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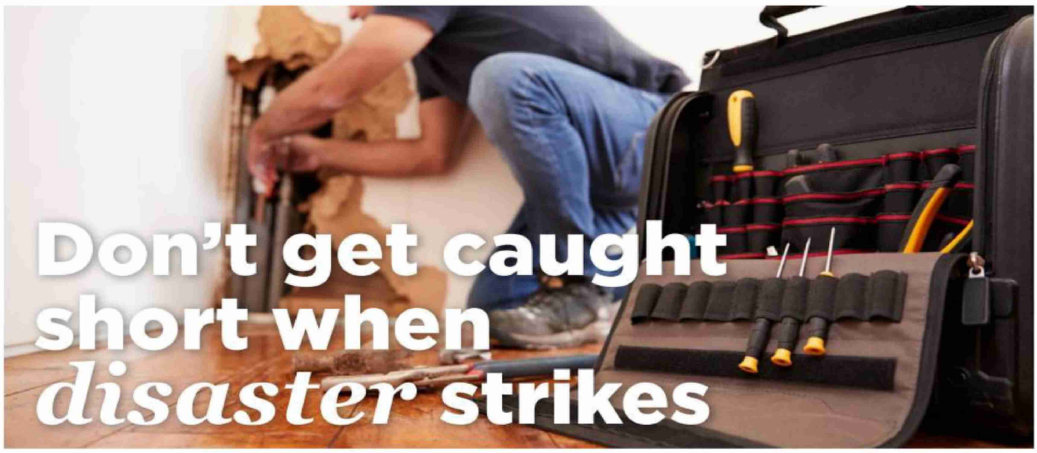

Don't get caught short when *disaster* strikes

The Ombudsman for Short Term Insurance's (OSTI's) latest report reveals the main reasons why building insurance claims often get rejected

WORDS: SUPPLIED
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Stay on top of your home's maintenance. Only use accredited builders and engineers to do any work on your house. And, most of all, make sure you're insured correctly: Don't just rely blindly on the buildings insurance policy that's offered by the bank when you take out a home loan.

These are the key takeaways from the latest OSTI report, which shows the primary source (47%) of buildings insurance (also sometimes referred to as homeowner's insurance) complaints in 2020 was the rejection of claims based on policy exclusions for damage caused by defective design, construction or workmanship, wear and tear, and lack of building maintenance.

The Ombudsman specifically highlighted the issue of buildings insurance policies issued under a home loan. Many homeowners assume that, because the bank has issued the policy, they're automatically covered for anything that goes wrong. Nothing could be further from the truth, warns King Price Insurance's client experience partner Wynand van Vuuren.

"When the bank valuates a house before you purchase it, all they're doing is establishing whether the property is of sufficient value to act as security for the loan. They don't inspect the property for insurance purposes, and the assessment doesn't declare the property free from underlying structural defects, wear and tear, or other maintenance related issues. It's your responsibility to ensure that the building is properly maintained and structurally sound," says Van Vuuren.

So what can a homeowner do to avoid frustration at claim time? Van Vuuren has four top tips.

1. Make sure you're insured for replacement value, not market value

Homeowners are responsible for insuring their home for the correct value. Buildings insurance should cover what it would cost to rebuild your property from the foundations up, including your boundary walls, solar panels, swimming pool, taps and tiles. It should even include what you'd need to pay in the worst case scenario, like demolition charges and waste removal, and the professional and municipal fees that are part of the building process.

If you are under insured, you're going to run into problems when claiming. "If you insure a R1m property for R500,000, you're 50% under insured. This means your insurer will only settle 50% of any claim, even if it's less than the total insured value," says Van Vuuren.

2. Keep your home in good condition

Your buildings insurance only covers you for unforeseen future events. Therefore, any damage that's due to wear and tear, or a lack of maintenance, will be excluded by your insurer. "The onus is on you to maintain your buildings to avoid wear and tear that might later cause or contribute to damage, like worn waterproofing or blocked gutters," says Van Vuuren.

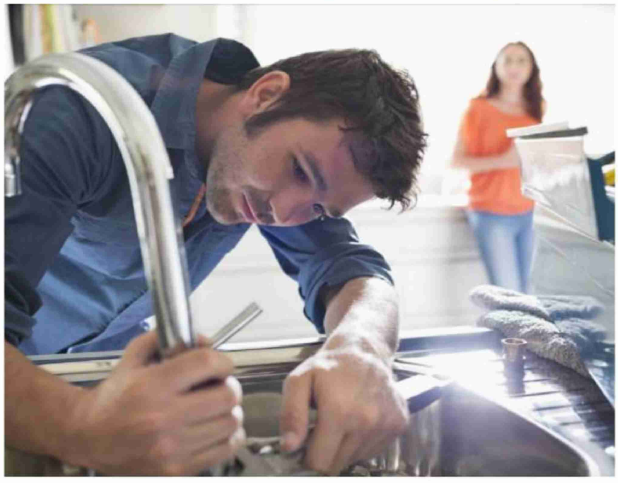
"Damage due to defective design or construction is also excluded. That's why you should always make use of accredited builders and engineers. If possible, have a home inspected by a professional before purchase to point out any latent defects that could cause problems down the line."

3. Take control of your own insurance

If you've got a bond, it's compulsory to have buildings insurance. This is often taken care of by your bank, and the premium is 'hidden' in your monthly bond repayment. But you're not obliged to accept your bank's quote, and it's possible you'll get a cheaper premium from the insurer that covers the rest of your valuables. It's always your right to choose the insurer you want to work with.

4. Review your home contents cover regularly

You should review your home contents insurance at least once a year. As with buildings insurance, the key is to make sure that you cover your home contents for its current replacement value – don't guess. And remember, insurers can only protect what they know about. It helps to keep the original receipts for items like big-screen TVs, so that you can prove their value if you need to claim.



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