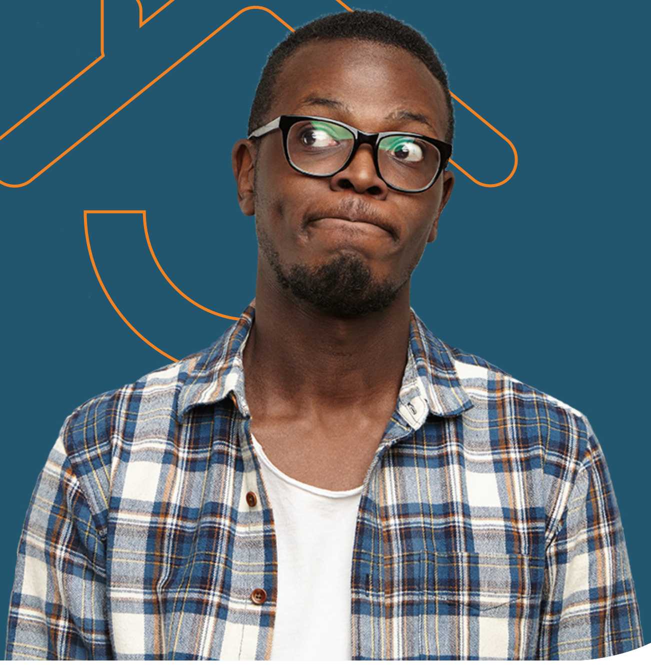
BetterSure
Financial Consultants
Healthy Home Insurance

What is underinsurance?



Underinsurance is the gap between the amount you've insured your property for and its replacement value, i.e. what it would cost to rebuild your home if it was completely destroyed. Replacement value is different to market value, which refers to what your property is likely to sell for and is determined by recent sales of similar properties in the area.

How is replacement value calculated?

The bank you have your home loan with will estimate the replacement value of your home when you buy it. This figure is based on the building cost per square metre plus any excavation, demolition, architectural and engineering work required. The value of the land itself is excluded from the calculation of the replacement value.

When are you at risk of being underinsured?

Once the replacement value has been calculated, it is used to work out how much homeowners cover you'll need if you ever have to rebuild your home. The replacement value of your property almost always increases over time as materials become more expensive and building cost inflation rises. If the replacement value of your home and the level of cover you have don't keep up with inflation, you're at risk of being underinsured.

How can you avoid being underinsured?

While we review the replacement value of your home every year and increase it in line with inflation to minimise your risk of being underinsured, it's your responsibility as the policyholder to make sure that you have the right level of cover. What's more, if you make any improvements to your home – for example, you renovate your kitchen or bathroom, add on a study or put in a pool – you need to let us know about these changes and increase your cover. If you don't, you're likely to be underinsured

BetterSure Financial Consultants (Pty) Ltd is an authorised financial services provider (FSP 24015).