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Vero Residential Contents Policy

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Introducing your customers

Ryan and Olivia Taylor…

Ryan and Olivia 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.

They have contents insurance with their current provider with a sum insured of $150,000. Most of their electrical appliances are new but they also have quite a few pieces of antique furniture, which Ryan and Olivia have lovingly restored to their original condition.

Ryan is a keen sportsman with a wide and varied selection of sporting and recreational equipment. Olivia has an engagement ring worth $6,500, a matching wedding band valued at $4,000, and a watch worth $5,100.

Their teenage son lives in the two bedroom sleep out. Their daughter is studying at Otago University and lives in the halls of residence.

Contents Definitions

The 'Definitions' section in the policy wording clarifies certain words that have specific meaning. These defined words are in *italics*, ensuring they carry the same meaning consistently throughout the policy to help with understanding.

We'll look at some of these defined words so you can explain them to Ryan and Olivia.

We will concentrate on these ones:

Contents

Indemnity Value

Replacement Value

Contents

The definition of ‘contents’ is, anything in your:

- possession or located at the home, belonging to you, or hired by you
- custody or control for which you are responsible, that is not insured elsewhere.

Contents doesn't include any of the following:

- Mechanically propelled vehicles, trailers, caravans, or aircraft (except ride-on mowers and other domestic garden appliances, children's battery-powered or mechanically propelled motor toys up to 50cc, electric wheelchairs and electric mobility aids, drones, and remote-controlled scale models).
- Vehicle accessories in or on a vehicle, except for the cover provided by the 'Vehicle accessories in an employer's motor vehicle' benefit.
- Vehicle keys or vehicle remote controls.
- Entertainment, navigation, and communications systems and radar detectors that are in or on a vehicle, including any parts that attach to these systems, except for the cover provided by the 'Vehicle accessories in an employer's motor vehicle' benefit.
- Trees, shrubs, and plants (other than pot plants).
- Fixtures, fittings, sculptures, or artwork (and their accessories) permanently attached to the home or to land.
- Contents used in any way for professional or business purposes, except for:
  - laptop computers, tablets, mobile or smart phones, or any other similar handheld electronic device that you also use for personal use
  - the cover provided by the 'Property used for trade, professional or business use' benefit and the 'Home office or healthcare practice' benefit.
- Contents normally housed in an address not named on the schedule.

- Any item of contents that you have sold, gifted, or given away, that is no longer in your possession, or any item which you have taken ownership of or responsibility for, but you have not yet taken possession of.
- Any artificial body parts, surgical implants, or attachments that are permanently fitted to you or to any animal.
- Any animal.
- The home.

Indemnity value

We may settle a claim for indemnity value. This means we will pay one of the following:

- For a total loss – the market value of the contents immediately before the loss occurred.
- For a partial loss, either:
  - the cost of replacing, repairing, or reinstating the contents to a condition no better than they were when new, up to the market value. We'll subtract an amount for depreciation, and wear and tear
  - the reduction in value because of the loss, up to the market value.

Replacement value

We may choose to settle a claim for replacement value. This means the cost of replacing, repairing, or reinstating contents, without deducting for wear and tear or depreciation.

What’s covered

What's covered

There are two types of cover available under contents:

- **Cover Option – Maxi** provides cover for accidental loss or damage to contents at the home or whilst temporarily removed anywhere in New Zealand.
- **Cover Option – Flexi** is indemnity cover that provides cover for contents from certain events while they're at the home only. There are optional benefits customers can select that will extend cover. These will be discussed later in the module.

How we may settle a claim

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How Vero will settle a claim will depend on whether the customer has Cover Option – Maxi or Cover Option – Flexi.

The cover option will be shown on your customer's schedule.

Cover Option – Maxi

Settlement under this cover type is mostly replacement value. There are some Items we only pay indemnity value for. The specific limits applicable can be found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule.

A key point to note under Cover Option – Maxi.

- Unspecified jewellery that is not repaired or replaced will be paid at either 50% of the replacement value, or the market value, whichever is less.

Cover Option – Flexi

Settlement under this cover type is indemnity value only, unless optional benefits have been purchased, or items have been specified.

Where the insured doesn't want unspecified jewellery to be repaired or replaced, the maximum amount we will pay is 50% of the indemnity value.

Limits on what we will pay

The policy does contain some limitations on what we pay. The specific limits applicable can be found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule.

If a customer wishes to insure a particular item, for example a wedding ring, for more than the maximum limit, they need to specify it on their policy and pay an additional premium. Specifying an item also increases the cover to full replacement regardless of other limitations of the policy.

Please take the time to read the policy wording to ensure you are familiar with all limits that apply.

We settle some claims in specific ways

Often in the event of a claim customers will ask us to pay for undamaged items when they can no longer be matched.

In the policy wording we clarify that we only cover items actually lost or damaged, and don't extend this to any undamaged items. For example – if a couch is part of a lounge suite, we will only replace the damaged couch, not the other armchairs.

We'll only cover items that suffer loss or damage that are part of a group of similar items. For example – if one earring is lost from a set, we will replace the full set.

Consumables

Where a consumable item suffers loss or damage, we will only pay for the portion of the consumable remaining prior to a loss. For example, if a bottle of perfume is spilled but half remains, then we will only pay for the half that is lost, less the policy excess.

Specified jewellery

Specified jewellery has two extra conditions that apply:

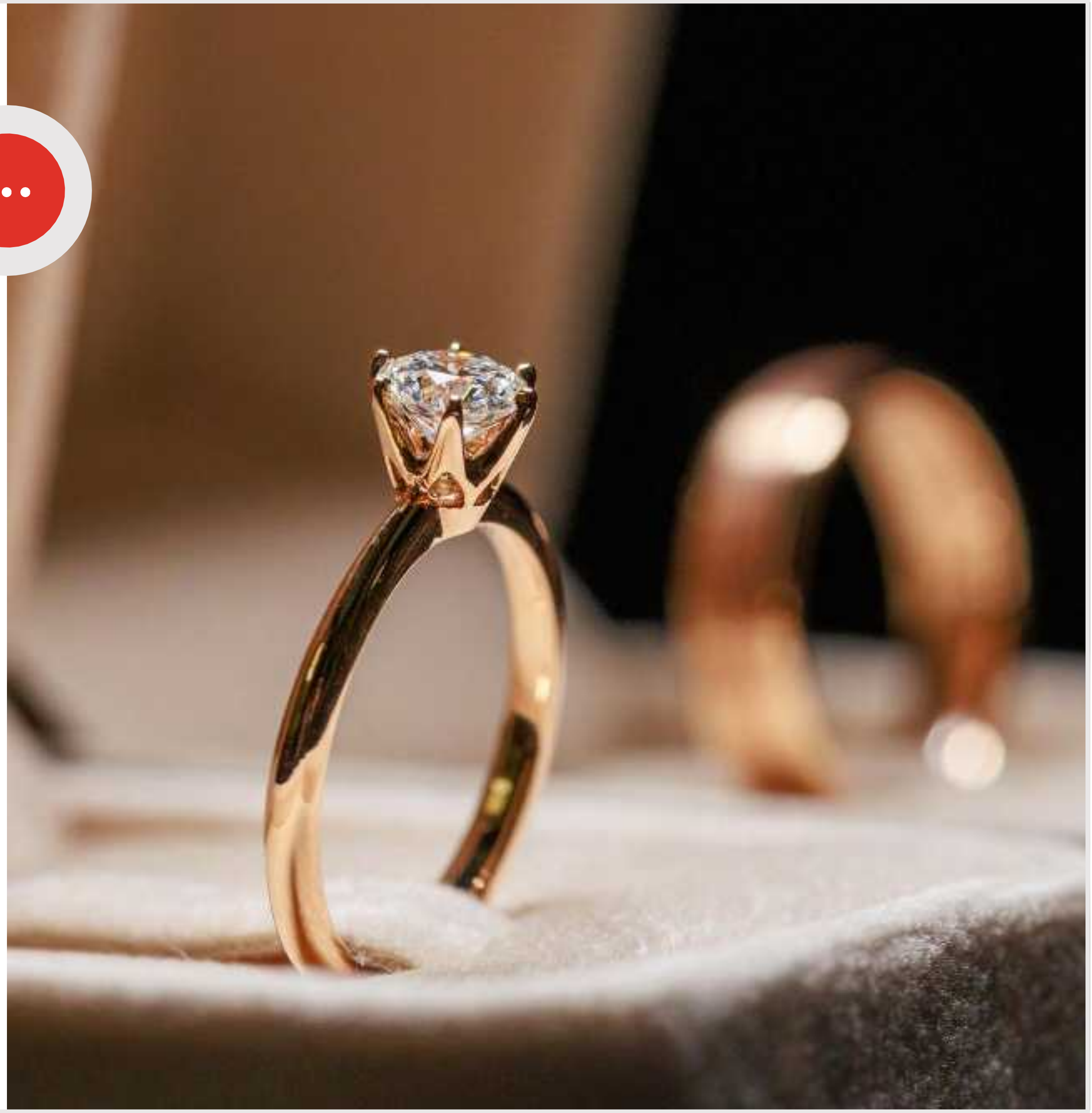
Obtain pre-loss valuations for any specified jewellery

- Where the loss is because of burglary, theft, or unexplained loss, the insured must have a pre-loss valuation to support the amount being claimed for. This needs to be issued by a suitably qualified jewellery valuer who is a member of a New Zealand jewellery valuers or appraisers society.
- Where an individual piece of specified jewellery or watch is valued at more than $50,000, there are extra security precautions that must be taken by the customer when the item isn't being worn, or carried, or the insured isn't in the same building where the items are left. Failure to comply means there is no cover for burglary, theft, or unexplained loss.

Olivia is worried that she needs to specify her engagement ring and wedding band due to their value, but isn't sure if she needs a valuation once they're specified. She is also worried that her engagement ring and wedding band are a set that was especially made for her and if she loses one item it can't be matched.

What will you tell Olivia?

Olivia still needs a valuation for her rings before she suffers a loss, otherwise it might affect her claim settlement. Not having a valuation (that fully describes the details of the ring) makes it harder for a jeweller to replicate it if it is lost, or severely damaged, and assists to confirm ownership. The limitation relating to sets and only replacing the damaged item does not apply to jewellery, so Olivia doesn't need to worry about this.



Benefits

Benefits

There are some benefits that apply to both cover options under the Vero Residential Contents policy, while others only apply to either Cover Option – Maxi or Cover Option – Flexi.

Optional benefits apply if they are shown on the customer's schedule and any additional premium is paid.

While you're not expected to memorise all of this, you need to be able to find this information in the policy wording.
It is also important to have an understanding of what each benefit means, and be able to explain it to your customers.

Some benefits that apply to both covers:

- Alternative accommodation
- Change of situation and transit
- Credit and debit cards
- Fusion of electric motors
- Property used for trade, professional, or business use
- Stolen keys

Some benefits that apply to Cover Option – Maxi:

- Overseas travel
- Gifts
- Gradual damage
- Home office or healthcare practice
- Misuse of mobile/smart phones
- Storage of contents
- Tenants' improvements
- Boarding school
- Tertiary accommodation

Optional additional benefits that only apply to Cover Option – Flexi:

- Accidental damage to contents
- Cover anywhere in New Zealand
- Replacement value on contents

Benefits that apply to both covers +

Alternative accommodation

We'll cover your reasonably incurred extra costs for temporary accommodation. The temporary accommodation must be of a similar standard to your home. This cover includes boarding your domestic pets, storing your contents, and moving your contents to and from storage or temporary accommodation.

This benefit applies if the home is uninhabitable due to:

- loss or damage covered by the policy, or
- loss to the home where the contents covered by the policy are located, or
- loss to the home during the period of insurance that is covered entirely by the Toka Tū Ake Natural Hazards Commission (NHC), or
- prevention of access to the home by a government or local authority due to possible or impending damage to an otherwise safe or sanitary home.

The limits of this benefit can be found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule.

In the event of widespread natural disaster, we may choose to remove the 12 month limit.

This benefit does not cover any costs that would normally be paid by the customer if the home was habitable e.g., electricity, gas, phone etc.

This benefit will not apply if:

- the home is still habitable (other than for prevention of access mentioned above) or;
- the customer chooses to move out of the home while repairs are being undertaken where we haven't agreed in writing that it's necessary for the customer to move out.

Benefits that apply to both covers +

Change of situation and transit cover

When the customer moves house, we will cover the contents at both their old and new addresses for up to 30 days.

Cover is provided at the new home if the customer informs us within the agreed time frame set out in the policy wording. This means we will provide cover if the customer is moving over a number of days and needs cover at both addresses until the move is complete.

We'll also cover the customer's contents while they are being moved to the new home but we'll only pay losses caused by fire, or theft from a locked vehicle, or if the vehicle being used to move them overturns or is in a collision.

The specific limit applicable can be found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule.

Benefits that apply to both covers +

Credit and debit cards

We'll reimburse unauthorised use of a customer's credit or debit card if it is lost or stolen.

We'll pay up to the specific limit found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule if specific provisions are met.

Benefits that apply to both covers +

Benefits that apply to both covers – Fusion of electric motors

If an electric motor is damaged by fusion or if it burns out, the policy will respond under this benefit.

We'll also pay for an exchange-sealed compressor and re-gassing of a sealed refrigeration or air conditioning unit. This benefit deals specifically with fusion, so it will override any general exclusions such as corrosion.

Fusion is a certain kind of damage that can be caused by a variety of things. An electric motor consists, in part, of copper wires wound to form a spool. These wires can melt together or fuse. Fusion in itself is not a cause, but a certain kind of damage.

Benefits that apply to both covers +

Property used for trade, professional, or business use

This benefit provides some cover for tools and other items your customer uses for trade, professional, or business purposes which fall outside of the home office and healthcare practice benefit (we'll cover this later in the module).

Benefits that apply to both covers +

Stolen keys

This benefit covers the reasonable cost of replacement keys, locks, or changing the combination of any electronic keypad if the keys have been stolen, or the customer's keys have been duplicated without their authority.

If Olivia's handbag is stolen with the house keys in it, we'll pay up to the specific limit found in her policy wording (or in any agreed endorsement which may apply) and/or her policy schedule to replace the locks and keys for the house. There's a risk whoever stole Olivia's bag could use the keys to gain entry to the home.

This benefit is designed to minimise or prevent any further loss of contents.

Benefits that apply to Cover Option – Maxi +

Gifts

This benefit covers any wedding, Christmas, or other special occasion gifts temporarily located in the home as part of the contents.

In the event of a claim your customer will need to provide proof, information, or other evidence of who owned the gifts.

Proof of ownership

Proof of ownership can include receipts, gift exchange cards, warranty cards, or photographic evidence. Wedding gift lists from the chosen store's bridal gift registry may also be a good source of proof as they may contain the purchase date, the name of purchaser, and the retail value of the gift.

Benefits that apply to Cover Option – Maxi +

Gradual damage

We'll cover for any one event for gradual physical damage to your contents resulting from water leaking or overflowing from any internal water system.

This benefit partially over-rides the gradual damage exclusion and gives limited cover under specific circumstances.

We'll pay up to the specific limit found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule if:

- the loss or damage first occurs during the time the customer occupies the home
- the cause is from water leaking or overflowing from an internal water system that is hidden from view.

Internal water systems are defined in the benefit, make sure you are familiar with this.

Benefits that apply to Cover Option – Maxi +

Home office or healthcare practice

This benefit provides some cover for home office or healthcare equipment. The specific limit applicable can be found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule. The limit is the most we will pay for any one event. There are some restrictions on what we mean by healthcare practice or home office. They are:

- The healthcare practice cover will only apply to the named customers who are legally qualified medical practitioners.
- The home office cover will only apply to administrative or clerical business use. For example, there is no cover for any part of the home where stock might be stored.
- The legal liability of any business is not covered under the contents policy. A separate business insurance policy is needed to cover business risks.

Benefits that apply to Cover Option – Maxi +

Misuse of mobile/smart phones

If a customer has lost their mobile phone, we'll pay up to the specific limit found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule for any one event. We will cover the customer for any unauthorised use of their phone in the first 24 hours following its loss or theft.

The customer must tell their service provider on discovering its loss or theft.

Benefits that apply to Cover Option – Maxi +

Storage of contents

If a customer has contents in storage this benefit will automatically provide cover for up to 90 days. We'll pay the specific limits applicable that is found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule.

If the contents are stored somewhere other than a commercial storage facility and are not under a contract in the insured's name, then there is no cover for theft, unless there has been forcible or violent entry into the building or room where the contents is stored. There is also no cover for unexplained loss or damage and no cover for water damage.

Ryan and Olivia have put some of their contents in a friend's locked garage for 2 months. Ryan has said the contents are valued at $10,000. He wants to know if his friend accidentally left the garage door open would we cover the stolen items? **What will you tell Ryan?**

As the contents are not stored in a commercial storage facility there is no cover for this claim.
As the garage is not a commercial storage facility and there was no forcible or violent entry, there is no cover for theft.

Benefits that apply to Cover Option – Maxi +

Tenant's improvements

If your customer rents a home but owns items that are permanently installed e.g., a heat pump, this benefit will pay up to a specific limit for any one event where these items are damaged. The specific limits applicable can be found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule.

Boarding school

This benefit includes cover for your children's contents while they are living away from home temporarily at a boarding school. Cover is subject to the limits shown in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule.

Benefits that apply to Cover Option – Maxi +

Tertiary accommodation

This benefit covers your children's contents when they temporarily live away from home in accommodation provided by a tertiary educational institution. This benefit applies to Ryan and Olivia, as their daughter is studying at Otago University and living in their halls of residence.

There are some restrictions that apply.

- Theft is only covered under certain circumstances specified in the policy wording.
- A total limit applies per person, per event and subject to the limits found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule.

These restrictions are because of two main factors:

- Contents in tertiary accommodation situations can be more vulnerable due to the number of occupants coming and going from the building at different times of the day and night.
- Students tend to have relatively high value portable electronic items (such as laptops, cell phones, and tablets) which creates an ideal theft target.

There is no cover under this policy for any children who are in a flatting situation while studying, even if they return home after each term. They'll need their own insurance cover.

Optional benefits – Cover Option – Flexi +

These benefits only apply to Cover Option – Flexi and must be purchased by the customer and shown on their schedule to apply. These can be purchased independently of each other, or in combination.

Accidental damage to contents

This provides cover for accidental loss or damage from a cause not otherwise excluded under the policy. All other terms relevant to Cover Option – Flexi still apply.

Cover anywhere in New Zealand

This provides cover for contents anywhere in New Zealand, up to the specific limit found in the customer's policy wording (or in any agreed endorsement which may apply) and/or their policy schedule for any one event.

Replacement value for contents

This provides the same replacement cover as Cover Option – Maxi, set out in the 'How we'll settle your claim' section. However, unless an item is specified all contents that are older than 10 years are covered for indemnity value only.

Exclusions

Exclusions

We won't cover some situations, these are called exclusions. They are detailed under 'Exclusions – things we don't cover' in the policy wording.

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

- Unsecured outboard motors
- Removed property
- Business use
- Some events in the first 72 hours of this policy
- Unoccupied home

Before we move on, take some time to read through the 'Exclusions – things we don't cover' section of the policy wording. This excludes a range of situations, so you need to make sure you're across all of them.

Unsecured outboard motors

This excludes outboard motors that have not been secured. For cover to apply under this policy the outboard motor must be securely locked to a boat, stored in a securely locked part of the boat or building, or placed in a securely locked building.

The limit for cover on boats is $3,000, including the outboard.

Removed property

This exclusion sets out three situations where property removed from the home isn't covered. Some of these exclusions are added back in by benefits under the policy.

The three situations are:

- Contents a customer has permanently moved or is moving between homes
  - We won't cover loss to contents you've permanently removed from the home or are moving between homes, including loading onto and unloading from a vehicle.
  - This exclusion doesn't limit cover under the 'Change of situation and transit cover' benefit.
- Contents a customer is keeping elsewhere or storing
  - We won't cover loss to contents kept at any other address or loaned to anyone.
  - We won't cover loss to contents moved anywhere for storage.
  - This exclusion doesn't limit cover under the 'Alternative accommodation' benefit, 'Change of situation and transit cover' benefit or the 'Storage of contents' benefit.
- Contents a customer has moved to sell
  - We won't cover loss to contents moved to any place to sell, exchange for monetary benefit, or exhibit.

Business use

This excludes cover for loss or liability arising from contents being used for business, except for the limited cover provided under the ‘Home office or healthcare practice’, or ‘Property used for trade, professional, or business use’ benefits or from any other business-related use of your home that we’ve agreed to and is shown on your schedule.

Some events in the first 72 hours of this policy

This excludes loss or damage caused by storm, flood, landslide, bush fire, or volcanic activity within the first 72 hours of a new policy.

This exclusion doesn't apply if the contents were covered under another policy for the same perils. This includes cover from other insurer policies.

Unoccupied home

We won't cover any loss to your contents while your home is:

- unoccupied
- unattended if you normally use it as a holiday home or weekend home.

We'll cover your contents if we know the home is a holiday home, or we agreed in writing to cover you while your home was unoccupied.

All of the following must be met.

- Your home, its lawns, and its gardens are kept tidy.
- All external doors and windows are kept locked.
- All papers and mail are collected regularly.
- Your home is under regular supervision.

If you normally live in your home, but your travel or medical commitments mean it's unoccupied for more than 60 days, we'll keep covering your contents for an additional 30 days. You must still meet the conditions above.

The customer's responsibilities, policy conditions and other important information

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

We'll focus on the following:

- You must take all reasonable steps to prevent loss.
- Excesses.
- We may automatically adjust your sum insured at renewal.
- This policy can cover multiple parties as joint insureds.
- We don't cover you if you have other insurance.

We won't be going through all of the customer's responsibilities, policy conditions and other important information here, so take some time now to read through them.

Take all reasonable steps to prevent loss

This condition asks the customer to take all reasonable steps to prevent loss and keep any contents covered by the policy in good condition. It also states that we won't pay if the customer has been reckless or grossly negligent.

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Reckless or grossly negligent means that a customer has acted or failed to act in a way a reasonable person would, given the circumstances that the customer faced at the time of loss.

Excess – you will have to pay an excess

You'll find information on excesses in the 'Making a claim' section of the policy wording.

The excess is applied to the amount of the claim, not the policy limit. All excesses that apply are added together to make one total excess.

There are four specific excesses to be aware of with this policy.

1. An additional excess of $250 applies to tenanted properties.
2. Where the home is made available for occasional casual use (e.g., Bookabach or Airbnb), to anyone in return for any form of payment, an additional excess of $1,000 applies.
3. Where portable electronic equipment is stolen or lost from the customer's motor vehicle, an additional excess of $150 applies.
4. An additional $250 excess applies to any claim for loss to contents if they are stolen during a burglary at the customer's home and the conditions outlined in the policy wording are not met.

We may automatically adjust your sum insured at renewal

Vero may consider factors that can influence the cost of repairing or replacing items of contents, and adjust your sum insured at renewal.

This policy condition does not guarantee that an adjusted sum insured will be enough to cover the customer's contents, and it is still the responsibility of the customer.

Our website has an independent online contents calculator to help customers work out an estimated replacement cost.

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.

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 newer, 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. During the claim Ryan's deception is found out. 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. 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. Ryan and Olivia are unable to claim under the policy if either or both of them breach the policy conditions, as they are jointly responsible.

We don’t cover you if you have other insurance

This condition prevents customers from taking out more than one insurance policy and claiming multiple pay-outs for legitimate claims.

If cover is provided by another insurance policy then the customer can’t claim under this policy and we won’t contribute to any claim made under another policy.

This exclusion doesn’t apply to the ‘Fatal injury’ benefit.

Summary

Let's recap this module.

There are two types of cover available, but the most common one sold is Cover Option – Maxi which includes many included benefits.

Just as important as what is covered is what's not covered. You need to make sure your customers understand what they're not covered for under this policy.

Lastly, there are policy conditions that your customers must comply with to be covered. It's particularly important that they disclose all information and be truthful in all transactions and discussions with us.