



Insurance

Overview of general insurance

Aon Hewitt Financial Education Series

Home and Contents Insurance

Insurance covers your home from damage. You can also structure this type of insurance to protect the contents within and around your home. Considerable discounts may be gained by combining home and contents cover in this way.

It's essential that your home and contents are comprehensively insured for their replacement value. If you are under-insured you will only receive the relevant portion of any insurance payments.

Whilst most of us have our home and contents insured, the adequacy of the sums insured, as well as the suitability of the type of cover, needs to be assessed. A major capital loss of property could be a financial disaster.

Generally, you should insure for full replacement value on a 'new-for-old' basis. Obviously cost is a factor in determining the type and extent of cover, but you should always understand and consider the cost of not being adequately insured.

Of course it's only when a claim is made that this cost becomes apparent. Experience shows that many of us are under-insured. Most insurance companies will provide an insurance checklist to assist you in completing a full inventory of home contents. A guide to current building costs is another useful tool offered by some insurance companies to help you work out an adequate insurance value for your home.

Implications of being under-insured

If you insure your home for an amount that is less than the real value, the insurance company may invoke a 'co-insurance' clause where you are liable to cover part of the costs. The amount payable to you by the insurance company will reflect the level of under-insurance. A co-insurance clause is usually invoked when the level of under-insurance is greater than 20% of the value of the insured item. It's therefore essential that you keep your policy up-to-date and insure your assets for their true market value.

Under-insurance occurs when the level of cover is less than the replacement value of the insured object (building, contents etc). In the event of a partial loss, the insurance payout is adjusted downwards to reflect the lack of adequate cover.

Issues to consider

- Choose your excess carefully. A low excess will mean you have less to pay if you need to claim, but it will increase your premium.
- Confirm whether there are discounts available for combining home insurance with other insurance products.

- Home security measures such as alarms, dead locks and window locks may reduce your premium. Not having some of these may also prevent insurance being granted in certain areas.
- There will generally be different cover levels - consider which best suits your needs.
- When you get your annual renewal notice, always shop around to ensure that you are paying a fair price for the cover you are receiving.

Domestic Workers Cover

It's important to protect yourselves with appropriate Domestic Workers Cover as more of us are living very busy lives and are engaging the services of contractors such as a gardener or housekeeper.

Domestic Workers Cover provides you with protection in the event of an accident by anyone you may engage to do work for you and any potential claim.

Motor Vehicle Insurance

Cars are involved in accidents or stolen on a daily basis. You can minimise the impact of such events by putting in place motor vehicle insurance. Motor vehicle insurance is generally offered at a number of different levels of cover. These include: comprehensive, third party property damage, fire and theft.

Comprehensive cover is preferred, as this insures you for a wide range of events or occurrences. Third party insurance only insures you for damage caused to someone else's car or property.

Points to consider

- Consider your choice of cover carefully.
- Confirm whether there are any other drivers that should be nominated so that they are insured under the policy.
- Be sure to accurately include all information relating to the insurance policy, including details such as any vehicle modifications, where the vehicle will be parked, your previous insurance claims history and so on. Let the insurer know if any of these change.
- When you get your annual renewal notice, always shop around to ensure that you are paying a fair price for the cover you are receiving.

Our advice to you

Whilst we are not licensed to provide you with specific recommendations on these important areas of your protection, we believe you should review these types of covers on a regular basis to ensure they remain appropriate.

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This document, including all tax and super calculations, has been prepared using legislation in place as at the 1 July 2018.