

October 2024

This fact sheet explains how insurance is considered in the Home Buyback process, which is part of the Resilient Homes Program (RHP) undertaken by the NSW Reconstruction Authority (RA).

In assessing your application for a Buyback, the RHP team will request information relevant to your property. This includes the details of any insurance policies and payouts you may have received or expect to receive.

How will I be compensated if I am offered the Home Buyback?

RA will pay eligible homeowners a purchase price which considers the market value of the property immediately before the relevant 2022 Flood Event. The compensation package will include:

- the compensation under the Land Acquisition (Just Terms Compensation) Act 1991 (Just Terms Act) (referred to as the Just Terms Payment) which is the market value of the property calculated at the date on which the sale contract is entered into (the current market value) and other types of compensation to which a homeowner may be entitled under the Just Terms Act;

Plus (if applicable)

- an additional grant to bring the total payment up to the market value of the property before the flood event (referred to as the top up payment). Your offer will include a breakdown of how we arrived at the offer amount.

How will my insurance impact on my buyback offer?

If you have received or will receive a payment from your insurer for damage to your property resulting from the flood event, RA will deduct this payment from the top up payment portion of the compensation package. The Just Terms component of the compensation package will not be affected by insurance payments.

All insurance claims must be settled prior to proceeding with the buyback offer.

Why is my top up payment reduced due to insurance?

We want to ensure the Home Buyback process is equitable.

Should you receive an insurance payment or a cash settlement for any unfinished repairs to the property from your insurer, this needs to be deducted from the top up payment amount so that you aren't compensated for the event-related damage to your property twice.

As with a property sale on the private market, personal contributions such as insurance aren't reflected in the property value.

What if my insurer is carrying out repairs instead of providing me a payout?

If your insurer has organised and paid for renovations or repairs instead of a cash payment, any work completed on the property will be reflected in the current market value or 'as-is' valuation portion of the buyback offer. Alternatively if this work is still underway, you can delay the valuation until the work is complete.

What insurance documentation do I need to provide to proceed with my buyback?

The documents we require will depend on the type of insurance you have.

The documents required may include:

- a Statutory Declaration (signed by a Justice of the Peace) (at letter of offer stage)
- a copy of your insurance policy (including the policy number, sum of insurance, type of insurance, if flood cover was included or not)
- claim finalisation letter

Any claim finalisations need to be provided if they relate to a claim at the time of the Flood Event, this includes claims for storm damage.

What happens if I don't have insurance?

If you have no insurance for your property, you are required you to complete a Statutory Declaration (signed by a JP).

Could you provide examples of how compensation payments are calculated?

The following scenarios show how compensation packages are calculated depending on the nature of home ownership and the type of insurance policy applied. The scenarios are intended as a guide only as each homeowners' situation will be different. We would be happy to talk through your buyback offer with you. You can also obtain independent financial and legal advice about it if you want to, and RA will reimburse the cost of this up to \$3,000 including GST.

Scenario 1: owner occupied home with no event-related insurance

1. Pre-flood market value	\$500,000.00
2. Current market value	\$250,000.00
3. Compensation under Section 55 of the Just Terms Act	\$100,000.00
4. Top up amount - the pre-flood market value (1) less current market value (2) minus compensation (3)	\$150,000.00
Total offer from RA (2+3+4) = (1)	\$500,000.00

Scenario 2: owner occupied home with event-related insurance

1. Pre-flood market value	\$500,000.00	
2. Current market value	\$250,000.00	
3. Compensation under Section 55 of the Just Terms Act	\$100,000.00	
4. Cash settlement paid by insurer		\$200,000.00
5. Top up amount - the pre-flood market value (1) less current market value (2) minus compensation (3) = \$150,000, minus cash settlement from insurer (4)		\$0
Total offer from RA (2+3)=(1-top up amount that would have been payable if insurance was not available = 1-2-3)		\$350,000.00

NOTE: If the insurance cash settlement is more than the top up amount the minimum amount offered will be the current market value plus any compensation payable under Section 55 of the Just Terms Act

Scenario 3: investment property without event-related insurance

1. Pre-flood market value	\$500,000.00	
2. Current market value	\$250,000.00	
3. Compensation under Section 55 of the Just Terms Act	\$15,000.00	
4. Top up amount - the pre-flood market value (1) less current market value (2) minus (3) compensation		\$235,000.00
Total offer from RA (2+3+4)=(1)		\$500,000.00

NOTE: Non owner occupied property (i.e. if your home was tenanted) is not eligible for compensation under Section 55(e) being \$85,350 for disadvantage resulting from relocation

Scenario 4: investment property with event-related insurance

1. Pre-flood market value	\$500,000.00	
2. Current market value	\$250,000.00	
3. Compensation under Section 55 of the Just Terms Act	\$15,000.00	
4. Cash settlement paid by insurer		\$250,000.00
5. Top up amount - pre-flood market value (1) less current market value (2) minus compensation (3) minus cash settlement from insurer (4)		\$0
Total offer from RA (2+3+5) = (1-top up amount that would have been payable if insurance was not available = 1-2-3)		\$265,000.00

NOTES: If the insurance cash settlement is more than the top up amount the minimum amount offered will be the current market value plus any compensation payable under Section 55 of the Just Terms Act.

Non owner occupied property is not eligible for compensation under Section 55(e) being \$85,350 for disadvantage resulting from relocation.

Contact us

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