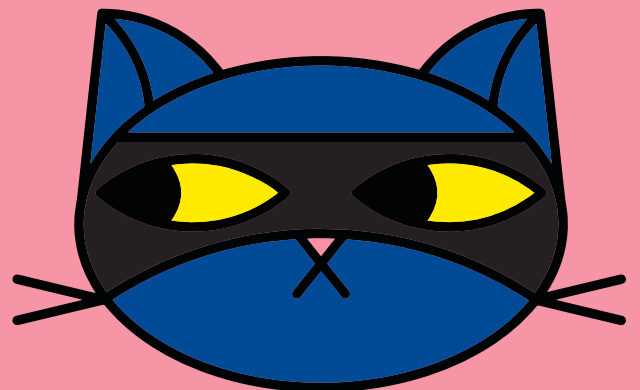


The Simple Guide to Personal Insurance.

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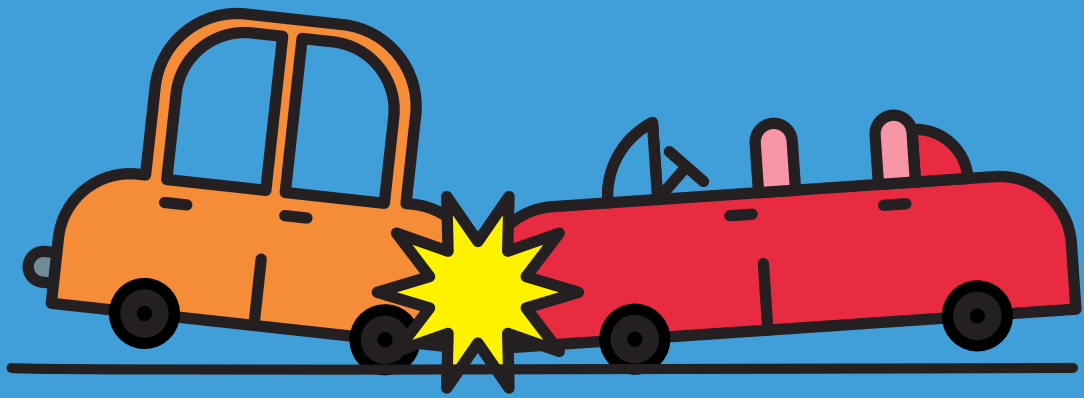


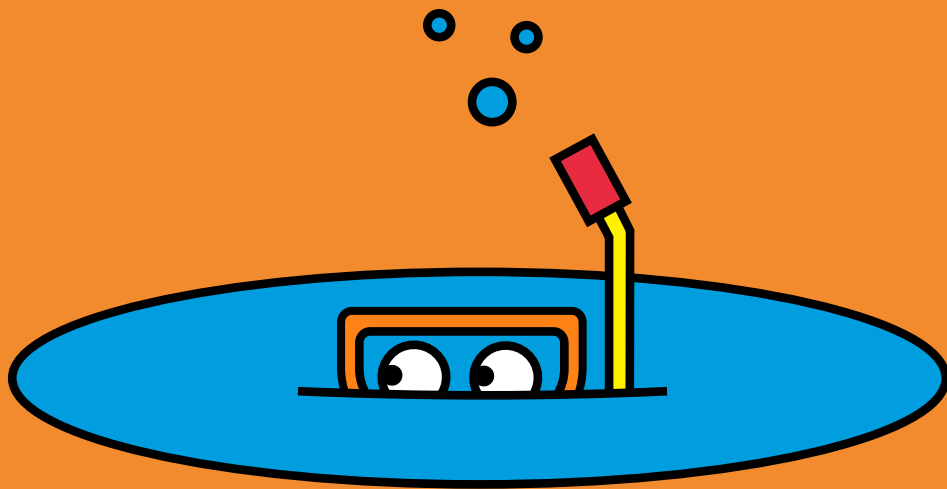
Why do we need insurance?

Life is full of unexpected and sometimes unpleasant surprises that can wind up knocking you for six. While we can't always prepare for absolutely everything, we can give ourselves a stress-reducing safety net for those times when life's hurdles trip us up.

That's where personal insurance comes in: by paying a premium, you are able to better protect yourself financially in the event of an accident or other misfortune, turning what might have been a major setback into a minor one by minimising your financial loss.

Personal insurance provides you with the confidence that should your possessions be lost, damaged, or destroyed, you and your loved ones are protected from the financial burden those losses can impose.





What you choose to cover comes down to your particular needs, which vary from person to person.

Part One.

How does insurance work?

In simple terms, insurance works like this: people pay premiums to keep themselves protected, and if they encounter any unforeseen circumstance that's covered by their insurance policy – things like property damage or theft – the insurer will cover either a full or partial amount of the costs. Insurers won't cover some kinds of loss because the likelihood of those losses occurring is so high, or in some cases, runs contrary to the public interest, such as loss of a vehicle resulting from drink driving.

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In the event that you need to make a claim and your claim is approved, your insurer will either pay for the repairs or replacement items depending on your cover (e.g., theft, loss, accident or catastrophe), or provide you with a cash settlement.

Your insurance policy will detail how much excess you pay when making a claim. This is a set amount of money that you agree to pay toward your claim – for example, if your excess amount is \$500 and your claim is for \$5000, the insurer pays \$4500 and you pay \$500.

Your excess amount also has an impact on your premium – the higher the excess you are willing to pay, the lower the premium, and vice versa.

Assessing your areas of risk

New Zealand's an amazing place to live. But we've been hit hard in recent years, with many natural disasters and severe weather events.¹

This means some parts of the country are riskier to live in – and insure – than others. So, many insurance companies have changed the way they calculate home and contents insurance prices to reflect this.

In the past, the different environmental risks across the country haven't been fully reflected in the price you pay for your cover. But with New Zealand being one of the riskier countries in the world for natural disasters, insurance companies have had to take another look at the way they do things.

So, if you live in a part of the country that's more prone to earthquakes, flooding or storms, your premium may be higher than if you live in a region where natural hazards and severe weather events are less likely to occur.

Part Two.

What are the types of insurance individuals might need?

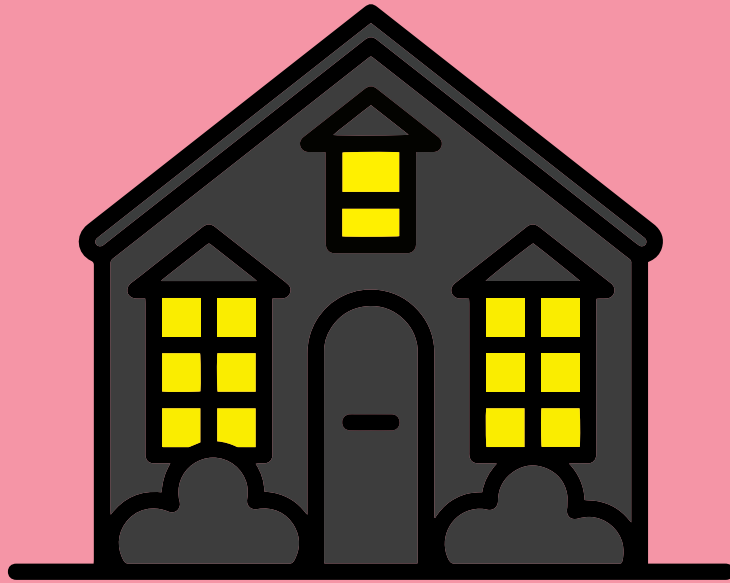
Home Insurance

If you own a home or are in the process of buying one, home insurance is essential when it comes to protecting your property against damage. Typically having a current home-insurance policy is a requirement before you take out a home loan.

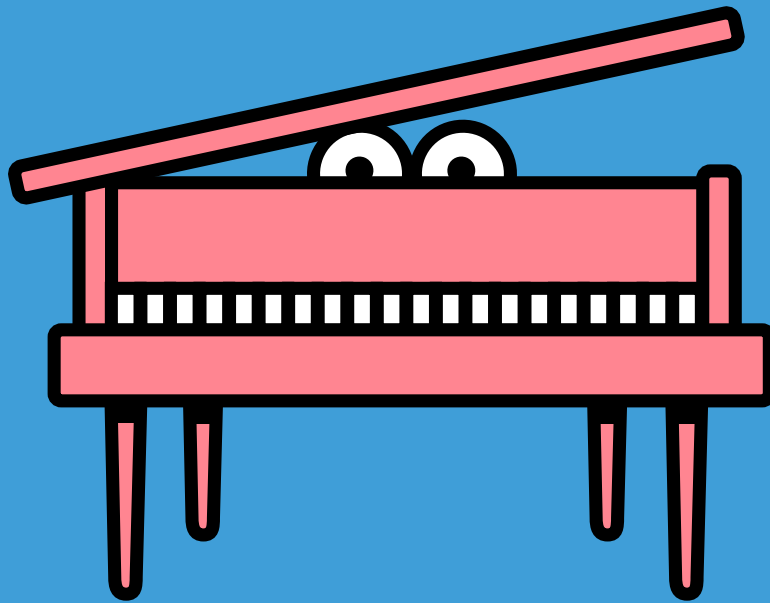
A standard home-insurance policy covers things like the main dwelling, garage and permanent fixtures attached to your home, such as windows, locks and light fittings.

Your home-insurance policy may cover you for temporary accommodation, rebuilding fees and other associated costs, up to a certain amount, if your home has been damaged.

There are different levels of cover available. The more comprehensive the cover, the more you're covered for – and the more you'll pay. If in doubt, talk to the insurance company about the specifics of what you're covered for. >



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When valuing your belongings for contents insurance, do so for the amount it would **cost to replace everything.**

Contents insurance

This type of insurance is useful for both homeowners and those who are renting as it covers the loss, theft or damage of your personal items, which can include everything from clothes and jewellery to computers, furnishings and even curtains.

It's important to note that contents insurance relates to items you own or that a family member who lives with you owns. If you're renting with others, don't expect your flatmate's policy to cover you and your possessions – you'll need your own policy.

When valuing your belongings for contents insurance, do so for the amount it would cost to replace everything. Undervaluing your contents is a common mistake made by people, leaving them short when it comes time to replace items.

HOT TIP: It pays to review the value of your belongings every 12 months to make sure you still have the right level of cover.

Landlord Insurance

This type of insurance policy is tailored specifically for those who own rental properties, of which there are around half a million in New Zealand.

Landlord insurance protects landlords against loss of rent due to property damage or in certain circumstances –

non-payment of rent, as well as any intentional damage that the property suffers.

Anything inside the property owned by the landlord can be covered, but the possessions of the tenant are not. >

Car insurance

A car can be one of the most valuable possessions a person owns, so it's important to make sure you have the right kind of insurance for it, should you be involved in an accident. Without insurance, you could be left paying for the damage you cause to someone else's car or property leaving you financially burdened.

The three types of car insurance cover are:

Comprehensive car insurance: as the name suggests, this offers the most comprehensive cover if your car is stolen or damaged, or if your car happens to damage another car or someone's property.

Third party car insurance: if you are involved in an accident, this type of insurance will cover damage done to other vehicles, but it doesn't cover your car if it is stolen or damaged.

Often those with lower-value cars, where the cost of the loss of that vehicle can easily be met by the owner, choose this level of cover.

Third Party Fire and Theft: which offers the same level of protection as Third Party car insurance but with the addition of cover if your car is stolen or catches on fire.

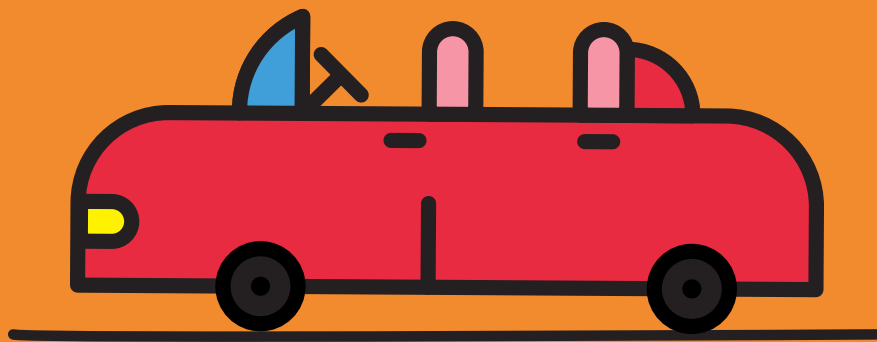
Agreed Value vs. Market value

When you're deciding on the cover you need, it pays to be aware of how an insurer will settle your claim if your car won't be recovered or repaired. Some insurers offer 'agreed value' and some 'market value' – the former means your car is insured for an agreed set amount, whereas the latter means you'll be paid either the market value of the car immediately before the loss occurred or the sum insured. Usually, it's the lesser of the two but you can check your policy wording to confirm this.

Travel insurance

As much as everyone loves a holiday, there's plenty of room for things to go wrong – lost luggage, theft of personal items, medical mishaps and transport accidents among them (some policies will even cover cancelled or delayed travel, as well as emergency evacuation).

When choosing travel insurance, take into account where you're travelling to, if you'll be travelling alone or in a group, what luggage you'll be travelling with and what activities you'll be engaging in while travelling.



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have the right insurance**



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and calculators** to
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Part Three.

What insurance coverage do I need?

When deciding what type of insurance policy to take out, it's worth asking yourself these questions:

- What things do you own of value, and would you need significant financial assistance to replace them if they were lost, stolen or damaged?
- Does the location you live in or the type of work you engage in raise or lower the risk of something being lost, damaged or stolen?
- Do you have an accurate idea about what the monetary value is of the things you own?

Most insurers will have online guides and calculators to help you work these things out, but it can also be wise to speak to an insurance company representative who will be able to educate you further on the level of protection each product offers so that you will be more able to identify the type of insurance policy (or policies) best suited to your needs. It's important to understand what is and isn't covered, so there are no surprises at claim time.

Just remember that reducing risk is the name of the game, and with a bit of research and the right policies in place, that's exactly what you'll be doing, leaving you to enjoy that well deserved, and priceless, peace of mind.

To find out more about how State can help you with your insurance needs, visit state.co.nz/all-insurance or call 0800 80 24 24

¹ICNZ <https://www.icnz.org.nz/natural-disasters/cost-of-natural-disasters/>

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