

Total Building Replacement Cover



CommInsure





Underinsurance on building and contents insurance is a serious problem in Australia, with many people not realising they don't have adequate protection until they experience a significant loss.

In August 2006, Commlnsure completed an underinsurance analysis of policies under which claims had been made for building losses above the sum insured. The analysis showed how many policies had insufficient cover to fully rebuild. On average, Commlnsure customers were underinsured by 24%.

The financial impact for individual consumers of being underinsured can be severe, as shown by the aftermath of the 2003 Canberra bushfires. Many of those who lost their homes were unable to rebuild due to inadequate insurance cover¹.

The value of replacing a building can also change drastically over time and leave customers exposed if they don't keep their sum insured up to date. Building costs can change, and this is particularly the case where a number of homes are destroyed at the same time as a result of disasters such as a cyclone, bushfires or major storms.

Widespread losses can drive an increased demand for building supplies, which means the cost of providing and purchasing those supplies inevitably increases as well. This makes it even more difficult to determine what the correct sum insured should be.

At Commlnsure, we encourage our customers to regularly assess their policies to make sure they're covered for the right replacement amount. To assist in this process, we provide online calculators through our web site **comminsure.com.au**. A building insurance calculator is also available in our Home and Motor Insurance brochure available at any Commonwealth Bank branch.

Customers also have an obligation under the terms and conditions of their policy to try, as close as they can, to estimate the right sum insured amount. However, we do understand that this process can be a difficult task. The various means provided to try and determine a sum insured level can be time consuming and confusing. Plus, you may need to know what the size of your building is in square metres and what it's made out of; and then take into account the ever increasing cost of building materials.

What happens if you get it wrong?

Rebuilding after an event can be traumatic and stressful. If this situation were to occur, you assume your insurance would cover everything. You never think about whether you would be out of pocket for the difference between your building sum insured and the actual replacement cost. But if this did happen, how would you find the extra funds to rebuild?

Most home insurance policies limit your building claim to your documented sum insured. With CommInsure's Total Building Replacement Cover you'll have insurance protection for the actual cost to rebuild, for the building's full value, which means you won't be left out of pocket or required to pay the difference. When CommInsure's Total Building Replacement Cover applies on our Residential and Investment Home Packages, you won't have to worry about being underinsured. It covers most customers in the event of a loss for the replacement value of their building, no matter what they have nominated as the sum insured². It applies to the building component of CommInsure's Residential and Investment Home Packages. It does not cover contents insurance.

Total Building Replacement Cover is automatically included in your building cover. You do not have to do anything to receive it, but you will have the reassurance of knowing that if your building sum insured is a bit off the mark and below what it would cost to rebuild, CommInsure will not leave you out of pocket.

How does it work?

For example, assume the building sum insured on your Home Insurance is \$250,000 and the building is destroyed by fire. Your insurer considers the destruction to be a total loss and you will need to rebuild from scratch. Your insurer processes and finalises your claim and pays you \$250,000 to rebuild for the full value of the building.

However, following meetings and discussions with your builder, you realise that the rebuilding cost is going to be \$300,000 and this is just to get you back into the position you were in before the fire.

Where are you going to find the additional \$50,000?

When you have Total Building Replacement Cover on a CommInsure Home Insurance Policy, we will pay the additional \$50,000 so you will not be out of pocket. CommInsure will pay the full replacement cost of the building².

To obtain a quote on CommInsure Residential or Investment Home Packages, or for more information on Total Building Replacement Cover, please call **13 24 23**, visit your nearest Commonwealth Bank branch or visit comminsure.com.au.

1 Getting home insurance right – a report on home building underinsurance, ASIC, September 2005.

2 Limitations and exclusions apply. Please refer to the CommInsure Home Insurance Product Disclosure Statement (PDS) for full terms and conditions.

Important information

Full conditions for Total Building Replacement Cover are outlined in the CommInsure Home Insurance Product Disclosure Statement (PDS). Total Building Replacement Cover is currently not available to those customers whose claims settlement would be on the basis of indemnity cover as shown on the policy schedule. As this advice has been prepared without considering your objectives, financial situation or needs, you should, before acting on this advice, consider its appropriateness to your circumstances. The PDS for this product is available from any branch of the Commonwealth Bank. It can also be downloaded at comminsure.com.au and should be considered before deciding to purchase this product. The example in this brochure is for illustrative purposes only. This information is provided by CommInsure, a registered business name of Commonwealth Insurance Limited ABN 96 067 524 216 AFSL 235030 (CIL), which is a wholly owned but non-guaranteed subsidiary of the Commonwealth Bank of Australia ABN 48 123 123 124 and is the insurer for Residential and Investment Home Packages. You pay us premiums or fees for the products that we provide to you. Employees of CommInsure, who provide a service, do not receive specific payments or commissions for the giving of that service but do receive salaries. Bonuses and other benefits may also be paid to employees. Where a licensee in the Commonwealth Bank Group sells a CommInsure Home Insurance product, commission of up to 10% of the annual premium paid in the first year may be paid by CommInsure to that licensee.

