

QS Corner



TIP #13

In this month's QS Corner we tackle the thorny issue of home insurance

In light of the recent tragic floods, many people, including myself, have looked at their insurance policy to see what they are covered for.

I can't comment on what defines a "flood" or not...

but I can give advice on what investors or homeowners should consider when taking out home insurance.

The Australian Securities and Investments Commission (ASIC) estimates that up to 59% of owners had only insured their home for **70% or less** of the cost of re-building.

Some things to consider when taking out home insurance are:

- a. You need to allow for demolition of the existing structure.
- b. You need to allow for re-design of the new property. This may or may not include an external project manager to oversee the construction of the property.
- c. You need to allow for escalation (inflation) of the construction cost. For instance, it may take 6 months from the time the building was demolished until the time property is completed.

To quote ASIC – "Even if you think you have enough insurance, you should check your level of cover, particularly if you haven't increased it for a number of years."



Tyron Hyde is a director of quantity surveying firm Washington Brown. For more QS Corner tips and information on property depreciation including a FREE online tax depreciation calculator, visit www.washingtonbrown.com.au



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