

Sudden or Gradual Damage

House insurance policies provide cover for damage which occurs suddenly and accidentally. However, many claims are made for damage which has resulted from a slowly developing condition, rather than from a sudden event and, because the damage was not sudden, the policy does not provide cover. The declinature of claims for "gradual damage", is the source of many complaints to the Insurance & Savings Ombudsman ("the ISO").

The policy

Domestic house policies clearly exclude liability for damage which occurs gradually, illustrated in the policies by, for example, "wear and tear", "gradual deterioration", "rot" and "corrosion". Insurers do not wish to provide cover for foreseeable damage or routine maintenance.

However, most domestic house policies now provide limited cover for gradual damage, which occurs in clearly specified circumstances outlined in the policy. This limited gradual damage cover will generally only apply to damage caused by a leaking internal water or waste disposal pipe; the damage must have first occurred during the time you owned and occupied the house; and is limited to a specified dollar amount (usually about \$2,000).

There can be variations to the limited gradual damage cover provided by insurers and it pays to check your policy wording.

Be aware:

- Insurers do not distinguish between:
 1. gradual damage, which should have been obvious to you. For example, you might have been aware the bathroom floor was becoming "spongy", but chose not to investigate why this was occurring; and
 2. gradual damage which you could not reasonably have known about until it was too late. For example, rotten flooring in the bathroom suddenly gives way after a long period of being affected by water leaking from a shower unit, but you were completely unaware of the leak.
- Quite often, there is clear evidence of gradual damage from a leaking internal water pipe, but the exact location of the leak is not known. At present, most policies do not provide cover for the cost of locating the leak, with insurers generally regarding such cost as part of the pipe repair, which is excluded from the policy cover.

- In some cases, it is difficult to determine whether damage has been gradual or sudden and whether there has been a delay in a claim being made. Any delay in making a claim might prejudice the insurer's position, by increasing the extent of the damage and limiting the insurer's opportunity to properly assess the damage.

The evidence

More often than not, the extent of the damage indicates that it could only have developed over a period of time. For example, where carpet is rotten and falling apart; where floors, particularly particleboard, have disintegrated and have a "weetbix" appearance; where mould and mildew are evident; and where corrosion is evident. None of these conditions occur when there has been, for example, one sudden spillage of water. They are evidence of a continual "wet" problem.

However, some people still argue that the damage was only discovered when, for example, the bathroom floor suddenly gave way. However, it is not the sudden discovery of damage which dictates whether a valid claim exists, rather it is whether the cause of the damage was sudden or gradual.

Tips

1. Under the Fair Insurance Code, your insurer is required to provide you with a copy of the policy document. Make sure you have a copy and read it to understand your obligations in the event you wish to make a claim and the limited cover provided for gradual damage.
2. If you become aware of a problem (for example, a leak which, if left unattended, will likely cause significant damage), take immediate steps to prevent further damage and notify your insurer. Failure to do so may invalidate an otherwise valid claim.



Insurance & Savings Ombudsman
P O Box 10-845
Wellington
Phone: 04 499 7612
Fax: 04 499 7614
Freephone: 0800 888 202
Website: www.iombudsman.org.nz
Email: info@iombudsman.org.nz