



Insurance Council
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Cash settlements under a home building policy

If your insurer offers you a cash payment to settle part or all of a home building insurance claim, and your policy gives you the option to choose between a cash payment and another form of settlement, the insurer must provide you with a 'Cash Settlement Fact Sheet'. This must show the settlement options, total amount being offered with a breakdown, rights of review, and advise you to consider getting independent advice. It must also be titled, dated, in writing, and easy to understand.

Information in this document may be included in the Cash Settlement Fact Sheet for a home building insurance policy or be provided separately by your insurer.

How cash settlements work

A cash settlement is an amount of money we offer you to settle all or part of your home building insurance claim. We offer this money to you instead of us managing the repair or rebuilding what was damaged or destroyed.

Some common reasons for cash settlements include:

- a. you have asked for a cash settlement.
- b. it is unsafe to repair or rebuild your home.
- c. the local authority will not allow you to repair or rebuild.
- d. some but not all aspects of your claim are being settled. The rest of your claim is in the process or is yet to be settled.
- e. we can only accept a part of 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.
- f. your insurance does not cover the amount of money it will take to repair or rebuild your home to today's building standards. After exploring available options with you, it is not possible for us to repair or rebuild your home.
- g. you need urgent access to emergency funds and the rest of your claim is still to be settled.

The cash settlement amount

The cash settlement is to resolve part or all of your home building insurance claim. We will explain how we came to the dollar amount of the cash settlement we offer you.

This may not be the final settlement of your claim. In determining the amount, we have considered your individual circumstances, the details of your claim, and your insurance policy. If you would like us to reconsider our decision to offer a cash settlement, please let us know.



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You can get your own quotes from qualified experts to estimate how much it would cost to repair or rebuild your property and provide them to us as part of the cash settlement process. You may wish to obtain more than one quote.

You should carefully consider the matters outlined under '**Important things for you to keep in mind**' below when reviewing the settlement amount offered.

Important things for you to keep in mind

1. If a cash settlement is made to settle part or all of your claim, please keep in mind and closely consider:
 - a. you will be responsible for finding, organising, and coordinating tradespeople, as well as paying all invoices and managing the project to repair your property.
 - b. after a disaster, demand for builders and tradespeople increases. This can make it harder for you to find someone to repair your home and may lead to higher costs or delays. Prices for materials and labour can go up over time, which may increase the overall cost of repairs. We will tell you whether the cash settlement we offer you includes a contingency amount to account for any potential variations to the costs of repair.
 - c. the quality, cost and timeliness of your repairs will not be guaranteed by us. Ask your tradespeople about their insurance, warranties and guarantees, as they may not provide a lifetime guarantee, for example. Keep invoices and receipts.
 - d. if you do not complete the repairs, your insurance may not protect you against future events until a qualified person has completed the repairs. If this happens, check with us.
 - e. any delay in the repair of your property after receiving a cash settlement may risk additional damage that could increase the cost of repair.
2. If you have a mortgage over your home, speak with your lender about your situation and options. Banks differ in how they handle insurance cash settlements, so your lender will help you understand what's available based on your circumstances.
3. If you engage a third party to help manage your claim, it is possible that they will take a percentage of your cash settlement amount as payment for their services. This would reduce the amount of money you have to repair or rebuild your home.
4. You have a right to have your cash settlement reviewed, even if your claim has already been closed. For example, you might discover further damage related to your claim, caused by the same event, which was not included in this cash settlement. If this happens, please contact us.
5. You may wish to seek independent legal or financial advice about the cash settlement.

How to find out more

If you believe the repair costs are higher than the cash settlement offer and you may need to pay the difference yourself, please contact us to discuss.

A range of agencies who may be able to support you are listed on our website, such as interpreter services and helplines for financial counselling or family domestic violence.

If you need help with your finances, consider financial counselling services or phone the National Debt Helpline on 1800 007 007 (www.ndh.org.au). You may also wish to refer to www.Moneysmart.gov.au.

If you have a complaint

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. This includes how to access the Australian Financial Complaints Authority at www.afca.org.au or by phoning 1800 931 678 if you are unhappy with our response.