



*under*

# INSURANCE

*explained*

## HOME & CONTENTS

### *What is underinsurance?*

If your property is underinsured your insurer won't be able to rebuild or replace your home and contents completely if you have a claim - leaving you to bear the difference in cost. This can cause you a major financial headache at a very distressing time.

### *How can you avoid underinsurance?*

An insurance valuation provided by a professional Valuer is the safest way to avoid being underinsured.

Online Home and Contents calculators may not take into account any recent renovations and extensions, in particular the addition of solar panels or shed - check the details carefully.

Many Insurers will automatically 'index' your sum insured annually in line with current building costs and CPI in the form of a small % increase in sums insured values at renewal time.

While this can protect you to some degree and ensure you don't get caught out in the future, it is important to understand that you needed to have started with the correct replacement value from the get-go.

It is also important to update and revise your sum insured when you purchase any:

- big-ticket contents items,
- plan to do any extensions or
- updating of the property.



An insurance replacement valuation will take into account the extra costs associated with:

- removal of debris,
- site location challenges,
- professional fees,
- the latest building code requirements,
- GST and and government taxes or levies,
- inflation and so on.

However, if you do your homework, there are any number of websites that can provide you with an estimated insurance replacement cost for your home and contents.

Bear in mind though, these types of calculators are not an exact science and a little wiggle room or buffer is always recommended and prudent.

Not doing this might see you underinsured at claim time.

In addition, you should avoid reverting your sum insured to reduce your premium. This has been cited as the #1 reason people find themselves underinsured..

### *Market value vs replacement cost?*

Homeowners sometimes confuse the real estate market value and replacement cost of their property believing that the real estate value for their house is enough.

The market value of your property is a real-estate value... it's the price you paid for your home or you might achieve if you were to sell your home.



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Whereas the insurance replacement cost is dollar amount it will take to rebuild your house to the same size and quality of construction, at today's costs and building codes.

To avoid underinsurance the sum insured of your property should be the full replacement cost, not the current real estate market value. It is not unusual for an insurance replacement cost to exceed the real estate market value.



*Getting a home insurance quote*

Getting a quote is quick and easy. Visit our website, [www.reefib.com.au](http://www.reefib.com.au) and navigate to the Personal Insurance page to complete a quick online quote request or call us for a chat on 0473 007 606. Typically, we only need a few details about you and your property to provide a quote.

This information is general in nature and should not be considered as personal advice, for a more tailored discussion about your circumstances please call us for a chat. ABN: 48 646 410 335 | Corp AR of UIG # 1285127

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