

Cash Settlements after a Disaster

What is an insurance cash settlement?

If your home is affected by a natural disaster your insurer may:

- Repair or rebuild your property, or
- Offer you a cash settlement to settle **all** or **part** of your insurance claim.

What you should know!

The quote may be too low:

Insurers base offers of cash settlement on quotes from their panel builders.

The settlement amount should be based on an '**actionable quote**'. This is a quote from a builder that is available for you to engage. An actionable may be substantially more than the quote from the insurer's builder.

Insurers guarantee repairs against defects for life. Tradesmen guarantee defects for a maximum of six years.

There is a **risk costs will increase** during the course of repairs.

Loss of the insurer's guarantee and taking on the risk of a cost increase, entitles you to a higher cash settlement offer in most circumstances. Discuss this with your insurer and seek legal advice if you are unsure.

A cash settlement should include amounts to **cover the cost of additional benefits** (subject to your policy) such as:

- Debris removal,
- Professional fees, e.g. architect,
- Storage for your contents, and/or
- Temporary accommodation.

Ensure all estimates are included in the cash settlement to cover these additional benefits and that the estimates are realistic.

If there is a dispute regarding items included in the **scope of work**, these are best settled before a cash settlement is accepted.

Confirm in writing with the insurer how you might deal with any contract variations as they arise during the repair before you accept a cash settlement.

You should also know!

Your policy may end

A cash settlement for a total loss will trigger the end your insurance policy. Try to negotiate cover with your insurer until repairs are completed, or until any builder you engage covers the site under the builder's insurance.

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Check with your bank

Depending on where your insured property is mortgaged, the lender may have the right to claim any cash settlement.

The Northern Rivers Community Legal Centre provides free legal advice relating to cash settlements.

Owner builder?

If repairs cost more than \$10,000 and you do not engage a licensed builder to supervise the work, you will need to arrange an owner builder certificate. Seek further information and advice if this occurs.

When will your insurer offer a cash settlement?

Cash settlements may be offered where:

- Your local council won't allow you to rebuild,
- It is unsafe to rebuild,
- You requested it,
- You want to use your own tradespeople, and/or
- Some of the damage to your property is not covered.

Your cash settlement factsheet

If your insurer offers you a cash settlement, this insurer **must** provide you with a Cash Settlement Factsheet setting out:

- Settlement options,
- Total amount being offered,
- A breakdown of the offer,
- Rights of review, and
- Advise you to get independent legal advice.