

Cash settlements under a home building policy



We subscribe to the *General Insurance Code of Practice*.

The *General Insurance Code of Practice* ensures we maintain high standards of customer service. One of those standards relates to this 'Cash Settlement' information sheet.

We are offering you money to settle your home building insurance claim instead of repairing or rebuilding your home.

The information in this document is to help you understand how cash settlements work and circumstances where a cash settlement may be offered.

How cash settlements work

A cash settlement is an amount of money we offer to settle your claim. We may settle part or all of your insurance claim using a cash settlement.

We will explain the basis for the dollar amount of the cash settlement we offer you.

You are free to get your own quotes to estimate how much it would cost to repair or rebuild your property relating to the items/damage accepted under your claim and provide them to us for consideration as part of the cash settlement process.

How decisions are made on cash settlements

We assess the individual circumstances of your claim in accordance with your insurance policy and the Product Disclosure Statement (PDS) to decide whether and to what value you are entitled to a cash settlement.

Why you are receiving a cash settlement

Common reasons for cash settlements include:

- (a) It is unsafe to repair or rebuild your home.
- (b) The local authority will not allow you to repair or rebuild.
- (c) Repairs have already commenced or been conducted by someone else, or when you have directly requested a specific repairer;
- (d) We can only partially accept your claim. This may be because there is damage to your property that is not covered by your insurance, which first needs to be fixed by you.
- (e) Your insurance does not cover the amount of money it will take to repair or rebuild your home to today's building standards.

Important things to keep in mind with cash settlements

There are a number of things to keep in mind with cash settlements:

1. If you have a mortgage over your home, it's a good idea to talk to your lender about how they will require you to use the money from a cash settlement. A lender can require you to use the insurance payout to pay down your mortgage or require that they approve repairs before they are completed.
2. If a cash settlement is made to settle your claim, keep in mind:
 - (a) responsibility for arranging and co-ordinating all the builders and tradespeople will rest with you;
 - (b) you will become the project manager for fixing your property, unless you arrange and pay for one;
 - (c) circumstances may arise where tradespeople who can start work immediately, may be difficult to find;
 - (d) the quality, cost and timeliness of your repairs will not be guaranteed by us;
 - (e) if the repairs are not completed, your insurance may not protect you against future events until a qualified person has completed the repairs;
 - (f) any delay in the repair of your property may bring about additional damage that could increase the cost of repair. This will be your responsibility.
3. After a natural disaster, there can be greater demand for builders and other tradespeople. You could find the cost of fixing your property increases, or there might be delays in the time it takes to fix your home.

How to find out more

If you need any further information or have any questions, please contact us on **137202**. You may also seek independent legal or financial advice about whether the cash settlement is fair and reasonable. A range of agencies who may be able to support you are listed on our website.

If you have a complaint about the cash settlement

When our services don't meet your expectations, it's important we know about it as soon as possible, so we can work with you to resolve the issue. We have a complaints process. You can contact us if you have a complaint about the cash settlement at any time. More information about making a complaint is on our website at www.racq.com.au, including how to access the Australian Financial Complaints Authority if you are unhappy with our response.