

Saving on insurance hits home

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BAY locals are shaving hundreds of dollars off their home insurance premiums by calculating the cost of rebuilding themselves, but experts warn they could be undervaluing their properties and placing their biggest asset at risk.

Insurance industry changes introduced last year mean home owners are now required to specify a "sum insured" for their home, a total amount the insurance company will pay out to rebuild if the house is destroyed.

The change means more responsibility on home owners to make sure they are properly covered, with insurers no longer willing to pay out past the sum insured cap.

To be fully covered, home owners have to factor in construction and material costs, planning and consent fees and also the cost of demolishing their old home in the event of major damage.

Insurance brokers told the *Bay of Plenty Times Weekend* overall there had been increases in the amount people pay for their insurance under the new scheme, however, some people in lower-priced homes had managed to save on their premiums.

"Overall, yes there has been an increase in premiums since the change," O'Connor Warren Insurance Broker's director Eamon O'Connor said. "Those in expensive homes have been hit hard in some cases because the changes are about the quality of material rather than the size of the house now. However, for people in lower quality homes, the majority have only seen a small increase and some are paying much less than they were. Their homes cost less to replace so their policy is lower and their premiums come down."

Papamoa resident Barbara Allen has saved \$623 off her annual home insurance bill since the change by using an online calculator available through ANZ, which takes into account the materials used to build her home and

What should you include in your calculations?

■ Home, garage, outbuildings, garden shed, decks, retaining walls, driveways and paths, swimming and spa pools, architects' fees, demolition and removal of debris, and inflation.

— O'Connor Warren
Insurance Brokers

the ground it is built on to come up with a total.

Gate Pa local Steve Howell told the *Bay of Plenty Times Weekend* he had also managed to save money by doing his own calculations.

"I cut my bill down by \$470 a year, which is not something to sniff at," he said. "I worked out that it would cost me about \$1200 per square metre to replace."

Bay property valuers, who have been riding a wave of demand created by the changes, are warning people to be cautious about decreases. They say people are likely undervaluing their homes and suggest hiring an expert to reduce the risk of being under-insured.

Jason Coulson, a director at Tauranga-based property valuation specialist Hills Haden, said he would be "very suspicious" about insurance bills decreasing.

"There is a lot to take into account; if your home is on a sloping section, if you have extras such as a swimming pool or tennis court or if your home is a superior home or architecturally designed. Those online calculators are quite a broad brush and people need to be aware they may be missing things out."

Gordon Edginton, a director at Prendos, a property consulting firm based in Tauranga, said a base figure of \$2000 per square metre was safe to start from. "Those calculators are only as good as the data going into them and, if you put in the wrong info, then you will get the wrong answer."