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# Vero Residential Home Policy



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Introducing your customers

## Ryan and Olivia Taylor...

You have a new customer Ryan and Olivia Taylor, who are looking to change insurers as they're not happy with their current one. They've come to you on advice from friends. During the module they will ask you questions about how this policy relates to their insurance needs.

Ryan and Olivia live in an owner-occupied home in Hamilton. They have their home currently insured for \$970,000 and are looking for Cover Option - Maxi.

The home is located on a large semi-rural property on town water supply, which includes a swimming pool, landscaped grounds and a man-made stream that has a bridge over it. Their teenage son currently lives with them in a two bedroom sleep out.



# Home definitions

Definitions explain some of the words that are frequently used in the policy wording. Defined words are shown in *italics*. This gives them the same meaning throughout the policy to aid interpretation. You will notice that a lot of the definitions are the same throughout the domestic products.

We won't be going through all of the definitions, so make sure that you read these in the policy, so you can explain them to your customers. We will concentrate on these ones:

- Home
- Room
- Residential Boundaries
- Replacement Value
- Residential Purposes



# Home

The definition of 'home' means the dwelling, including the residential flat or holiday home that is owned by the insured and is:

- Used for *residential purposes*
- Located within the *residential boundaries*
- At the address shown on the customer's *schedule*

The terms 'residential purposes' and 'residential boundaries' are defined, and we will look at this shortly.



### Included in the definition of home:

- Each additional self-contained dwelling unit that is capable of being lived in and intended by the insured to be, or actually is the home of one of more persons (if your schedule specifically indicates that the home includes additional dwelling units)
- Separate outbuilding(s) that are not self-contained or capable of being lived in, and garage(s)
- Permanent decks
- Greenhouses and garden sheds, patios, pergolas, and built-in furniture
- Aerials and satellite dishes that are attached to the home
- Fixed floor coverings (glued, tacked or smooth-edged)
- Coverings fixed to the ceiling or wall
- Curtains, drapes and blinds
- Fixed light fittings and appliances permanently wired to a gas, plumbing or electricity service
- Letter boxes, exterior blinds and awnings, fixed clotheslines and built in barbeques
- Septic tanks, heating oil tanks, service tanks, water tanks, and their fixed pumps and systems
- Permanent spas or swimming pools, including their fixtures, covers, pipes and fixed pumps
- Walls, fences and gates

- Solar panels
- Gas pipes, fresh-water pipes, underground drainage and sewerage pipes
- Cables and poles associated with electricity, data, and telephone services
- Any driveways, paths, patios, bridges, paving, and tennis courts
- Private roads, lanes, rights of way, access ways or bridges that provides access to a driveway owned or shared by the insured for which they are responsible
- Permanently installed ornamental fish ponds and features connected to the dwelling's water supply
- Sculptures and artwork that are permanently fixed to buildings or land



- The customer's share in any walls (except retaining walls), fences, gates, pipes, cables, or driveways where they are jointly owned with other property owners
- Any part of the home used as a home office or health care practice

If you think about your new customers Ryan and Olivia, you'll see that their swimming pool and the bridge over the man-made stream would be covered under the definition of 'home'.

### Not included in the definition of home:

- Contents
- Temporary structures
- Retaining walls, except for the cover provided under the Cover Option - Maxi 'Retaining Walls' benefit
- Power generation and power storage equipment, except for the cover provided under the Cover Option - Maxi 'Power generation equipment' benefit
- Hedges, trees, shrubs, plants, lawns and garden edging except where cover is provided under the 'Landscaping' benefit
- Landlords furnishings (unless the optional benefit Landlord's Extension is shown on the schedule)
- Any boarding house (as defined by the Residential Tenancy Act 1986)
- Wharves, piers, jetties, or similar structures
- Culverts, ponds, dams and slipways
- Sea walls, flood walls, and levees
- Other property owners' shares in any walls, retaining walls, fences, gates, pipes, cables, or driveways that the insured jointly owns with those property owners
- Land earth, or fill



# Room

This definition clarifies what we mean by the term room to avoid confusion around what a 'room' is in the event of a claim. The key point to note that areas separated by doors, doorways or stairs will be considered separate rooms.

Where stairs are involved in the damaged area then these will be included in the 'room'.



# Residential boundaries

This definition sets out what the term 'residential boundaries' means and is of particular importance to homes in rural locations.

Residential boundaries doesn't include any part of the land which is used for commercial or farming purposes.

Where a property is more than 10,000 square metres in size and is not on town water supply then cover is restricted to 150 metres around the dwelling or garage. Whilst this might not seem a big deal, it could have an impact on benefits such as Landscaping, Retaining walls and Power generation equipment. etc.



Ryan wants to know how this definition will affect their property, given that they live in a semi-rural location. What will you tell him?

*Although Ryan and Olivia's property is in a semi-rural location, because it's on town water supply the restriction in coverage doesn't apply to their situation.*



# Residential purposes

You will recall from looking at the definition of 'Home' that it said where the home is used for residential purposes.

So, what does that mean?

Well this term is also defined in the policy wording and means the ordinary domestic activities of life and excludes activities undertaken for commercial or business purposes.

Remember that the policy does allow cover for part of the home being used for a home office or healthcare practice, and we'll look at this later in the module.



# Replacement cost

Another important definition you need to know is Replacement cost and is often misunderstood.

For a home, the replacement cost is the amount that is needed to completely rebuild the home to the replacement condition if it was totally destroyed.

Replacement Condition is also defined in the policy and means that the home is rebuilt to the same standards or specifications as when it was new using building techniques and materials that are currently available.



# A final thought on Definitions

Remember when you looked at the definition of Home, you found that there are some items which are not covered e.g. landscaping, the land the house is on or wharves, piers and jetties etc.

Limited cover for some of these items can be brought back into the policy again through the Benefits section.

This enables us to cover these items under specific circumstances only and to apply a sub-limit which reduces our exposure to losses.



Olivia has realised their landscaping is not covered under the definition of home and is concerned about lack of cover.

What will you tell her?

*Although this is excluded under the definition of home, some cover is brought back in through the Landscaping benefit to provide cover. You should point out the extent of cover provided by the benefit and also the limit that applies, so that they know exactly how much they may get in the event of a loss covered by the benefit. Did you get the same answer?*

# What's covered

Let's look at what will be paid under the Home policy. This is detailed in the 'What you are insured for' section of the policy wording.

## There are two cover options:

- Maxi, which provides cover for accidental loss or damage for replacement cost.
- Flexi, which provides cover for specific types of loss to the home for indemnity value.

Indemnity value is also defined in the policy. Take a few minutes to read this now so that you can explain this to a customer when required.

The cover option selected will be shown on the insured's schedule.



# How we may settle a claim

What Vero will pay will be dependent on the cover option taken. However, remember that no matter which cover option applies the maximum amount we will pay is the sum insured shown on the schedule.

There are some benefits that are paid in addition to the sum insured, please refer to 'The maximum we'll pay for your claim' section in the wording for details.



## Cover Option - Maxi

Vero may choose to settle the insured's claim in one of the following ways:

- Repair or rebuild the home to the replacement condition
- Pay up to the replacement cost to let the insured repair or rebuild their home. We'll pay after they have incurred the cost.
- Pay up to the replacement cost we believe the insured will incur within 12 months
- Pay the replacement cost to rebuild at a different location. This may be necessary if the insured is unable to rebuild on the same site e.g. Canterbury earthquakes
- Pay the replacement cost to buy an existing home elsewhere

- Pay the indemnity value if the insured doesn't intend to repair or rebuild within 12 months unless we agree to extend that time
- We'll first pay any part of the replacement cost to any mortgagee or party with a secured financial interest in the home.

Most policies that customers take out are for Cover Option - Maxi, and so we will be focussing on this cover throughout the module.

## Cover Option - Flexi

Where this cover option is taken Vero will pay the indemnity value.



## Limits on what we pay:

The policy does contain some limitations on what is paid, and we will look at some of these, so you can explain them to customers.

1. It is important to note that the payment of some benefits is **within** the sum insured, not on top of it. If you are talking to a customer regarding the sum insured, please ensure they are aware of this as the customer will need to take this into account when determining what the sum insured should be.
2. Private roads, lanes, bridges etc are limited to \$50,000 irrespective of the cover type. So, thinking of Ryan and Olivia you need to make them aware of this limit for their bridge over the man-made stream.
3. If the home is registered with the NZ Historic Places trust, then we won't pay any additional costs or fees required to comply with any heritage covenants.
4. Vero limit the area that we will replace floor coverings to the room or rooms where the damage has actually occurred, as our responsibility is to put the insured back in the same financial position they were in prior to the loss. Re-covering rooms that were not damaged will actually put the insured in a better position than they were prior to the loss.

Therefore, when selling this cover, it is important to ensure the customer understands not only the limitation but the reasons why.

5. There are some items that have an expected life span, as use over time will experience wear and tear and they will deteriorate as a result.

Where the insured has Maxi cover we will pay indemnity value on Outdoor shade cloth or fabric over 5 years old. If anyone other than the customer occupies the home, we will only pay indemnity value for any fixed floor coverings over 5 years old.



# Benefits

There are some benefits that apply to both cover options under the Residential Home policy, while others only apply to Cover Option - Maxi.

In addition, the limits payable under some of the benefits are for any one period of insurance rather than per event. While you're not expected to memorise all of this, you need to be able to find this information in the policy, understand what it means, and be able to explain it to your customers.

Optional benefits only apply if they are shown on the client's schedule. These must be requested and paid for prior to a loss in order to apply.



We won't be going through all of the benefits in this module, so take some time to read all of the benefits and not just the ones listed below.

### Benefits we'll look at that apply to Cover Option - Flexi and Cover Option - Maxi:

- Landscaping
- Property owner's liability

### Optional benefit we'll look at that applies to Cover Option - Maxi:

- Landlord's extension

### Benefits we'll look at that only apply to Cover Option - Maxi:

- Electronic programmes
- Environmental improvements
- Gradual damage
- Methamphetamine contamination
- New building work
- Power generation equipment
- Retaining walls
- Resetting or reprogramming your security system
- Stress payment
- SumExtra
- Tree removal
- Water or sewage pipe blockage

## Benefits that apply to Cover Option – Flexi and Cover Option – Maxi: Landscaping

The key point to note with this benefit is that it applies if the home was damaged in the same event, or where a vehicle not belonging to the insured causes damage to gardens, garden edging or lawns without damaging the home.

The maximum payable for any one event is \$5,000 for Cover Option - Maxi and \$2,500 for Cover Option - Flexi.

The benefit doesn't include paving, as paving is covered under the definition of 'home' and so isn't limited by this benefit.

Remember Olivia's question on landscaping from earlier in the module? This is where you can provide her the details of what is covered, including the limits that apply.



## Benefits that apply to Cover Option – Flexi and Cover Option – Maxi: Property Owners Liability

This benefit provides cover for the insured's legal liability for accidental damage to someone else's property or bodily injury.

This benefit is complex, so we'll go through it in stages.

Let's start with what bodily injury means as it has a wide definition that covers bodily injury (including death), illness, disability, disease, shock, fright, mental anguish or mental injury.



## Liability for damages

This covers the customer's legal liability to pay damages for loss or damage they cause to someone else's property or accidental bodily injury. Damages is a defined term in the policy wording that means money you have to pay because of a judgement against you, or a settlement we negotiate. Damages also includes the other party's costs, and interest.

Damages doesn't include:

- punitive or exemplary damages
- reparation
- fines
- taxes
- any other kinds of penalty or compensation, financial or not
- any other payment that is unlawful to insure against.

## Liability for reparation

This section covers a customer's legal liability to pay reparation for loss or damage to someone else's property or accidental bodily injury.

Reparation is an amount a New Zealand court orders you to pay to the victim of an offence under section 32 of the Sentencing Amendment Act 2014.

Reparation doesn't include:

- Reparation arising from an offence under the Health and Safety at Work Act 2015
- damages, court costs, fines, any other kind of penalty (financial or not), taxes any payment that is unlawful to insure against
- the insured's legal defence costs or expenses relating to an offence.



## Limits on what we'll pay for Property owner's liability

For any one event, we'll pay:

- for loss to someone else's property, up to \$2,000,000
- for bodily injury, up to \$1,000,000.

The most we'll pay for all legal liabilities for damages and reparation is a combined total of \$2,000,000 during any period of insurance.

There are some situations however, when this benefit does not apply:

- Damage to property that belongs to the insured or is under their control
- Liability arising out of any business or profession or employment
- Liability arising from the ownership, possession or use of any mechanically propelled vehicle, trailer, aircraft or boat
- Liability arising from ownership or possession of any animals other than domestic pets
- Liability assumed by agreement (i.e. the insured agrees to be liable in a certain situation)
- Where any exclusion in the 'Exclusions - things we don't cover' section applies

## Property owner's liability – an example

So, let's look at an example of this using Ryan and Olivia's situation. Their next-door neighbour lives in a very large and expensive home.

Ryan and Olivia are cutting down a large tree on the boundary with their neighbour. The tree falls the wrong way and crashes onto the neighbour's home causing extensive damage. Ryan and Olivia are found to be responsible and have to pay for the damage.

Even though the neighbours are insured, there's potentially uninsured items or restrictions in their cover that they will want to seek recovery from Ryan and Olivia for, who of course will be liable.

Luckily the Property owner's liability benefit takes away that stress and provides cover in this situation.



## Benefits that apply to Cover Option – Maxi only

Now that we've looked at some of the benefits that apply to both cover types, let's have a closer look at some that only apply to Cover Option - Maxi, starting with Gradual damage.



## Benefits that apply to Cover Option – Maxi only

### Gradual damage

Gradual damage is excluded by the policy wording but the Gradual damage benefit partially overrides the exclusion and gives customers limited cover for hidden gradual water damage.

What cover does this benefit provide?

- Payment is limited to \$3,000 any one event
- It must have started after the customer bought the home
- Cause must be from water leaking or overflowing from an internal water system
- Includes costs for searching for the source of the problem but doesn't pay for the actual repair of the leaking pipe or system

Internal water systems are defined within the benefit and you need to know what these are so that you can accurately advise your customer and to avoid any issues in the event of a claim.

An internal water system is either of the following:

- any water pipe, waste disposal pipe, or water storage tank which is permanently connected and contained within the walls, cupboards, floors, ceiling, or roof of the home
- any pipe hidden from view that is connected to a water cylinder, refrigerator, water purifier, washing machine, dishwasher, or similar household item that is designed to both receive and release water. An internal water system does not include the appliance itself.

## Benefits that apply to Cover Option – Maxi only

### Electronic programmes

There are an increasing number of homes that have electronic equipment controlled by computer software.

In the event this type of software suffers a loss, this benefit will pay to re-set, restore, or re-programme the software.

Note however, it doesn't provide cover for the loss of any data stored on the equipment.



## Benefits that apply to Cover Option – Maxi only

### New building work

New building work includes any or all of the following:

- new separate structures at the situation address (the structure must fall within the definition of home and be covered by the policy when complete)
- structural work being done to upgrade existing fittings or features within the home
- materials at the location shown on the schedule that will be part of the new structure.

Cover is limited to specific defined perils only, and these are listed in the benefit so read these now, so you know the extent of cover provided.

The limit for this benefit is \$25,000 any one period of insurance.

There are 6 circumstances that are not covered under this benefit:

- Where the expected value of the completed work, or price of the contract including materials is more than \$25,000
- Excavations deeper than 1 metre
- An extension (such as an extra room) is being added to the existing home
- Any building for commercial purposes
- Any work where a building consent hasn't been granted and one is required
- Any work that is covered under a separate Contract Works policy.

You can see from this that this benefit is providing limited cover for minor works and should not be used to replace a Contract Works policy where this is more appropriate.

## Benefits that apply to Cover Option – Maxi only

### Power generation equipment

The limit for this benefit is \$10,000 and is paid within the sum insured so if you are discussing this with customers, you need to tell them to make an allowance for this in the sum insured so they are adequately insured in the event of a total loss.

Power generation equipment is defined within the benefit so read this now, so you know what is included within the definition.

The cover provided is limited to specific perils only.

Where the equipment is on land owned by the insured, and it provides power to the home, cover is provided for loss to power generation equipment resulting from:

- Fire, explosion, lightning
- Impact by a vehicle or animal
- Impact from aircraft or other aerial devices, or articles dropped from them
- Natural disaster.



Ryan Taylor has a question for you on this benefit. While they don't own any of this type of equipment he has the benefit of being able to use a wind turbine located on his neighbour's property to help generate electricity for the sleep out located on Ryan and Olivia's property. He wants to check out if this would be covered under their policy. What will you tell him?

*So how did you do? Did you tell Ryan that this benefit won't cover the wind turbine giving power to the sleep out, as it's located on his neighbour's property and it is not owned by him. He might want to check with his neighbour that their insurance has cover for the wind turbine.*





## Benefits that apply to Cover Option – Maxi only

### Retaining walls

Damage to retaining walls can be very costly to repair.

This benefit limits the amount that will be paid out in any one event to \$80,000, which includes the wall itself, the cost to get access to the wall, stabilise the soil and provide footings and drainage.

The policy automatically allows for a higher limit (up to the value of the retaining wall) provided the insured has a pre-loss valuation issued by a quantity surveyor, qualified valuer or builder prior to the loss that separately identifies the replacement cost of all retaining walls and the customer's sum insured represents the total replacement value outlined in the valuation.

The important points to remember are:

- Retaining walls are only covered under this benefit, if their sole purpose is to retain land
- Retaining walls over 1.5m are only covered if the appropriate local authority has issued the appropriate permits, consents or certificates.
- This benefit is paid within the sum insured, and not on top of it
- There is no cover provided for any retaining walls that are incomplete

Note: The policy does not provide cover for sea walls or flood walls (as their sole purpose is not to retain land, but to repel water from entering/damaging the land and they are outside the Vero risk appetite).

## Benefits that apply to Cover Option – Maxi only

### Resetting or reprogramming security system

This benefit provides cover to reset or re-programme an insured's security system where it was activated during a burglary or attempted burglary.

It doesn't cover maintenance costs for the system.

The benefit limit is \$500 any one period of insurance.



## Benefits that apply to Cover Option – Maxi only

### Tree removal

Where a customer has a tree (or part of a tree) that falls onto their house and we have accepted the claim, this benefit will cover the reasonable costs to remove the part(s) of the tree to allow repairs to be carried out.

We will also pay a maximum of \$2,000 to remove the rest of the tree, including any part that hasn't fallen.

We'll never pay for the removal of tree stumps from the ground. We won't pay if the insured was aware prior to the loss that the tree was unstable and needed to be removed anyway.



Ryan Taylor has another question for you. They have a large number of trees on their property that are well established and therefore quite tall. He knows that if one of these falls on their home and damages it this benefit will cover the cost to remove the tree, but he's wondering about parts of the tree that may not have fallen but still need to be removed. What will you tell him?

*So how did you do? Did you tell Ryan that this benefit also covers the removal of the parts that haven't fallen and that the benefit limit includes this? If you didn't then have another read of the benefit*

## Benefits that apply to Cover Option – Maxi only

### Stress payment

Where the insured suffers a total loss, and a claim is accepted under the policy, we will pay the insured an additional \$5,000 for the stress caused by the loss.



## Benefits that apply to Cover Option – Maxi only

### Water or sewage pipe blockage

This benefit provides \$1,500 cover (again in any one period of insurance) for water or sewer pipes that are blocked by something other than tree or plant roots.

Cover applies within the residential boundaries only, so for homes in rural areas on properties on tank water over 10,000 sqm in size cover may be limited.

It covers the cost to clear the blockage and repair damage caused from the work needed to clear the blockage. For example, if the blocked pipe was under a driveway that needed to be dug up in order to clear the pipe, then this benefit would pay to fix the driveway as well, within the \$1,500 benefit limit.



## Benefits that apply to Cover Option – Maxi only SumExtra

This benefit applies where the home is insured for replacement cover i.e. not indemnity value. If the replacement cost for the home is more than the customer's sum insured, we'll pay one of the following:

- Losses caused by Natural Disaster where we will pay up to a further 10% of the sum insured towards the replacement cost, and
- The part of the replacement cost that exceeds the sum insured, if the loss arises from any cause we cover other than natural disaster.

Of course, there are some conditions that our customers need to meet for this to apply and these are set out in the benefit wording.

The conditions are:

- We settle the claim by paying the replacement cost using any of the options number 1 to 4, under the heading 'How we will settle your claim'
- At the time of loss, the sum insured equals or exceeds a written estimate of costs reasonably necessary to rebuild the home. The standard of the rebuild used for the written estimate of costs must:
  - be to a standard or specification similar to, but no better than, your home's condition when new
  - use equivalent techniques and building materials readily available in New Zealand.
- The insured must have obtained the written estimate of costs from one of the following.
  - The online rebuilding cost calculator on our website, or another online rebuilding cost calculator that we accept.
  - A registered valuer, registered quantity surveyor, building practitioner holding a suitable trade licence, or another building specialist, that we accept.
  - Any other method or source that we accept.
- The written estimate of costs provides a complete and correct description of the home and is less than 3 years old at the time the sum insured was most recently agreed - which could be when they purchased the policy, anytime during the period of insurance, or at their last renewal.

## Benefits that apply to Cover Option – Maxi only

### Methamphetamine contamination

This benefit applies to tenanted homes and owner occupied homes where the loss is caused by unknown people entering the home while the home was unattended.

The benefit covers damage as a result of contamination by manufacture, storage or use of methamphetamine or its precursor chemicals by the tenant or people at the home with their permission, where the level of contamination exceeds  $15\mu\text{g}/100\text{cm}^2$ .

Note that:

- Decontaminating land is not covered
- If we have already paid a claim for damage from the current tenant, then there is no further cover for the same tenant. The assumption here is that the landlord would evict a tenant if they were found to be manufacturing or using drugs at the home
- The customer must comply with the Landlord's Obligations policy condition (we will go through these later in this module)

We will pay to achieve acceptable post-remediation contamination level of less than  $1.5\mu\text{g}/100\text{cm}^2$  up to a maximum of \$50,000 for any one event.



Ryan and Olivia have a question for you about the sleep out on their property, which is currently being used by their son. He will be heading to university soon and won't be living at home so they're thinking about using it to get some extra income. They're not sure whether to rent it out as a casual holiday rental or something more long term. They're worried about the sleep out becoming contaminated from meth and want to find out if this benefit will cover them.

What will you tell them?

*The answer will depend on what they decide to do. This benefit applies to tenanted homes, which under the definitions means that there must be a tenancy agreement in place for a period of 90 days or more. So if they do a long term rental, then this benefit will apply subject to them meeting the Landlord's Obligations contained in the policy. However, if they only use it as a casual rental then this is unlikely to meet the 'tenanted' definition and cover won't apply. If methamphetamine contamination is something that concerns them then they need to factor that in when they make their decision on how to rent it out.*



## Benefits that apply to Cover Option – Maxi only

### Environmental improvements

This benefit will pay up to \$3,500 for the additional costs to purchase and install environmental improvements to the customer's home where:

- The loss or damage to the home is more than 80% of the sum insured, and
- The customer's home doesn't already have the relevant environmental equipment, and
- Vero are authorising and arranging the repairs to the home, and
- The customer obtains Vero's agreement before the equipment is purchased



## Summary

You've just gone through many of the benefits and you should familiarise yourself with the remaining benefits contained within the policy wording that we didn't cover here. However, the following ones are the ones you really need to understand as they are either complex, come up often, or can create issues at claim time:

- Property owner's liability,
- Gradual damage,
- New building work,
- Retaining walls,
- SumExtra, and
- Methamphetamine contamination

If you're unsure about any of these please seek clarification from Vero.



## Optional benefit - Cover Option – Maxi

### Landlord's extension

Note: This benefit is available under Cover Option – Flexi, however the cover varies from the Cover Option – Maxi version. Please refer to the policy wording for details.

This is the only optional benefit available under Vero Residential Home, and must be specifically requested, paid for and shown on the customer's schedule, in order for cover to be provided.

For Cover option - Maxi, cover is split into four areas; Malicious Damage, Landlord Furnishings, Loss of Rent due to loss covered by this policy, and Loss of Rent due to non-payment by tenants.

Here's what they cover.

### Malicious damage

- Covers malicious, intentional or deliberate damage to the home or theft of any part of the home caused by the tenants or someone at the home with the tenant's permission
- Pay the reasonable cost of rebuilding or repairing the damaged portion of the home
- Maximum amount per event is \$30,000
- We will pay indemnity value if insured doesn't rebuild or repair within a reasonable time
- We'll only provide cover under this benefit for loss caused by one event while the home was let to the same tenants or under the same tenancy agreement.

## Landlord's furnishings

- Cover is for indemnity value only
- Only covers the following items if they are not permanently wired into the home: dishwashers, stoves, refrigerators, washing machines, dryers, and built in microwaves.
- Maximum amount payable per dwelling under this portion of the benefit is \$20,000 or the amount shown on the insured's schedule, whichever is higher

## Loss of rent due to loss covered under policy

- Must be uninhabitable either due to loss covered by the policy or where the government/local authority prevents access to the dwelling due to possible or impending damage to an otherwise safe home.
- Pays for average weekly rental per dwelling unit up to a maximum of \$40,000 for the period necessary to repair or replace the home up to 12 months. If home is not being reinstated, then cover is limited to two months loss of rent.
- For cover to apply the dwelling needs to be occupied by tenants and have a signed agreement to rent the property for a period of at least 3 months.

## Loss of rent due to non-payment by tenants:

Will pay for loss of rent due to non-payment by tenants in four situations:

- Where the tenant lawfully vacates the home to due prevention of access to the home, or because of failure of public utilities. We will pay a maximum of 8 weeks rent
- Where the tenant vacates the home without giving the required notice. We will pay a maximum of 8 weeks rent
- Where the tenant is lawfully evicted from the home because of non-payment of rent. We will pay a maximum of 12 weeks rent
- Where the Tenancy Tribunal makes an order for the tenant to leave the home and for the tenancy to end. We will pay a maximum of 12 weeks rent, provided that the order is enforced within five working days of the order being issued.



## Olivia has a question



Olivia has another question for you related to the sleep out. Given your answer to their last question, they're thinking that they will rent out the sleep out on a long-term tenancy arrangement and so will want to purchase the Landlord's Extension optional benefit.

They will be leaving beds and a sofa in there and want to know if this is covered under the landlord's furnishings part of the benefit. What will you tell Olivia?

*Hopefully you told Olivia that these aren't covered under the landlord furnishings part of the benefit. The Landlord's extension has a defined list of what is considered 'landlord's furnishings' and means dishwashers, stoves, fridges, washing machines, dryers and built in microwaves.*



# Exclusions

Exclusions are events or items that are not covered under the policy.

These are detailed under “Exclusions - things we don’t cover” in the Home policy wording.

We won’t be going through all the exclusions here, but will focus on:

- Business use
- Home defects
- Household pets
- Hydrostatic pressure
- Illegal drug contamination
- Land
- Natural disaster
- Some events in the first 72 hours of this policy
- Uncertified home
- Unoccupied homes

Before we move on, take some time to read through the other Exclusions now. When reading these pay attention to 'Exclusion - things we don't cover'. This excludes cover from a wide range of causes, so you need to make sure you're across all of them.

### Question?

If Ryan and Olivia ever decided to move their house on their property (like the image shown) do you think that if the house was damaged as a result it would be covered?

When a house is lifted or moved, it is possible that some damage will occur as a result.

Vero therefore excludes this type of event, so if Ryan and Olivia ever decided to do this you should let them know that any damage would be excluded under this particular insurance policy.





## Natural disaster

The natural disaster exclusion excludes loss in any way connected with any of these:

- earthquakes or natural landslips
- volcanic eruptions or hydrothermal activity
- tsunami
- fire resulting from any of the above.

However, cover is then brought back in under the 'Natural disaster' benefit.

## Home defects

This exclusion relates to loss or damage as a result of the home failing to prevent or manage the presence or penetration of moisture or water.

Some buildings constructed within the last 20+ years are displaying chronic rot of timber framing and other damage to construction materials because these buildings were unable to prevent or manage water from entering the home. This is particularly noticeable in residential type complexes and houses built after 1996 when kiln dried timber (instead of treated timber) was used in the framing, combined with changes in materials and building practices relating to external cladding.



Water ingress into a building structure has not been properly taken into account when the:

- Buildings were being designed,
- Building systems (including cladding materials) have been incorporated therein, and
- Construction methods have been applied.

The building industry has known about this problem since approximately 1999 when rot started appearing. More developments/houses built prior to recent Building Act changes are starting to experience these problems and the nature of these problems is becoming more severe.

In essence this exclusion is as a result of the “Leaky Home Syndrome”. This exclusion is included within the Vero Home policy to ensure that Vero does not pay for claims due to houses being designed or built in a way that does not prevent water entering the home or to allow water to escape the structure.



## Unoccupied homes

This exclusion removes cover for any home that is unoccupied, and includes homes used as holiday or weekend homes that we have not previously been advised of.

The term 'unoccupied' means that no authorised person has slept there overnight in the previous 60 days.

If the customer wants to retain cover for their home while it's unoccupied then the first thing they need to do is to notify Vero in writing and have us agree to maintain the cover. Then they need to:

- Make sure the home and lawns are kept in a tidy condition, and
- Keep all external doors and windows locked, and
- Ensure all mail and papers are collected regularly, and
- Make sure the home is under regular supervision (or monthly if it's a holiday home).

However, where the insured normally occupies the home and travel, or medical commitments mean that the house is unoccupied for more than 60 days, we will give cover for an additional 30 days provided these requirements are met.



Ryan Taylor phones to check out his cover as the house is going to be unoccupied for a while.

He is taking his wife Olivia overseas for a three-month holiday to celebrate their wedding anniversary.

He tells you that their son will be at home for the first six weeks but will then be away at university, so the home will be vacant. Neighbours will clear the mail every day and keep checking the property. They have a regular person who comes in to mow the lawns every fortnight. What would you tell Ryan?

*Hopefully you told Ryan that although they will be away for three months, the property will only be unoccupied for six weeks as their son will be living there for the first part of their trip. This is still within the time period advised in the exclusion, so he will still have cover. However, you will let Vero know just in case anything happens.*



## Land

In essence the land exclusion sets out that land is not covered under the policy, including costs to stabilise, improve or upgrade land to avert or mitigate loss.

In addition, the land exclusion states that where there has been an accepted and paid EQC claim for damaged land, but the land damage has not been repaired, there will be no cover under this policy for any damage to the home (as a result of the failure to repair the land).

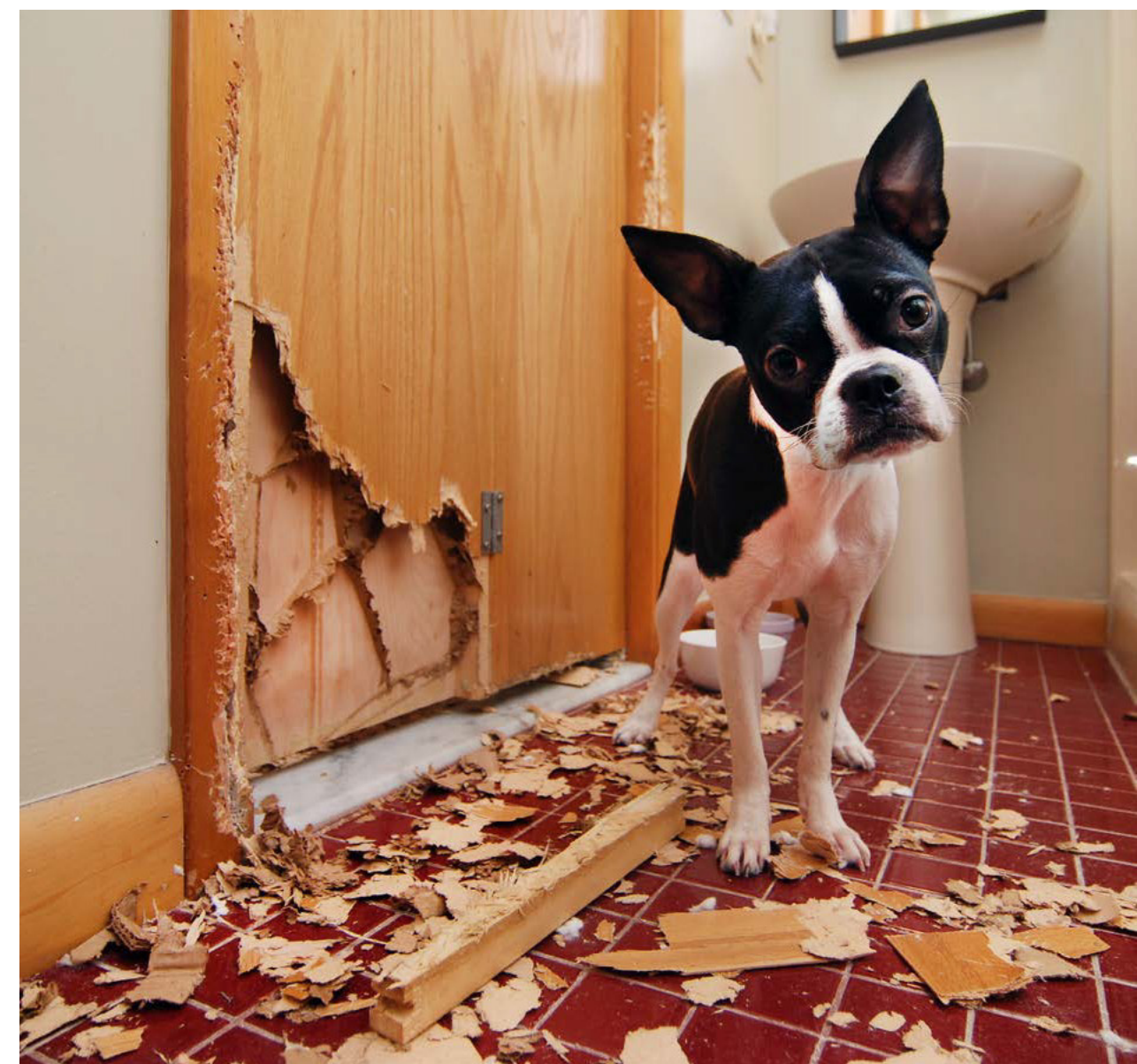


## Household pets

This exclusion is designed to exclude damage by household pets in tenanted situations i.e. where the occupant of the home is anyone other than the insured.

Damage excluded by this is:

- Scratching,
- Chewing,
- Tearing, or
- Soiling



## Illegal drug contamination

This exclusion removes cover for any loss or liability arising from the manufacture, storage or use of any illegal drugs or substances, including any pre-cursor chemicals or materials.

However, the exclusion does allow limited cover under the policy:

1. If the home is tenanted, then cover is provided under the Methamphetamine Benefit (if Cover option - Maxi applies) which you have already looked at in this module, or
2. Where the home is normally occupied by the customer and an unknown person breaks in when the home is unattended (but not unoccupied) then the Methamphetamine Benefit will extend to cover this situation (if Cover option - Maxi applies), but the benefit limit will not apply, or
3. Where the loss or damage to the home is a result of fire or explosion.





## Some events in the first 72 hours of this policy

This excludes loss or damage caused by storm, flood, landslip, bush fire or volcanic activity for the first 72 hours when a policy is first taken out.

It doesn't apply if:

- The policy is replacing another (either with Vero or another insurer) immediately after the other policy that covered the home for the above mentioned perils, or
- Where the policy was taken out by the customer when they first purchased the home



## Hydrostatic Pressure

This exclusion relates to swimming or spa pools that are set in the ground.

Hydrostatic pressure is the force put upon a submerged object by surrounding fluid to displace it. When a swimming or spa pool is put in the ground, the water in the soil around the pool will naturally push against it.

When the pool is full of water then the force of the water inside the pool will push back and will balance out the force of the water in the soil.

However, if the pool is empty then the force pushing against the pool can sometimes cause the pool to pop out of the ground, causing damage. This kind of damage isn't covered under the policy.



## Uncertified home

This exclusion removes cover for loss or damage to the home that results from, or is in connection with, or is consequent on the failure of the home to meet standards for the home prescribed in any Regulation, Act, or By-Law.

An example is where the home has been built or modified by someone who is not licensed to carry out such work, and say completes the wiring or plumbing work without obtaining sign-off from a licensed tradesperson, and the wiring or plumbing causes loss or damage to the home. If this was to occur, then that loss or damage would be excluded by the policy.



## Business use

This exclusion removes cover for any loss or liability from using the home for a business. The exclusion doesn't apply to any part of the home used as a home office or healthcare practice or where Vero has been advised of and agrees to allow cover for another form of business.



Olivia is concerned that this means there isn't any cover for her work from home as an Accountant. What will you tell her?

*So how did you do? Did you tell Olivia that her use of the home as an Accountant is covered as it would fall under the definition of home office, so she doesn't have to worry as this exclusion doesn't apply to her.*



## Policy conditions and other important information

Just like exclusions, there are many policy conditions and responsibilities contained in the Home policy that are the same as in other personal lines insurance policy wordings.

We won't be going through all these here, so take some time now to read through the above sections. We'll be focussing on the following:

- Landlord obligations
- We don't cover you if you breach these terms
- You must take all reasonable steps to prevent loss
- Making a claim
- Information given to us must be correct
- You have a duty of disclosure
- This policy can cover multiple parties as joint insureds
- Qualifying for our Multi-policy Discount



## Landlord obligations

The aim of this condition is to make sure landlords are taking reasonable precautions to ensure their property is kept free from damage.

There are three parts to this condition.

Select tenants with care & Inspect your property every time the tenancy changes and at least once every 6 months

These apply to all tenanted homes irrespective of whether the customer has taken the optional benefit Landlord's extension.

Landlords (or their property managers) must take care when selecting tenants and ensure they get references for each adult prior to the tenants moving in and keep these so that they can be produced if we ask.

They must also complete a six-monthly inspection of the property (or whenever there is a change of tenant) and keep written records (including photos) of this.

You have additional obligations if you've chosen Landlord's extension

For customers who have taken out the optional benefit Landlord's extension, then they have an additional obligation to mitigate any potential loss of rent from the property by taking all reasonable steps to find suitable new tenants as quickly as possible. Also, they need to monitor the rent and act if it is not paid by the tenants.

## We don't cover you if you breach these terms

This policy condition outlines that there is no cover if the customer has not met the policy terms and conditions.

This condition also gives Vero the right to void the policy for non-disclosure. The customer must disclose all material facts to enable Vero to make an informed decision on the risk they're being asked to insure.

If they don't disclose a material fact and Vero void the policy then it's treated as if it never existed and could be from the renewal date, or inception depending on when the non-disclosure occurred.

You should highlight this to your customer when talking to them so that they understand their obligations. If they're in doubt it's better to disclose it.

## You must take all reasonable steps to prevent loss

The customer must take all reasonable steps to maintain their home in good repair and to prevent a loss.

The policy won't respond where the customer was reckless or grossly negligent. In New Zealand, the legal position is that the courts will consider what a reasonable person would have done in the circumstances of each particular case. As such, a customer who disregards a significant risk that would have been obvious to a reasonable person (who would not have taken such a risk), can be considered grossly careless, grossly negligent or reckless.

## Making a claim

When a customer needs to make a claim, the Making a claim section sets out what they need to do. Remember that when a claim occurs it can be an emotional time for your customer and they may not remember this information, so you can assist them by reminding them of what they need to do.

Take a few minutes now to read through this condition so you are comfortable with that your customers need to do when making a claim.

The key points to remember here are:

- They need to notify us as soon as possible and take reasonable steps to minimise any damage
- Don't start any repairs until the Claims team have advised that this can be done or get rid of any damaged items until they've been

inspected (or told that they don't need to be inspected). The exception here is if the damaged items are a health and safety issue and then the customer should take photos before they dispose of the item(s)

- If the loss is due to a burglary or theft, then notify the Police immediately. The Claims team will need the Police file number, or the name of the officer that was spoken to
- Provide any information that the Claims team asks for and co-operate with people appointed to help resolve the claim, as well as provide any assistance needed to take recovery action against a person(s) that is responsible for the loss
- If the home is tenanted and the landlord is legally allowed to withhold some of the bond, then not to refund the bond to the tenant until the claim is resolved.



## Information given to us must be correct

This condition reminds the customer that they need to ensure that all the information they give to Vero is complete and correct whether this is in taking out a policy, changing or renewing a policy, or making a claim.

If the customer supplies false information or fails to tell us all the information, then we may decline the claim or cancel the policy (as set out in the 'We don't cover you if you breach these terms' condition).

## You have a duty of disclosure

This condition means that the customer must give us all the information we need in order to make a decision issuing, altering or renewing a policy (as we discussed earlier in the module).

This also means that if any circumstances change with the risk or with the customer this needs to be advised to Vero immediately so that the risk can be re-looked at and terms altered if required.

So, thinking about Ryan and Olivia, if either of them received a criminal conviction they would need to let us know immediately and then we would look at the circumstances of the conviction and decide if we want to continue to insure them, and if the answer is yes, do any additional terms need to be applied.

## This policy can cover multiple parties as joint insureds

Where the policy is insured in joint names or includes the name of a Trust then actions of any one of the parties will impact the cover provided under the policy.

So, let's illustrate this using an example with your customer Ryan and Olivia Taylor.

Say Ryan and Olivia suffer a burglary at their home and Olivia's jewellery and some electronics are taken. When they submit the claim, Ryan changes the details of the electronics that were stolen to be later, more expensive models so that they will be able to replace what was taken with newer versions. Olivia doesn't know that Ryan has done this and assumes that everything is okay. During the claim Ryan's deception is found out and he admits the fraud and the claim is declined. Olivia is unhappy as she was unaware of what Ryan did and thinks she should at least have her jewellery paid out given she wasn't party to the deception. This condition means that although she wasn't aware of it, because the policy is in joint names Ryan's actions mean she won't be paid for the jewellery that was taken.

This means that Ryan and Oliver are unable to benefit under the policy if either or both of them breach the policy conditions, as they are jointly responsible under the policy.

## Qualifying for our Vero Multi-policy Discount

When discussing new policies with customers, please ensure you ask them if they have any existing insurance policies with Vero. If they do, please let us know as these existing policies may be eligible for a discount.

Ryan and Olivia may be eligible to receive a multi-policy discount on Eligible Insured Assets if they take out insurance cover for at least one Qualifying Insured Asset.

**Eligible Insured Assets** - the following assets are eligible for a multi-policy discount:

- Home
- Contents

**Qualifying Insured Assets** - the following assets qualify an Eligible Insured Asset to be considered for a multi-policy discount:

- Home
- Most motor vehicles
- Contents
- Most boats

Example of when the discount would apply: If Ryan and Olivia take a combination of either House and Car insurance; or Contents and Boat insurance; they may be eligible for a multi-policy discount as both combinations include one Qualifying Insured Asset (Car/Boat) and one Eligible Insured Asset (Home/Contents). Any discount would be applied to the Eligible Insured Assets only.

Example of when the discount wouldn't apply: If Ryan and Olivia take two motor vehicle policies and a boat policy, they won't receive a discount as these are Qualifying insured assets but not Eligible insured assets.

### Multi-Policy Discount Terms and Conditions

The above information and example is only a summary of how the MPD is applied and is subject to additional terms and conditions.

The full MPD terms and conditions can be found [here](#). We encourage you to read them in full and familiarise yourself with how they apply.

## Summary

Let's recap this module.

There are two types of cover available, but the most common one sold is Cover option - Maxi. It provides:

1. Many options to repair or rebuild the home in the event of damage
2. Many benefits that automatically bring benefits into cover that would otherwise be excluded by the policy, as well as an Optional benefit for Landlords ('Landlord's extension').

Just as important as what is covered is what's not covered, and you need to ensure your customers understand what they're not covered for under this policy.

And don't forget to check if your customers may qualify for our Vero Multi-policy Discount.

Lastly, there are the policy conditions that your customers must comply with to be covered. It's important that they disclose all information and be truthful in all transactions/discussions with us as they don't want to end up in a situation where they have a claim and then find out they're not covered because of something that they've done, or not done.