

## Understanding cash settlements – Frequently Asked Questions

### What are the benefits of cash settlements?

- A cash settlement can provide you with flexibility. It enables you to choose how to use the funds and it allows you to prioritise urgent fixes. It also enables you to choose how and when to repair or replace the damaged property.
- Cash settlements also remove the need to follow the insurer's repair timelines and processes. You won't be restricted to the insurer's preferred repairers or suppliers. You can shop around for quotes or opt for alternative solutions, such as upgrading to a better item.
- For minor claims, a cash settlement may be quicker and more straightforward than coordinating repairs through the insurer.

### What are the risks of accepting a cash settlement?

- There are some risks with accepting a cash settlement.
- The settlement amount may not always cover the full cost of repairs or replacement, particularly if market prices increase or further damage is discovered after the initial cash settlement is assessed.
- You are also responsible for the repair or rebuild of the property by yourself. This means you would be responsible for finding and engaging tradespeople and managing the repairs and payments. This might be a challenge for some people to do.
- Repairs completed by your builder cannot be guaranteed by your insurer. Ask your builder and tradespeople about their insurance, warranties and guarantees and keep invoices/receipts.

### What if I use a service to manage my claim with my insurer?

- Be aware of potential financial risks. These representatives often charge a fee or take a percentage of the settlement amount, which reduces the total funds available for actual repairs.
- This would mean you would have less money available to manage the rebuild or repair of your home, leading to out-of-pocket expenses or lower-quality repairs.

### What if I have questions about how my cash settlement has been calculated?

- Your insurer will explain how your cash settlement has been calculated and answer any questions you may have throughout the process.
- We encourage you to talk to your insurer if you do have questions.

### I have found more damage after accepting a cash settlement. What should I do? Does my policy cover this damage?

- Stop any repair work, if safe to do so, and contact your insurer as soon as you can. They will let you know what the next steps are.

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## What happens to my policy if I take a cash settlement?

- This depends on the type of cover and whether your insurer has paid you a full or partial cash settlement. You should contact your insurer if you have any questions.

## Can I use my own builder to repair my home?

- If you want to use your own tradespeople, your insurer will consider your request to cash settle your claim.

## Why rebuilding after bushfire may cost more than your sum insured?

- A Bushfire Attack Level (BAL) is an Australian system measuring a property's risk from bushfires. It assesses exposure to embers, radiant heat, and flames, guiding construction requirements to better protect life and property in bushfire-prone areas.
- BAL ratings range from BAL-LOW (lowest risk, no special construction needs) to BAL-FZ (Flame Zone, extreme risk, with direct flame exposure). Levels like BAL 12.5, 19, 29, and 40 indicate escalating risks and mandatory upgrades.
- Following a bushfire event, the BAL rating for a given property may be revised to a higher level. If this happens, any rebuild may require compliance to that higher rating. Depending on the age of the property damaged or destroyed, additional reconstruction costs can be significant.
- Speak to your insurer about whether your sum insured accounts for BAL compliant rebuild costs, and if you're considering a cash settlement, seek quotes from builders, or obtain independent advice.