

# Insurance not so straight forward

ALAN KNOWSLEY  
LEGAL MATTERS



**W**hen arranging insurance for a new house you may need more than just insurance on the house you are buying.

A couple with young children had an unconditional offer to purchase a property and had obtained finance from a bank. Before the settlement date one partner unexpectedly became very unwell and had to stop working.

Suddenly the couple's income was drastically reduced and they knew they were going to struggle to meet their mortgage repayments. They did not have adequate income protection insurance and found themselves in a very difficult situation.

Most finance confirmations specify that there must be "no material change in financial circumstances" so you may not get the mortgage money you were expecting. In the event of material change the purchaser would be unable to settle and would lose the deposit paid to the vendor.

The vendor would also be able to sue the purchaser to make them carry out the contract or pay damages for any loss that resulted.

When buying a house it is extremely important to ensure you have adequate insurance in place before your offer becomes unconditional. If you wait until after the offer becomes unconditional, you may find that you are unable to obtain the insurance you need at the right time. There are a number of things you should consider when looking for insurance:

### HOUSE INSURANCE

You should ensure that the property you are purchasing can be insured from settlement. If you are obtaining finance, your mortgage's details will need to be recorded on the insurance as an interested party.

House insurance is generally for a sum insured value, although sometimes can be for full replacement value with a certain floor area. There are many factors to consider when calculating the sum insured for your property, so you should seek advice from a registered valuer, quantity surveyor, or builder, if you require assistance in calculating the sum insured value.



There are many things to consider when arranging insurance for a new house.

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Life insurance provides for a sum to be paid out upon the death of the policy holder, or sometimes in the event that they become ill. Income protection insurance

provides for funds to be paid out if the policy holder becomes incapacitated and cannot work. There is often a stand down period before the benefit will be paid out. If you agree to too long a period you may not be able to meet your mortgage payments in the interim.

### CONTENTS INSURANCE

Notify your insurer in advance of the new address and when the contents will change address. They need to know where the new house will be and other details that can alter the risk profile.

### MOVING INSURANCE

Make sure you look at getting insurance for the move as your normal contents insurance will not cover this.

Prior to confirming your contract and as part of your investigations of the property, you should contact your insurance provider(s) to discuss the various types of insurance available and what best suits your situation.

If you have a legal inquiry you would like discussed in this column please email Alan on [aknowsley@raineycollins.co.nz](mailto:aknowsley@raineycollins.co.nz). Column courtesy of Rainey Collins Lawyers phone 0800 788 484 or [raineycollins.co.nz](http://raineycollins.co.nz)