

## Learning Unit 6: Houseowners



learning outcomes

### Learning Outcomes

Upon completion of this learning unit, it is expected that you will be able to:

- Understand and provide definitions for terminology.
- List who we insure under Houseowners.
- Describe what we insure under Houseowners.
- Understand and explain the insured events under Houseowners.
- Describe other loss or damage cover provided under Houseowners.
- Explain what liability cover is offered under Houseowners.
- Identify which cover is optional under Houseowners.
- Distinguish between full and limited cover under Houseowners.
- Identify what we do not insure (exclusions) under Houseowners.
- Understand and explain the different methods of compensation.
- Identify which special conditions apply.
- Have an overview of the underwriting rules.



## Introduction

Usually the owner of a house needs insurance on his/her private property, whether he/she occupies it himself or lets it out to tenants. This insurance is usually taken out from the time that the owner takes transfer of the property and is compulsory if you have a home loan.

A comprehensive Houseowners insurance policy protects your home from the risk of structural damage. This includes: fire damage, storm damage or a burst geyser. It is a multiple-line insurance, meaning that it includes both property insurance and liability, with a single premium that is paid for all risks.

The Houseowners section of the Allsure insurance policy is a composite policy section, which means that cover is provided under one section for various risks.

When discussing this insurance with a client it is important that you convey the following message to him/her.



Make sure you are not under-insured for your private home!

A Houseowner's policy is a contract/agreement of indemnity and the principle of indemnity states that after a loss has occurred, the insured shall, as far as is possible, be placed in exactly the same financial position as he was in before the loss occurred, subject to the adequacy of the insured and all policy conditions and requirements being fulfilled.

It is therefore your responsibility to insure your private home for the replacement value. The replacement value means:

- The cost to repair or rebuild the private home at the time of the loss or damage with new materials; and
- The cost of demolition and professional fees.

## 6.1 Definitions

There are a number of specifically building-industry related terms which need to be learnt, as well as the insurance terminology. There is space for you to add any further terms and their definitions.

Word or phrase used	Definition and description
You	The phrase <b>you</b> refers to the policyholder
we (us, our)	This is Mutual & Federal Insurance Company Ltd. Registration No: 1970/006619/06.
excess	The first amount payable is more commonly known as the excess or deductible. It is the first amount borne by the insured for his account of each loss.
exclusions	Exclusions in the policy free an insurer of liability for property not intended to be covered. Exclusions are, therefore, a specific condition in the policy that more accurately define the risk accepted by the insurer and exclude liability for loss not intended to be covered.
insured event	A situation which causes loss or damage to the property insured, such as loss or damage being covered in terms of the policy.
liability	<p>Liability is one of the most significant words in the field of law.</p> <p>Liability means legal responsibility for one's acts or omissions. Failure of a person or entity to meet that responsibility leaves that person or entity open to a lawsuit for any resulting damages.</p> <p>When someone causes an accident, which results in injury to another person or damage to another person's property, he/she may be held responsible in a court of law. This is known as being "legally liable". The court may then rule that the responsible person pay monies to compensate for the injury or to cover the costs of repairing the damaged property. This is known as "damages".</p>
landlord's fixtures and fittings	<p>Anything that you would normally leave behind when moving from a house as part of the building. It encompasses those items for which the policyholder is responsible as owner and not as a tenant in or on any of the structures.</p> <p>Examples of landlord's fixtures and fittings are wall-to-wall carpets, light fittings, work surfaces, shower fittings, cupboards and bathroom units.</p>


<p>private home</p>	<p>This definition means the buildings at the address shown in the schedule. Unless otherwise stated in the schedule, the buildings must be made of brick, stone or concrete with a slate, tiled, metal, concrete or asbestos roof. The private home includes:</p> <ul style="list-style-type: none"> <li>• The main home;</li> <li>• Domestic outbuildings, home offices, private garages;</li> <li>• An Outbuilding or lapa of thatched construction which may be attached to or connected to the Private Home by an interleading door or situated within 4m of the Private Home and is less than 15% of the total square meter of the entire Private Home.</li> <li>• Paths and driveways made of brick, concrete, asphalt, stone <u>but not gravel</u>;</li> <li>• Walls, gates, metal palisade and fences on the grounds <u>but not those made of wood, wire or plants</u>;</li> <li>• Fixtures and fittings (including fitted carpets);</li> <li>• Carports;</li> <li>• Water, sewerage, gas, electricity and telephone connections;</li> <li>• Fixed generators;</li> <li>• Jacuzzis, saunas, domestic water pumps, solar heating panels;</li> <li>• Fixed swimming pools, fixed filtration plants, heat pumps, automatic pool cleaners, safety nets and covers.</li> <li>• Tennis courts;</li> <li>• Television and radio aerials, satellite dishes, masts, close circuit TV's, burglar alarms and lightning conductors;</li> <li>• Solar geysers and solar geyser heating panels;</li> <li>• Fixed water features, statues and ponds;</li> <li>• Fixed gazebos;</li> <li>• Jetties and boardwalks.</li> </ul>
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<p>schedule</p>	<p>This is the document which sets out:</p> <ul style="list-style-type: none"> <li>• The type of insurance bought;</li> <li>• The parties insured;</li> <li>• The period of insurance;</li> <li>• The amounts insured for;</li> <li>• Excesses that apply;</li> <li>• Premium to be paid.</li> </ul>
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<p>wild baboons or wild monkeys</p>	<p>This definition refers to wild baboons or wild monkeys that live freely in the natural surroundings and are not kept as pets or farm animals or kept confined in anyway or form.</p>
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## 6.2 Who we insure

Under this section of the policy the insurance only extends to cover the policyholder and not members of his family who normally reside with him/her, as is normally the case under the other sections of the Allsure Policy.

	<p>Apart from insuring the physical aspects of the private home, this section of the policy also addresses liability risks faced by the policyholder. These have nothing to do with the actual buildings but address liability for events which occur in the home.</p>
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## 6.3 What we insure

When providing cover, private dwellings used for domestic purposes are usually acceptable, provided that the dwelling is of standard construction. Sometimes the construction of a dwelling is sub-standard, which could be thatch or a timber construction. It is essential for the insurer to know what the construction of the residence is.




It is important to remember that any construction, other than standard construction, is considered as accommodation business.

The description of the private residence is very specific and includes landlord's fixtures and fittings.

**Loss or damage by Insured events**

The insurer will compensate the policyholder for loss or damage caused to the private home by insured events as listed below:

<b>Compensation for...</b>	<b>But not for...</b>
Fire, explosion and lightning	
Malicious damage	Loss or damage caused by someone living in the private home or outbuildings.
Storm, flood, wind, water, hail or snow 	Loss or damage caused by or to any of the following: <ul style="list-style-type: none"> <li>• Loss or damage to property caused by any process which uses or applies water;</li> <li>• Deterioration, wear and tear or any gradual operating cause;</li> <li>• Rust, corrosion or mildew;</li> <li>• Movement of the land supporting the building even if this movement is caused directly or indirectly by storm, flood, wind, water, hail or snow. (Compensation for loss or damage caused by movement of the land supporting the Private Home resulting from flowing surface water is insured);</li> <li>• Retaining walls;</li> <li>• Gates and fences not constructed of stone, concrete, steel or bricks;</li> <li>• Rise in damp or rise in the water table.</li> </ul>

<p>Earthquake</p>	
<p>Bursting, leaking or overflowing of pipes, water apparatus or oil-fired heating apparatus</p>	
<p>Loss of or damage to the private home caused by impact by:</p> <ul style="list-style-type: none"> <li>• Any aircraft or aerial devices (e.g. a hot-air balloon) or any object falling from them;</li> <li>• A vehicle crashing into the private home;</li> <li>• Falling trees or part of trees; animals</li> </ul>	
<p>Gradual sinking of land (subsidence) and landslip of the land supporting the private home if shown in the schedule.</p> <p>Note: If the insurer maintains that the identified damages are not insured by this insurance, the burden of proving the opposite will rest with the policyholder.</p>	<ul style="list-style-type: none"> <li>• Drains, water courses, boundary walls, garden walls, screen and retaining walls, gate posts, gates;</li> <li>• Fences, driveways, paving, swimming pools, swimming pool borders or tennis courts;</li> <li>• Or made worse by faulty design, insufficient compacting of filling, poor construction;</li> <li>• Removal or weakening of support;</li> <li>• Structural alterations, additions or repairs;</li> <li>• Surface or subterranean excavations except those performed during mining operations</li> <li>• Normal settlement, shrinkage or expansion;</li> <li>• Contraction or expansion of clay or similar soil types due to the moisture or water content.</li> </ul>

Theft or attempted theft.	If the private home is not occupied, or is let or lent, in which case there must be visible signs of forced entry or exit.
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**Other loss or damage**

**Accident damage to fixed machinery used in the Private Home**

**What we compensate you for**

We compensate you for accidental breakage, loss of or damage to fixed machinery that you use for domestic purposes. The following items are insured:

- Fixed machinery for swimming pools (excluding automatic pool cleaners);
- Fixed machinery for jacuzzi's, boreholes (excluding windmills), spray irrigation systems, filtration equipment, air conditioners, electrical gates and motor garage doors installed at the Private Home.

The limit of compensation for any one event is the limit shown in the schedule.

**What we do not compensate you for accidental damage**

We do not compensate you for loss of or damage to fixed machinery directly or indirectly caused by:

- Depreciation, gradual causes, wear and tear
- Faulty design or workmanship or using tools or equipment in an incorrect manner;
- Cleaning, repairing or renovating;
- Rust, subsidence, landslip or the collapse of any building;
- Purposefully overloading the machine

We do not compensate you for any loss or damage that is insured under a manufacturer's warranty or by a service contract.

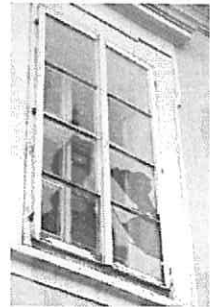
**Television and radio aerials, satellite dishes and masts, close circuit TV's, burglar alarms and lightning conductors**

We compensate for accidental loss, damage or collapse of these items.



**Fixed Glass, glass stove tops, oven doors and sanitary ware**

The cover afforded here is accidental breakage of these items. Accidental breakage refers to damage or loss that is caused as a result of a genuine error or misfortune. Examples of fixed sanitary ware are toilets, sinks or baths. Examples of fixed glass include windows, mirrored wardrobe doors, shower doors and glass fronted kitchen cupboards.



The wording confirms that the insurer will not compensate the policyholder for:

- Damage due to chipping or scratching or other surface damage;
- The breakage of these items if they are not in the private home or if the private home is not occupied.

**Public supply or mains connections**

Accidental damage to water, sewerage, gas and electricity and telephone connections is covered provided that they belong to the policyholder or he/she is responsible for them.

The policy wording describes the location of these connections as being "between the buildings and the public supply" which means that they must be on the insured's property.

**Alternative accommodation and rent**

The Houseowners section refers to "not fit to live in", which means unfit for occupation due to the poor condition of the building due to an insured event. However, we know that the building section is covered for purely personal purposes and thus it needs to be established whether the damage is so severe that it is deemed not fit for human occupation.



This cover pays for the cost of alternative accommodation of similar value and location to the private home, if at the time the dwelling cannot be lived in as a result of damage by an insured event, for example, fire, storm or earthquake.

If the policyholder had let the building out to tenants, the insurer would then compensate him for the rent that he/she would lose due to the private home not being fit to live in.



It is important to remember that the cover afforded is limited to 25% of the limit of compensation on the private home. This compensation will be based on the period reasonably needed to make the private home fit to live in again.

### **Public authorities' requirements**

From the time a private home or its outbuildings, walls and other structures were built, to the time damage occurs, changes to the building regulations of the local municipality could have taken place and this might affect the repairs to the building.

The insurer will compensate the policyholder for the necessary costs of repairing or rebuilding to meet the requirements of the public authorities, up to the limit shown in the schedule.



The repairs or rebuilding must be as a result of damage caused by an insured event. The insurer will not compensate the policyholder for public authorities' requirements relating to defects in workmanship, design, planning or specifications.

### **Fire brigade charges**

When the fire brigade is called, for putting out a fire at your private residence, they incur expenses for which the caller is responsible. Therefore, this cover is included in the policy wording to cover the reasonable costs related to the extinguishing or fighting of a fire at the insured premises, up to the limit shown in the schedule. The insurer would rather pay the costs of putting out a fire at the private home than the cost of replacing an entire dwelling, which would otherwise have burnt to the ground.

### **Demolition and professional fees**

Before reinstatement/repair can take place, damaged property needs to be demolished, pulled down and then the rubbish has to be cleared. Hoardings which are temporary boards and/or fences around a building site may need to be erected to protect the general public. We also cover the reasonable cost for architects fees, quantity surveyors fees, local authorities, inspection fees etc. Therefore, this is included in the policy wording to cover these costs.

The wording is clear in stating that the loss or damage must be caused by an insured event and the insurer will compensate the policyholder for the necessary and reasonable costs involved, up to the limit shown in the schedule.



Special notice must be taken that the insurer will only compensate the policyholder if he/she has the insurer's consent in writing to incur these costs.

**Employing a security guard**

This cover will provide reasonable cost of employing a security guard in order to minimise loss due to theft. It is important to remember that the insurer will only pay for this if an insured event has been the cause of the loss or damage.



The insurer will only compensate the policyholder up to the limit reflected on the policy schedule.

**Loss of water by leaking**

The leakage of water from pipes within the private home or on its grounds is covered under this section of the policy only if the policyholder is responsible for paying these costs. This cover is subject to certain conditions as follows:

- The insurer will only compensate the policyholder if the water reading is above the average of the previous four readings by 50% or more;
- The policyholder must take immediate remedial action to repair the damaged pipe as soon as they discover the leak. The cover under this section of the policy does not extend to cover the costs involved in the repairing of the pipe in question. These costs will be borne by the policyholder, failing which the insurer will not compensate the policyholder for the costs of the loss of water.
- The insurer will not cover water lost from leaking taps, geysers or toilets, swimming pools or leaks in their inlet or outlet pipes and leaks that happen when the private residence is unoccupied for more than 30 days.
- Compensation would be up to the limited reflected in the policy schedule;
- The policyholder can claim for a maximum two separate incidents of this kind in each 12-month period.

### Removing fallen trees

The removal of the tree has always been a contentious issue and we should bear in mind that it is the building that is insured, as opposed to the tree, which is not insured. However, the insurer believes that the chance of trees falling on the house is so small that, to avoid confrontation and minimal costs, the cost of removal should be included in the cost of the claim. For this cover to take effect, the falling of the tree must have occurred as a result of an insured event.

It is important to remember that the insurer will only compensate for one claim up to the limit reflected on the schedule in any 12-month period of insurance and that their written consent is required to remove the tree(s).

### Keys, locks and electronic security devices

The insurer will compensate the policyholder for reasonable costs to repair or replace lost or damaged:

- Keys, including card keys;
- Locks;
- Remote controls.

The insurer will only compensate up to the limit reflected on the schedule and only if the policyholder owns the private home and needs these items for doors, windows, safes or alarms for that building.

### Damage by wild baboons or wild monkeys



The insurer will compensate the policyholder up to the limit reflected on the policy schedule for loss or damage to the policyholder's private home caused by wild baboons or wild monkeys.

### Loss or damage to the garden

The insurer compensates up to the limit shown in the schedule for the reasonable cost of replacing trees, shrubs, plants and sprinkler irrigation systems on the grounds of the private home. Compensation is only for loss or damage caused by:

- Fire;
- Fire-fighting;
- Explosion;

- Impact by vehicles, aircraft, other aerial devices or other objects dropped from the air;
- Malicious damage.

There is no compensation if theft or attempted theft causes the loss or damage.

**Special alterations to your private home** *R10 000*

The insurer will compensate the insured for the necessary and reasonable costs for special alterations to facilitate access to the private home. These special alterations are as a result of an accident that causes bodily injury which leaves the insured permanently disabled and bound to a wheelchair. The insured must have our permission in writing before incurring these costs. The maximum compensation limit is shown in the schedule.

**Cover before property transfer**

The insured will be compensated for loss or damage to the private home caused by an insured event for the period between the signing a deed of sale and the transfer of the property into the insured's name by the deeds office. This only covers property the insured buys and insures in terms of this policy. This cover will not apply if the private home is insured by the seller or on the seller's behalf.

**Jetties and boardwalks**

The insurer will compensate you up to the limit shown in the schedule for loss or damage to jetties or boardwalks of inferior construction, for which you are responsible, and is not community property. The loss or damage must be caused by fire, lightning and explosion, storm, wind, water, hail or snow, impact by vehicles, aircraft, other aerial devices or other objects dropped from the air and malicious damage. There is an excess which needs to be paid before we will compensate you.

**Houseowners Liability**

The intention of this extension is to protect the insured in respect of claims made against him/her or his/her family in a private capacity. Cover is for all amounts for which the policyholder becomes legally liable to pay, as owner of the private home, to third parties for death or injury to persons or damage to third party property.

### **What is insured under the Houseowner's' Liability Section?**

The insurer will compensate the policyholder if he/she is held liable as the owner of the private home for:

- Accidental death of another person occurring in the period of insurance;
- Accidental bodily injury or illness of another person occurring in the period of insurance;
- Accidental loss of or damage to property belonging to another person occurring in the period of insurance.

There are two factors, which must be taken into account when considering the validity of a claim, these being:

- The accident must occur during the period of insurance;
- The accident must occur at or about the property insured and belonging to the policyholder.

Because the policy wording says accidental death or accidental loss, this eliminates any damage that was deliberately caused and for which a person would usually be criminally charged. Further, we specifically refer to physical damage to tangible property, so any defamation of character charges or infringement of copyright charges would not be covered.



It is important to realise that the liability here is as a property owner and will only be for liability incurred on the property.

### **Compensation**

The compensation under this section includes the following:-

- The amounts the policyholder is liable for;
- Legal costs of the other person that the policyholder is liable for;
- Costs that the policyholder incurs to settle or defend the claim against him/her with the insurer's permission.



The phrase “**Legal Costs**” means the costs the insured would legally be responsible to pay. Legal costs are defined as expenses incurred in litigation, which would be given by the court to the prevailing party against the losing party. Normally the charges fixed for litigation are often payable by the losing party.

### **Limit of compensation**

The limit of compensation is indicated in the schedule at the time of the loss, damage, bodily injury, illness or death. This amount applies to any single event or for a series of incidents that are the result of one event.

### **What is not insured under the Houseowners Liability**

These exclusions relate to the Houseowner’s liability.

#### **Claims by certain people**

The insurer will not compensate the policyholder for liability claimed by any of the following people:

- The insured or any member of the insured’s family who normally lives with him/her;
- Directors, members, trustees, beneficiaries and members of their families who normally live with them (if the insured is a company, close corporation or trust);
- The insured’s employees, other than domestic employees, acting in the course of their employment at the time of the event.

The policyholder will not be indemnified if injury or damage happens to any member of the same household as the insured. It is important to note that it does not only refer to family members, so the insured will not have liability cover under this section for his legal responsibility towards anybody staying in the same house as the insured.



Also excluded is injury or damage to any person that is employed by the insured. The reason for this is because cover exists under Compensation for Occupational Diseases Act 130 of 1993 (C.O.I.D.A). All employees, irrespective of their earnings, are able to claim under the Act for injuries that occurred during the course of their employment and are barred from claiming against their employer.

### **Liability related to property owned by, looked after or controlled by certain people**

The insurer will not compensate the policyholder for liability related to loss of or damage to property owned by, looked after or under the control of any of the following people:

- The insured or any member of the insured's family who normally lives with him/her;
- Directors, members, trustees, beneficiaries and members of their families who normally live with them (if the insured is a company, close corporation or trust);
- The insured's employees acting in the course of their employment at the time of the event.

In other words, the policyholder will not be indemnified if loss or damage occurs to property that is owned by, looked after or under the control of any member of the same household as the insured.

### **Liability not related to ownership of the private home**

The insurer will not compensate for liability related to:

- The insured's employment, business or profession;
- The insured's ownership or occupation of land or buildings other than the private home insured under this section;
- Aircraft, vehicles or watercraft owned, looked after or controlled by the insured or his/her domestic employees.

The policyholder will not be indemnified for any liability that is not related to his/her ownership of the private home.

### **Liability related to support of property**

The insurer will not compensate the policyholder for liability related to the vibration, removal, weakening or interference with the support of any land, building or other property.





**Vibration** is when swinging or swaying occurs about a central point. This is called *oscillation*. The oscillations may be regular, such as the motion of a pendulum, or occasional, such as the movement of a tire on a gravel road.



**Removal** is to take away and place elsewhere.



**Weakening** is a sudden lessening in intensity or strength.

### Power surges (Optional)

Power surges occur when something boosts the electrical charge at some point in the power lines. This causes an increase in the electrical potential energy, which can increase the current flowing to your wall outlet. A number of different things can cause this to happen.

The most familiar source is probably lightning, although it is actually one of the least common causes. A more common cause of power surges is the operation of high-power electrical devices, such as elevators, air conditioners and refrigerators. These high-powered pieces of equipment require a lot of energy to switch on and turn off components like compressors and motors. This switching creates sudden, brief demands for power, which upset the steady voltage flow in the electrical system. While these surges are nowhere near the intensity of a lightning surge, they can be severe enough to damage components, immediately or gradually and they occur regularly in most buildings' electrical systems.

Other sources of power surges include faulty wiring, problems with the utility company's equipment, and power lines that are down. The system of transformers and lines that brings electricity from a power generator to the outlets in our homes or offices is extraordinarily complex. There are dozens of possible points of failure and many potential errors that can cause an uneven power flow. In today's system of electricity distribution, power surges are an unavoidable occurrence.

Let us consider these terms before we look at the cover for power surges.

Term	Definition
Power supply	A device that supplies electrical power to an electrical load. The term is most commonly applied to electric power converters that convert one form of electrical energy to another, though it may also refer to devices that convert another form of energy, mechanical, chemical, solar, to electrical energy.
Electrical distribution board	A panel that houses the fuses, circuit breakers and group leakage protection units used to distribute electrical power to numerous individual circuits or consumer points. The board typically has a single incoming power source and includes a main circuit breaker and a residual current or earth leakage protection device.
Surge protector	A device that shields computer and other electronic devices from surges in electrical power that flows from the power supply.
Lightning arrestor	A protective device for electrical equipment that reduces extreme voltage resulting from lightning to a safe level by grounding the discharge.

The insurer will compensate the policyholder for damage to the private home that is caused by power surges from accidental changes in the power supply of a public supply authority.

The insurer will compensate you for any one event or series of events as indicated in the schedule. There is an excess in the schedule for this cover. This is the amount that the insured must pay before the insured compensates them.

#### 6.4 What we do not insure (exclusions)

##### **Loss or damage caused by or from:**

The insurer does not insure loss or damage to property caused by or from:

- Rust, corrosion or mildew;
- Wear and tear or other gradual operating causes;

##### **If you do not maintain your private home**

The insurer will not compensate the policyholder for any loss or damage caused by the private home not being kept in a good state so as to avoid damage.

### **Leaving the private home unoccupied without our consent**

The policyholder is required to inform the insurer if he/she intends leaving the private home unoccupied for more than 60 consecutive days in any 12-month period to enable the insurers to adjust the premium or change the terms, conditions and exclusions.

Should the policyholder not inform the insurer, then the insurer will not compensate the policyholder for any loss or damage whilst the private home is unoccupied.

### **When you do building alterations to your private home**

The policy states that the insurer will continue to cover the insured dwelling while it is being structurally altered. Ideally, it is advisable that the policyholder advises in advance that such work is going to be carried out as it could materially affect the risk. The change in risk may also depend on whether the policyholder carries out the work personally or employs a building contractor to do it for him/her.

Whilst the alterations are in progress, cover will be suspended in respect of:

- Glass and sanitary ware, for example toilets, sinks and baths;
- Alternative accommodation and rent;
- Houseowners liability.

The policyholder would have to settle all relevant claims that arise in respect of this cover, should a loss occur.

### **Ensuring compliance with building laws and regulations**

The insurer will not compensate the policyholder for loss or damage as a result of his/her private home not complying with the National Building Regulations or any other laws or regulations that apply to building standards or maintenance.

## **6.5 Compensation**

### **How we compensate you**

It is at the discretion of the insurer as to which method will be used in the settlement of claims. The insurer may choose one or more of the following ways to compensate the insured:

- Paying the costs of the loss or damage;
- Replacing whatever is lost or damaged;
- Repairing whatever is damaged.

The insurer will base the compensation on the replacement value of similar new property at the time of loss or damage. The limit of compensation is the amount

**Example:**

James buys a house for R1 000 000 and borrows money to pay for it. The credit provider registers a home loan over the building for the full value. James buys insurance for the full value. James has paid back R400 000 to the credit provider when his house is destroyed in a fire. James claims from his insurance. We compensate the credit provider for R600 000 and James R400 000 for the damage less any excess.

If the rejection of the claim was as a result of fraud, dishonesty, misrepresentation or any event deliberately caused by the policyholder or any person colluding with him/her, then the bondholder would also not be compensated.

reflected on the policy schedule and must include demolition and professional fees. If at the time of the loss or damage, the replacement value is more than the insured amount, the insurer will not compensate the policyholder for the full amount of the claim.

The insurer will calculate the difference between the replacement value and the insured amount and apply this proportionately to your claim. The policyholder will be responsible for the difference.

The insurance term for this is known as under-insured.

**We look after the credit provider's rights**

Many individuals buy property which is financed by means of a home loan or bond through a financial institution such as a bank. The bondholder thus has an interest in the state of the property, as it is the collateral or surety for the bond or loan made to the insured. The credit provider knows that if the client does not pay the bond, they can repossess the dwelling, sell it and offset this money against the outstanding amount owed on the bond.

If the building was destroyed or damaged, the bondholder would suffer a financial loss as the value of the property is diminished. To protect the rights of the bondholder, this cover is added to the policy taken out by the insured.

The policyholder may make material changes to the risk that would, under normal circumstances either adversely affect a claim, or perhaps render the policy voidable. Such a situation would be to the detriment of any bondholder in the event of a loss.

This cover is intended to provide protection to the bondholder in circumstances such as those described above. We will compensate the credit provider first. As a result of this cover on the policy, the interest of the bondholder will not be affected by any action or neglect by the policyholder should this increase the risk.



However, the bondholder is required to inform the insurer as soon as they are aware of the situation. Compensation is limited to the amount that you owe on your home loan

**Make sure you are not under-insured for your Private Home**

The private home needs to be correctly insured for the replacement value. This includes the cost to repair, re build the private home at the time of loss or damage with new material as well as the cost of demolition and professional fees

**Matching building materials**

In terms of the policy wording:

- The insurer does not have a duty to repair the private home to precisely match its previous state. The insurer will repair it as close as circumstances reasonably allow.
- Where it cannot be matched exactly, the insurer will use materials that, in their opinion, match the damaged or lost materials as closely as possible.
- The insurer will only apply this to the part of the structure where the loss or damage has occurred. The insurer will not pay for matching building materials to create a uniform effect throughout the policy-holder’s private home.

**Excess**

There is an excess applicable under this section and it is reflected on the policy schedule.

**6.6 Special conditions**

**Security measures**

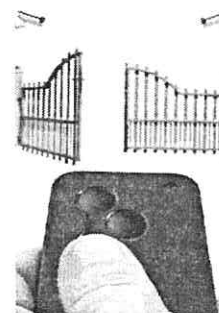
**Burglar bars**

If the policy schedule states that the private home is fitted with burglar bars on all opening windows, then the insurer will compensate the policyholder for theft or attempted theft only if at the time of the theft or attempted theft the burglar bars are actually fitted.

## Security gates

If the policy schedule states that the private home is fitted with security gates, then the insurer will compensate the policyholder for theft or attempted theft only if at the time of the theft or attempted theft the following conditions are met:

- The security gates are actually fitted;
- The security gates are locked when the private home is left unattended.



## Tenants' behaviour

If a tenant living in the private home acts or fails to act in a way that would make this policy invalid, the insurer will still compensate the policyholder if:

- The policyholder did not know of or agree to the tenant's act or failure to act;
- The insurer is notified about the act or failure to act as soon as it becomes known;
- The rejection of the claim was not due to fraud, dishonesty, misrepresentation or any event deliberately caused by the insured or any person colluding with them.

## Surveys

There are certain times when the insurer would require a survey to be carried out on the insured premises, such as the construction of the risk, location of the risk as well as value of risk etc. It is important to note that the following action can be taken with immediate notice based on the outcome of the survey:

- Change the terms, conditions and exclusions of the policy;
- Cancel the policy;
- Treat the policy as null and void.

## Underwriting Rules

### Construction of the private residence

The exterior walls must be constructed of brick, stone or concrete and must be roofed with either slate, tiles, metal, concrete, concrete fibre sheeting or asbestos.

Thatch roofing and any other construction must be referred to your Sales branch or Broker Service Centre.



- Thatch roofing and any other non-standard construction must be referred. The reason for this is that decisions need to be made as to whether or not MUTUAL & FEDERAL would want to accept the risk and any conditions that may be imposed as a result of the construction of the risk.
  - If the lapa is immediately adjacent or in proximity of the main dwelling and the roof area is less than 15% then this is classified as the same construction as the main house.
  - Should the thatched roof of the lapa be larger than 15% of the roof area and closer than 4m from the dwelling, then both the dwelling and the lapa will be regarded as thatch roofed.
  - Should the lapa be further than 4m from the dwelling then risks are classified separately
- Where buildings are roofed with thatch an SABS approved lightning mast may be required and if so, the Lightning Mast Warranty will apply.
- Certain areas within the Western Cape do not require lightning conductors. These areas have been built into the system. For clarification on the areas, contact Personal Technical Division.

## Security measures

### Burglar Bars

The private residence must have burglar bars on opening windows unless:

- The private residence is a flat situated above 1<sup>st</sup> floor and there is controlled access to the building (must be a security guard), or
- The residence is in an approved security complex with security guards, access control, 1.8m electric fencing, gates or booms (access control is defined as having guards controlling the access) or
- The residence is protected with an approved alarm system linked to a 24-hour control room with armed response.



Where there is ongoing construction within a security complex, the risk may not be regarded as a security complex until the construction has been completed.

If the alarm is a non-approved alarm, no discount will apply and the alarm warranty will not apply.



## Surveys

There are certain times when the insurer would require a survey to be carried out on the insured premises, such as the following examples:

- If the residence has suffered more than three (3) theft/storm claims in the last five (5) years;
- Following a loss;
- The residence is on a small holding/plot;
- The limit of compensation for Household Goods exceeds R1,000,000;
- Main construction is not brick, stone or concrete with slate, tiles, concrete, asbestos or metal roof;
- Where the residence is situated within 500 metres of water i.e. dam, rivers, canals etc.;
- In any other instance where required by Mutual & Federal.

Where surveys are deemed necessary on existing policies or following a loss and/or occurrence, the Business Development Consultant must be advised to inform the broker of the pending survey.

If additional protections are required, the policyholder must be given 30 days written notice to implement additional protections. He/she must be advised that, if the protections are not implemented, punitive terms and conditions will apply. These need to be specifically mentioned.

Actions such as the following can be taken:

- Change the terms, conditions and exclusions of the policy;
- Cancel the policy;
- Treat the policy as null and void.



**Risks that need to be referred for authorisation**

- A residence located in a dolomite area (no subsidence cover to be provided in these areas until a geotechnical report has been done and accepted by Mutual & Federal);
- Non-standard construction of both roof and walls;
- Residences situated on small holdings;
- A residence unoccupied for 60 or more days per year;
- Premises for hire;
- Sum insured over the limit of R20, 000,000;
- Holiday home;
- A residence which is within 500 meters of water;
- Roof constructed of shingles;
- Vacant property

**Declined risks**

Certain areas/properties cannot be insured by the insurer. These are:

- Communes;
- Mobile park homes;
- Caravans
- Properties under construction;



**Activity 3**

Normally toilets have a non-return valve installed that prevents sewerage from pushing up into the toilet. This was not the case for the policyholder. The local municipality was clearing a blocked main sewerage pipe and when they put pressure through the pipes, all the sewerage was blown into the insured's house, flooding the entire house. As a result, the private home was uninhabitable and the insured had to seek alternative accommodation. What would be covered in terms of the Houseowners insurance policy wording?

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**Activity 4**

The policyholder's gardener accidentally dug into a water pipe while preparing a flower bed. He damaged a water pipe between the private home and the public supply.

Would the damage to the water pipe be covered in terms of the policy wording? Why or why not?

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### Activity 5

A fire at the insured's private home burnt the building to the ground. On inspection, it was found that the foundation was not damaged and therefore could be salvaged. The current sum insured under the Houseowners section is R1 450 000.

The cost to reinstate the building is calculated as follows:

Cost to reinstate building: R1 250 000

Demolition costs and professional fees: R500 000

On inspecting the damage to the building, the assessor calculates the value at risk to be R1 850 000.

What settlement would the policyholder receive for this claim?

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### Activity 6

The policyholder is at odds with his neighbours over the colour of his house. The house is painted a bright red and is an eye sore to anyone entering the neighbourhood. On various occasions the insured has awoken to find slogans such as "Red Baron" and pictures of a German fighter pilot on his walls. Would the damage to the walls be covered in terms of the policy wording?

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**Activity 7**

Ian bought a house for R2 000 000 and borrowed money to pay for it. The bank registered a mortgage bond over the buildings for the full value. Ian bought insurance for the full value. When Ian had paid back R550 000 to the bank, the house was destroyed in a fire. Ian then lodged a claim against his Houseowners insurance policy. How would this claim be settled?

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**Summary**

The first aspect that should have become clear in this learning unit is that this section of the Allsure policy is very different from that of the Household Goods section. Secondly, the distinction between the Houseowners liability and the cover for loss and damage to the actual Houseowner’s property should now be apparent. Much of this learning unit focuses on what can be insured; what the conditions for that insurance are; and what cannot be insured. The various underwriting rules have been clearly stated and terms have been clarified, where necessary. In essence, this is an important section of the policy and it therefore needs serious consideration by you in order to assist the client with the insurance of what is possibly his/her most expensive asset.

