

Insurance - we've got you covered

We will explain the insurances that you need for: home, home loan and business.

(Strata insurance is not needed as it's the responsibility of the strata managing agent).

To ensure your purchase is as carefree as possible, make sure you understand all insurances so you can relax and leave your worries behind.

There are compulsory insurance and non-compulsory insurances.

First of all, you need to know a few terms:

Premium: that is a fee or cost of the insurance.

Cover: what you are insured for eg. Fire.

Insurance Certificate: is known as Certificate of Currency.

The compulsory insurances for homes:

Compulsory

Building insurance: This cover for fire or damage such a car runs into your property.

Who demands that you buy it? The bank.

Who pays for it? You, the buyer pays for it.

What does it cover? Fire & property damage such as a truck that runs into your house.

Who does it cover? It covers or protects the bank and not you.

If you do not buy the insurance, will the bank settle your loan?

Answer: never

Note: This insurance can be confusing because when you contact any insurance company that always say Building and Content insurance.

Why content? Contents are for things such as your bed, your television, fridge and furniture.

Can you just buy building insurance only and not the content? Of course, you can.

So, why the insurance company always say "building and content" insurance?

Answer: to make extra money.

How much should you insure the property for?

As a rule of thumb, insure for the value of the house (not the land as you cannot burn the land) and add another 20% on top. Why another 20% on top?

Answer: the price of material & labour cost is likely going to increase in the future. To replace a similar house in the future it would be more expensive than now.

Building Insurance or better known as Home Building Insurance is the only insurance that you need to buy and supply the certificate of currency to the bank before the bank's solicitor will release the money.

Other insurance to know for your curiosity:

Home Owner Warranty Insurance

What is it?

It's an insurance that covers for defects (serious building problems). It covers brand new homes for a period of 6 years.

Who needs to supply it?

The original builder of the house.

If you are not the original owner, you are under no obligation to supply it even if the house is less than 6 years old.

Insurance that relates to a mortgage

If you borrow more than 80% of the sales price of a property, the bank will demand that you pay for a Lender Mortgage Insurance (LMI) for short.

Why the banks perceive that any borrowing by you of more than 80% of the sale price is risky to the bank?

From past experience, banks have worked out that any borrowing by you of 80% or less is safe for the bank according to their past historical information.

What is LMI?

It is a risk insurance in the event that you default on your loan. When you do not pay the bank, the bank loses money. This is when the LMI insurance comes into play.

The LMI is an insurance that you purchase from an insurance company. The most popular one is QBE insurance.

How do you work out the Premium?

That depends on the policy and pricing of the insurance company. It changes constantly. You should ask your mortgage broker if LMI is applicable to you.

What if I buy a business, what insurance do I need?

Actually, when you buy a business, nearly always you would have to lease a premise to operate your premise from.

The landlord will demand that you buy a Public Liability insurance to protect the landlord.

What is a Public Liability Insurance?

It's an insurance to protect any one that comes into your business premise. Example, you might spill milk onto the floor and they slip and hit his head onto the bench and break his skull.

Finally, the Illegal Structure Insurance (also known as title insurance).

This is a fairly new insurance created around 2010 to fill a problem in the market.

You see, many properties have illegal structures. Illegal structures are anything that was built by the vendor or the previous vendor before him without council's approval.

It's hard to detect an illegal structure. There is also the fear that the council will discover it and that council will give you problems.

Common illegal structures are: granny flat, garage, extension of a room & patios.

The Illegal structure insurance was designed to protect you if the council do give you any complications later into the further as long you are the owner of the property. It's a one off fee only.

This is not a compulsory insurance but it is very wise to get one for your peace of mind.

If you like to know more about this insurance, email our staff and we can explain it more.