

# Protecting your possessions:

## what you need to know

Without a safety net in place, the unexpected loss of or damage to your property and valuables can affect your security and wellbeing. Protecting your possessions with general insurance can provide you with peace of mind during the good times and much needed support if unforeseen events occur.

### What is general insurance?

General insurance typically describes an insurance plan that pays a benefit to a policyholder for loss or damage as a result of a specified 'insurable event'. For example, a home contents insurance policy can cover such events as fire, theft, storm or accidental damage. In return for the cover, the policyholder pays a premium to an insurance company.

The most common types of domestic general insurance are:

- building insurance for a home or investment property
- home or investment home contents insurance
- motor vehicle insurance
- health insurance
- travel insurance.

### What affects premiums?

The level of premium charged by an insurance company depends on a variety of factors which can include:

- the risk (or likelihood) of a particular event occurring
- the amount of benefit payable
- the optional features that you select, such as personal valuables cover
- your claims experience on that class of insurance
- the type and value of the property being insured.

### Lowering costs with an excess

Some policies give you the option to lower your premium by agreeing to pay a higher 'excess'. The excess is a set dollar amount you (as the policyholder) agree to cover before making a claim, which effectively lowers the total potential claims payout for the insurance company.

This lower liability, in turn, allows the insurance company to reduce the premium cost. Generally, the higher the amount of excess you agree to pay, the lower your premium.

### Indemnity and replacement value policies

When taking out a general insurance policy it is important to know the difference between an 'indemnity' policy and a 'replacement value' policy.

#### Indemnity policy

An indemnity policy takes into account the fact that many items, such as cars and computers, lose value over time. When you make a claim on an indemnity policy, you'll generally be paid the depreciated value of the insured item, which can be lower than the replacement cost and the amount you originally insured it for.

#### Replacement value policy

A replacement value policy, often referred to as a 'new for old' policy, pays you an amount sufficient to replace the item with a new item of the same kind. Understandably, the premium for a replacement value policy may be more than for an indemnity policy.

### Your duty of disclosure

An insurance policy is a legal contract between you (as the policy owner) and an insurance company (as the policy issuer). It includes a 'duty of disclosure', which is your legal obligation to provide the insurer with the information it needs to accurately assess the risk and write the policy.

If you fail to meet your duty of disclosure (wilfully or otherwise) the insurance company can reject your claim even after the insured event takes place.

## Over-insurance and under-insurance

As well as meeting the duty of disclosure it is important you accurately value any insured items. Insuring an item for more than or less than its real worth can leave you financially disadvantaged when you make a claim.

In the case of over-insurance, the insurance company will likely pay no more than the replacement value. Under-insurance may potentially be more costly because an insurance company has the legal right to reduce the amount of a claim on an underinsured property or item.

Despite the potential downside under-insurance is a common problem in Australia. People may be seeking to keep premiums as low as possible or simply don't give enough thought to an item's real value.

## Things to consider when reviewing your insurance

Knowing you have an adequate level of protection can give you peace of mind today and help avoid future financial stress should the worst happen.

**Home contents and possessions.** It is easy to overlook how your household possessions can accumulate over time so it helps to:

- walk through each room and note any new possessions
- keep a detailed list on file that you can review each year
- make use of your insurance company's online calculator.

**Building and property.** Building costs can change markedly from year to year and even region to region in response to market forces and new building codes.

When assessing a property's value:

- make sure you allow for any recent renovations or home improvements
- get an estimate from a professional builder, tradesperson or architect
- ask your insurer about the average 'sum insured' for properties in your area.

**Understand your policy.** Because your circumstances and needs can change over time, a previously suitable policy may now be inadequate. When reviewing your policy you should consider:

- whether you want an indemnity or replacement ('new for old') policy
- the option to automatically increase the premium to cover for inflation
- if any exclusions on high-value items could adversely affect you.

## Speak to us for more information

If you want to know more about insuring your valued possessions, talk to your Financial Wisdom adviser. They can give you more detailed information on what is best for your situation.

### Important Information

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