

# Important changes to your cover

Please read this carefully  
to ensure you know  
what you need to do

In recent years there have been several large scale natural disasters around the globe. These catastrophes, including the earthquake and tsunami in Japan, storms in the USA, and earthquakes in Canterbury, have all had a huge impact on the insurance industry. This has driven changes to the way that insurance is provided in New Zealand.

## What you need to know

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### Why have these changes come about?

To ensure we can meet our customers' claims in the event of a catastrophe, we purchase reinsurance cover from the global reinsurance market. Due to the recent earthquakes in Canterbury, reinsurers now see New Zealand as being higher risk and have reviewed their terms and costs for providing cover. As a result, we are changing our products to meet the requirements of our reinsurers and better reflect the risk of providing insurance in New Zealand.

The information provided in this brochure is general information only. It does not constitute a recommendation or opinion as to the Sum Insured figure that is appropriate for your individual circumstances. This information does not constitute personalised financial advice; it does not take into account your particular financial situation or goals. To the extent that any of this information constitutes financial advice, it is class advice only. If you would like advice that takes into account your particular financial situation or goals, please contact a financial adviser. Although every effort has been made to ensure that the information contained in this brochure is accurate, you should not rely on this information to make any financial decision.

This brochure details some important changes to your cover. Some of these changes require action by you so please ensure you read this carefully.

**Need help?** Please contact your broker if you have any queries about these changes.

## All Home cover is now provided on a Sum Insured basis

Historically in New Zealand, most Home policies provided rebuild cover up to the floor area specified in the Policy Schedule.

This has now changed. All our Home policies will now provide cover for the cost to rebuild your home up to a Sum Insured, which brings us into alignment with the rest of the world. This means, in the event of a total loss, we will cover your rebuild costs up to the Sum Insured specified in your Policy Schedule. It is therefore important that you ensure your Sum Insured is adequate to cover all costs associated with rebuilding your home. Please refer to the "Three steps to help you establish your Sum Insured" on the following page.

**If your home is already covered on a Sum Insured basis, we encourage you to check that the Sum Insured on your Policy Schedule is sufficient to cover all costs of rebuilding your home.**

# Three steps

## to help you establish your Sum Insured

### No two houses are alike

You may live in a renovated villa, a modern architecturally-designed home, or a 1960s brick and tile home. Even if they all had the same floor area, the cost of rebuilding them would vary significantly depending on materials, fittings, design factors, the terrain and additions such as garages, sheds, swimming pools or tennis courts.

It's very important that your Sum Insured is sufficient to cover the total cost of rebuilding your home. If it's under insured it could mean that in the event of a total loss, you're not covered for the full cost of rebuilding your home. On the other hand, if the Sum Insured is far greater than the cost of rebuilding, you may be paying a higher premium than necessary.

## Step one

### Understand what your Sum Insured should cover

Your Sum Insured should be sufficient to cover the total cost of rebuilding your home. As well as your home, it needs to include costs to rebuild your driveway, fences, swimming pool, garages and any other structures. It should also include other costs associated with rebuilding such as demolition, debris removal, professional fees and compliance costs.

## Step two

### Establish the rebuild cost of your home

Establishing the appropriate Sum Insured ensures that in the event of a total loss, your policy will provide cover for the full rebuild of your home.

Options on how to establish your Sum Insured include obtaining an estimate of the cost to rebuild your home from a valuer, a quantity surveyor or other suitable qualified professional. An independent online calculation tool, such as that provided by Cordell can also assist in providing an estimate of the rebuild cost of your home.

### The Cordell calculator can assist with establishing a Sum Insured

Cordell provides an independent online calculation tool which takes you through a series of questions about your home. Using your responses, it will calculate an estimate to rebuild your home based on industry average costs. We have procured a licence to allow our customers full use of this tool to assist with establishing a Sum Insured.

You can access this calculator from [lumley.co.nz/suminsured](https://lumley.co.nz/suminsured)

\* Access to the Cordell calculator is provided for your assistance only. While every care is taken by Cordell Information Pty Ltd A.B.N 95.159137274 ('Cordell') to ensure the accuracy of the information provided by the Cordell calculator, no responsibility or liability is accepted by Cordell or any other person (including Lumley), for its accuracy, or reliance upon the information.

## Step three

Contact your broker to adjust your Sum Insured before your Annual Review Date. **If you do not contact your broker, the Sum Insured noted on your Policy Schedule will be applied.**

Please note that changing your Sum Insured may change your premium.

## Default Sum Insured

If your home was previously insured on a square metre basis, you will notice your Home Policy Schedule now shows a default Sum Insured (including GST). The default Sum Insured has been calculated using an average cost to rebuild a standard house in New Zealand (\$2,000 per square metre of living area and \$1,000 per square metre of non-living area) and applying that to the floor area you have previously provided for your home \*\*.

However, no two houses are the same and so the average cost of rebuild may not always be appropriate. This is why it is very important that you establish a Sum Insured that will adequately cover all the costs associated with rebuilding your specific home.

The default Sum Insured we have provided may be too high, or too low depending on a wide range of factors. Please refer to the “Three steps to help you establish your Sum Insured” for advice on how to determine the rebuild costs for the specifications of your home. It is very important that you do this to ensure you are neither under nor over insured.

If you would like to amend your Sum Insured please contact your broker before your Annual Review Date. If you do not contact your broker, the Sum Insured noted on your Policy Schedule will be applied.

\*\* The default Sum Insured calculation is a standard methodology applied to all homes insured with Lumley. It applies an average cost to rebuild a standard house in New Zealand (\$2,000 per square metre of living area and \$1,000 per square metre of non-living area) to the floor area you have previously provided for your home. This is an estimate only and may/will be different from actual costs. Other than using the area of your home, the calculation of the default Sum Insured is in no way personalised for your circumstances or particular home. Lumley does not guarantee the default Sum Insured is sufficient to cover the rebuild of your home. It is your responsibility to determine a Sum Insured figure that is adequate to rebuild your home.

## Home Excesses have increased

To help keep premium increases to a minimum we have increased the standard excess on your Home policy. Please see your Policy Schedule for your new excess.

## A Natural Disaster Special Excess has been introduced

It's important to note that in the event of a natural disaster, there are some elements of your home, such as swimming pools, fences, gates, paths and driveways, that are not covered by the Earthquake Commission. These are only covered by your Home policy.

To better reflect the level of risk with providing cover in the event of a natural disaster, your Home policy now includes a Natural Disaster Special Excess of \$5,000. This new excess will only apply to claims resulting from natural disaster involving property insured under your Home policy which is not covered by the Earthquake Commission.

## Fire Service and Earthquake Commission levies have increased for some customers

Customers with homes less than 100 square metres may notice an increase to the Fire Service and Earthquake Commission levies for their home. This is a result of the conversion process to Sum Insured cover and the calculation we've used to obtain your default Sum Insured.

## All Home and Contents covers are now GST inclusive

To ensure greater clarity in the cover provided by your policy, the Sums Insured for Home and Contents, as shown on your Policy Schedule, now include GST. If your policy was already on a Sum Insured basis, you will notice the respective 15% increase in your Sum Insured. This change has had no impact on your premium.

Please check your Policy Schedule for your Contents Sum Insured and ensure that it provides sufficient cover for your circumstances. Please contact your broker to update any details relating to your cover.

It is very important to read your Policy Wording and Schedule for full information on what is included in your Home and Contents cover.

### Need help?

Your queries may be answered in the following Frequently Asked Questions section. Please contact your broker if you have any further questions or would like to discuss these changes.

# Frequently asked questions

## How do I establish what my Sum Insured should be?

To establish your Sum Insured you can instruct a valuer, quantity surveyor or other suitably qualified professional. An independent online calculation tool, such as that provided by Cordell can assist in establishing an estimate for the cost of rebuilding your home.

You can access this calculator from [www.lumley.co.nz/suminsured](http://www.lumley.co.nz/suminsured)

## What is the Cordell calculator?

The Cordell calculator is an independent tool which asks you questions about your home. Depending on your answers regarding the make up of your home (such as its size, construction, materials, fittings etc) it generates an estimated cost to rebuild your home (including demolition, debris removal, professional fees and compliance costs).

## How do I access an independent home rebuild calculator if I don't have the internet?

Please contact your broker for assistance with accessing the calculator.

## Is the rebuild cost different than the value of my home?

Yes. The value of your home is based on what someone else will pay to own both your land and your home. The rebuild cost is the total cost of completely rebuilding your home to the same standard. The Sum Insured also needs to include the cost to rebuild your driveway, fences, decks, garage, swimming pool and any other structures. It should also include other costs associated with rebuilding such as demolition, debris removal, professional fees and compliance costs.

## Will my home policy provide full replacement cover?

Provided your Sum Insured is sufficient to cover the total cost of rebuilding your home, then in the event of your home being damaged beyond repair your policy

will provide full rebuild cover. We will pay up to a maximum of your Sum Insured for any repairs or rebuild.

## What happens if I don't contact my broker or I am happy with the default Sum Insured?

If you do not contact your broker your Sum Insured will be set to the default Sum Insured amount stated in your Policy Schedule. If you are happy with the default Sum Insured there is no need to change it. It is your responsibility to ensure your Sum Insured is sufficient to cover the total cost of rebuilding your home.

## Will my Sum Insured be adjusted each year?

Yes. Once you have set your Sum Insured amount it will automatically be adjusted at each Annual Review Date. The adjustment amount should allow for increased costs of construction. However we encourage you to review your Sum Insured annually.

## Will you pay me my full Sum Insured in the event of a total loss?

Your policy provides cover for the costs incurred in rebuilding your home, up to the Sum Insured. This means that in the event of a total loss, your Sum Insured is the maximum amount we will pay under your policy towards the costs of rebuilding your home.

## Why are there changes to Excesses?

To minimise the impact on your premium, we have increased your Home Excess. This change, and the introduction of the Natural Disaster Special Excess, better reflects the level of risk of providing cover especially in the event of a natural disaster. Please note that you will only have to pay an excess if you make a claim.