



## THE RISKS OF BEING UNDERINSURED OR NOT INSURED

The large scale losses experienced after the recent Victorian and NSW bushfires serve as a reminder of the importance of insurance in avoiding financial losses.

Whilst circumstances such as these are at the extreme end of the scale, insurance can also play a significant role in protecting against smaller losses such as those associated with theft or accidents.

The Insurance Council of Australia estimates that 23 percent of Australian households do not have building or contents insurance, meaning that approximately 1.8 million residential households are not protected.

A primary reason for not insuring is that many feel that the benefits of obtaining insurance do not outweigh the costs. Those on lower incomes are less likely to acquire insurance, as are young people with few assets.

More Australians have inadequate protection, with the Australian Securities and Investments Commission stating that up to 80% of home owners are underinsured. In the event of a loss, this group could still face significant costs to replace their home or belongings despite having an insurance policy.

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Renters tend to be underinsured due to high costs of rent leaving them little financial flexibility to purchase insurance. This group tends to be particularly exposed to risks as they are more inclined to engage in risky home security and safety practices than home owners.

It is important to consider your sum insured and also any potential hidden costs to ensure that you are sufficiently covered in the event of a loss. For example, if your home is destroyed you will need to allow for the costs of removal of debris from the site and for architect’s fees. These can add an extra 10-20% on replacement building costs.

You can source a registered valuer to provide a formal value for your belongings, however this can cost upwards of \$300. A cost-effective option is to utilise online calculators on insurers’ websites to calculate an adequate sum insured.

If you are interested in acquiring insurance, or reassessing your sum insured, QBE\* can assist you with your insurance needs. Contact FCCS on 1300 361 555 or visit [fccs.com.au](http://fccs.com.au) for further information.

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