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ARE YOU ADEQUATELY COVERED FOR FIRE DAMAGE?

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Have you ever really thought about what would happen if you lost your home and all your possessions in a fire? If you live in a fire prone area, you may have an inkling of the anxiety and strain of being ordered to evacuate your home, or watching helplessly as walls of flames engulf your neighbourhood, desperately hoping that it doesn't reach your home.

Each year many families across the country -- but especially in Cape Town -- face the devastation of fire as emergency services struggle to contain a number of runaway fires on Cape Town's South peninsula, fuelled by strong winds and high temperatures.

Many people believe that the threat of a catastrophic event such as a fire or flood is far-fetched, and as a result they neglect to properly ensure their property and possessions for worst case scenarios. It's evident in the fact that people rarely update their policies as they add new assets, or relook their property replacement values and sums insured over the years says Mandy Barrett of insurance brokerage and risk advisors, Aon South Africa.

"Consider these important questions - could you rebuild your home, or buy one of equal quality with your sums insured if you lost everything in a fire? Are your home and contents insured for market value, or actual replacement value? If it is insured for replacement value, does it have a built-in inflation or cost of living adjuster that is keeping pace with inflation? Are you covered for the cost of demolition, site clearing and architect's plans if your home was burnt to the ground? Asking these questions makes most people uncomfortable as the reality is that most of us don't actually know in any real detail what we are covered for. You owe it to yourself and your family to know the answers to these questions," says Mandy.

Ensuring that you have adequate insurance cover in the event of a worst case scenario is vitally important. "Financial times are tough and many households have reduced their sums insured in a bid to try and cope with skyrocketing living costs. What most people forget to factor into their decision is the fact that they will most likely have to replace all their household content and possibly even the entire structure of their home in the event of a catastrophic event, such as a fire," warns Mandy.

If a client is under-insured, they may find themselves in a situation where they are only paid partially for a loss at claims stage. "Insurers call it the 'average formula' which means that if your property is under-insured by 50% for example, they may only pay you 50% of your claim. This happens easily where a home was bought a number of years ago. Many insure the structure of their home for the value that they purchased the property for or the current market value of the house, but as building costs escalate, the actual replacement cost -- not the market value -- could have appreciated to well beyond your insurance cover," Mandy explains.

Savvy homeowners insure on the replacement value of the structure and its contents, Mandy adds. "The replacement value covers a 'new-for-old' approach, which is why it is essential that the sum insured is adequate to cover the cost of rebuilding the same building at today's prices, including associated costs such as municipal and professional fees in addition to debris removal."

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Take a close look at your insurance policy and get the assistance of your insurance broker to ensure that you are adequately covered. "Completing a comprehensive asset register of your home and all its contents on an annual basis is an invaluable exercise in this regard. "Making a video inventory or taking pictures of your possessions is also a good idea," says Mandy. "A documented record of everything that you own will ensure that you don't miss anything and that there will be no disputes as to whether you actually had all the items you are claiming for. Keeping receipts or updated appraisals of your more expensive possessions, such as jewellery, is especially important," she adds.

The services of a professional broker could well prove to be invaluable in evaluating your exposure to a catastrophic event, such as a fire. "A professional broker will be able to facilitate the making of a well-managed insurance programme that accounts for your unique needs and risk profile, while matching your available budget. Your broker will also be able to confirm exactly what you are covered for and whether any exclusions or special conditions exist on your policy. A broker can ensure that you are in good hands in the event of a catastrophe and that there are no surprises waiting for you when you claim," says Mandy.

As a strategic alliance partner, Terrance Booysen, CEO of CGF Research Institute concludes by saying, "the advice and guidance of an independent professional broker is invaluable in doing a thorough needs analysis to ensure your policy provisions meet all your requirements as they evolve."

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