events and damage are covered by insurance can help you get the right cover for your home. For more information on storm, flood and fire insurance, visit moneysmart.gov.au/home-insurance/storm-flood-and-fire-insurance

With home insurance

Meet John

Scenario: A pipe has burst in John's kitchen, flooding the floors and damaging the cabinets and appliances. Luckily, John has home insurance to protect it in case something like this happens.



1. John quickly turns the water off and calls his insurance company.
2. The insurance company arranges for a contractor to visit John's home to fix the burst pipe and assess the water damage.
3. John makes a claim with the insurance company to cover the costs.
4. The insurance company assesses John's claim and see he is covered for majority of the costs.
5. John can now pay the contractor to complete the repairs.

This experience taught John the importance of reliable home insurance that covers unexpected events like burst pipes. Having the protection allowed John to restore his kitchen without causing great financial strain.

Without home insurance

Meet James

Scenario: A pipe has burst in James's kitchen, flooding the floors and damaging the cabinets and appliances. Unfortunately, James doesn't have home insurance to protect it in case something like this happens.



1. James quickly turns the water off and assesses the damage. James is very overwhelmed and unsure how he is going to fix this.
2. James hires a plumber and contractor to assess the damage. The plumber has estimated that the repair costs will be around **\$8000** for the water damage.
3. Without home insurance to cover the cost, James has had to use his emergency savings to help cover the cost of repairing this, causing financial strain.
4. James eventually hires the contractor to make repairs which are completed in a few weeks.

This experience taught James the value of reliable home insurance and in providing financial protection and peace of mind for unexpected events like a burst pipe.

For more information on Home Insurance, visit moneysmart.gov.au/home-insurance

The information in this Fact Sheet is intended to provide general information and guidance and you should obtain your own professional advice before following any of the information provided.