

Insuring Your Investment

Purchasing a home is an exciting and potentially rewarding experience. It will no doubt be one of the largest financial commitments you will make, so it makes sense to ensure it is adequately insured. In fact, if you are taking out a loan to assist with the purchase, then the lender will insist that you maintain adequate insurance on the home at ALL times. Your Accredited Mortgage Consultant will cover the information contained in this guide in greater detail during your interview but should you have any questions please feel free to contact them at any time. You may also wish to keep this guide as a handy reference.

What types of insurance are available?

There are two basic types of insurance available - building and contents insurance. Building insurance protects the physical structure of the home against defined events such as fire, storm etc. (defined events will be outlined in your policy wording and can vary from one policy to another). Contents insurance protects your possessions inside the home such as your TV, video, clothing, etc. Some policies will also cover your items when outside and away from the home but again this can vary between policies and insurers.

Of course, there are other types of insurance available. These days virtually anything is insurable for a price, it just depends how much you value the item, the risk of damage or loss, and how much you're prepared to pay as a premium.

What type of insurance do I need?

Your lender will require you to take out building insurance as a condition of the loan. You are also expected to maintain this cover at all times whilst you have a loan over the property. You will also need to advise the insurer that the lender has an interest in the home and the lender is to be noted on the policy as an interested party.

When do I need insurance?

In South Australia, you become responsible for the insurance risk on the property at the fall of the hammer if purchased at auction, and if purchased by private treaty, at the conclusion of any statutory cooling off period.

How do I calculate how much to insure for?

The table in the next column can be used as a guide to assist in working out how much you should insure for. In calculating a figure remember you still have the land, however you may have a smouldering pile of rubble that needs to be demolished and removed and then you must rebuild a home of equivalent specification and size.

Just remember the table is a general guide only. If you are purchasing a unique property, one with difficult access or one that has a high standard of finish, you may need to increase the allowance.

Firstly, work out the size of your home and garage in square metres.

FOR EXAMPLE	140 sqm - 2 bedroom
	195 sqm - 3 bedroom
	270 sqm - 4 bedroom

N.B. Your house may differ in size significantly from these average values.

Then, estimate the rebuilding cost per square metre according to the construction materials used found in the table below:

WALLS	SA	QLD	ACT	NT
Brick	\$1255	\$1775	\$1430	\$1505
B/Veneer	\$1235	\$1670	\$1405	\$1655
Fibro	\$1125	\$1490	\$1310	\$1360

WALLS	TAS	VIC	WA	NSW
Brick	\$1520	\$1765	\$1600	\$1735
B/Veneer	\$1450	\$1665	\$1545	\$1685
Fibro	\$1355	\$1535	\$1445	\$1545

N.B. These costs were obtained from a leading authority in the construction industry and are an indication of estimated construction costs per capital city as at 31 March 2007.

Your home's replacement cost may differ significantly from these approximate values.

Lastly, multiply the total size of the home in square metres by the cost per square metre.

If you require a more accurate value, we recommend you seek the services of a qualified and licenced valuer or quantity surveyor.

Who should I insure with?

That decision is largely up to you as long as the insurance company is reputable.

Your Accredited Mortgage Consultant can help you obtain a competitive quote and arrange adequate cover for protecting both your home and contents with Australian Life Insurance's Home Insurance Plus policy.

Importantly, the service provided by Bernie Lewis Home Loans is at no cost* to you.

* Except some private mortgage lenders, some personal loans and some leasing/hire products for business purchases.