

Don't skimp on home's insurance

The financial difficulties that many homeowners have experienced over the last year or more have led to some reneging on their home insurance payments, but this should be avoided even if it means making drastic cuts elsewhere.

So says Lanice Steward, MD of Anne Porter Knight Frank, who adds that although taking out an insurance policy is usually obligatory if the home is bonded, it sometimes happens that this is overlooked if there is no registered bond.

Sometimes, said Steward, the property's insurance policy will have lapsed because it was linked to the bond, which has then been paid off without the bondholder realising that this has resulted in his policy being cancelled.

"Prior to taking transfer, the buyer must make sure that he knows when the insurance risk passes to him. This can be on occupation or on taking transfer. Sometimes, the buyer is not aware of this and finds himself a few weeks down the line the owner of a damaged or burnt out home which is not covered by insurance."

Sometimes, said Steward, the property's insurance policy will have lapsed because it was linked to the bond, which has then been paid off without the bondholder realising that this has resulted in his policy being cancelled.

These warnings, she added, have gained a new relevancy in the light of the latest evidence that global warming will make the Western Cape hotter, drier and windier – and more prone to floods and storms.

"One of the houses we are selling in Hout Bay had its entire roof blown off recently. This gives an indication of just how savage the weather will become."

Owners of thatched homes, she said, should take note that the risk of lightning strikes is also likely to be higher.

In addition to insuring the property itself, the buyer should, said Steward, take out a life insurance policy which will cover all the outstanding payments should he die before the bond is paid up.

This, said Steward, can be a relatively inexpensive precaution if the policy simply is "term insurance", i.e. paid out in the event of death before a certain age, but without an endowment on its expiry if the policyholder has survived.

Term insurance cover of R1m, said Steward, can be as little as R500 to R800 per month for a fit middle aged person – and a younger person might pay as little as R500 per month.

"It can be a wonderful gift to a young widow (or widower) to know that on the death of the spouse they do at least now own the home in full – without ongoing bond payments being necessary," said Steward.