

RebuildCost**ASSESSMENT**.com

**WHEN YOUR CLIENT
DISCOVERS THEIR BUILDING
IS NOT COVERED FOR THE
RIGHT AMOUNT**





A GUIDE FOR BROKERS (BY BROKERS)

Getting the buildings sum insured correct is a good thing. It ensures the policyholder is adequately covered in the event of a claim. After all, who wants to have a tricky conversation about how an insurance claim payout isn't going to meet expectations? Especially right now and when it might involve hundreds of thousands of pounds?

However, there can still be some tricky conversations to have following a professional Rebuild Cost Assessment.

At RebuildCostASSESSMENT.com we've worked with a small panel of brokers to put together this handy little guide, which is designed to help brokers respond to **three different scenarios** that could arise following a Rebuild Cost Assessment.

But before we get started with that, one quick note about perhaps the most obvious question you could be asked, which is 'why is my sum insured/declared value wrong in the first place?'

Of course this could be for all kinds of reasons, such as:

- Insuring for the market value instead of rebuild cost
- Increased building material costs over a period of time
- Failure to take changes to the building into account, or outbuildings etc, or other costs related to rebuild such as access and clearance costs or professional fees
- Using the same figure as the previous property owner
- Or even that they simply guessed

A heads-up in advance of a professional rebuild cost assessment around these issues can often make the conversation with the client a little easier further down the line.



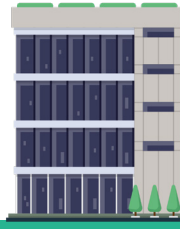
SCENARIO ONE: **EVERYTHING IS CORRECT!**

Your client has had a Rebuild Cost Assessment carried out and...

According to the report the current sums insured are in-line with the calculated rebuild cost:

Terrific! Everything is good then. You may even want to congratulate the policyholder as this happens in no more than one in every 10 cases we assess.

Other than that, it's worth highlighting that although the current sums insured are adequate, if the report includes a review period recommendation (as ours do), this should always be followed up on to ensure the position does not change in the future.



SCENARIO TWO: **THEY'RE OVERINSURED**

Your client has had a Rebuild Cost Assessment carried out and...

According to the report the current sums insured are MORE THAN the calculated rebuild cost:

At RebuildCostASSESSMENT.com we find that no more than 20% of properties are overinsured. When they are, on average they are covered for around 150% of the correct rebuild cost.

Of course, this means the policyholder could reduce their premium, depending on the scale of the overinsurance and whether or not a minimum premium has been applied. One option here would be to not just automatically seek a premium reduction. Perhaps the cover could be improved and current premium levels maintained?

The important thing to get over is that if the policyholder has purchased one of our Rebuild Cost Assessment reports, their buildings sum insured can now be set according to a professional assessment carried out by a 'Regulated by RICS' organisation. With many insurers, this can result in the removal of the Average Clause and therefore reassurance that any future claims will not be reduced due to inadequate sums insured.



SCENARIO THREE: **THEY'RE UNDERINSURED**

Your client has had a Rebuild Cost Assessment carried out and...

According to the report the current sums insured are LESS THAN the calculated rebuild cost:

This happens in around two thirds of all cases. On average, underinsured buildings are covered for just 63% of the correct rebuild cost. Perhaps the most difficult thing for the policyholder here can be any subsequent increase in premium, especially when the market is hardening.

One thing which we know from our our own research that can help here, is a quick calculation around what might happen should a total loss claim occur on the building.

So, if the sums insured are £600,000, but should be £1m, could the policyholder afford to pay £400,000 from their own funds to cover any shortfall? Compare this to the additional premium required for insuring the building correctly, and you're likely to have a strong case to make. And there are always good old negotiations to be had with underwriters of course!

Also stress that any kind of claim, not just a total loss, will be significantly reduced whenever sums insured are found to be inadequate. So any thoughts your client might have around only insuring the building for the equivalent cost of a smaller property (that may be used to replace it in a total loss situation) would be entirely impractical.



SCENARIO THREE: **ONE LAST THING**

Very occasionally, severe underinsurance can cause policyholders to question the findings of a Rebuild Cost Assessment. Here, it can help if the broker is able to point out that the assessment has been carried out by a fully independent 'Regulated by RICS' organisation employing the expertise of qualified Chartered Surveyors, such as ours.

At RebuildCostASSESSMENT.com we do identify cases of overinsurance as well as underinsurance. The sole purpose of our report is to provide an accurate assessment of the rebuild cost and rebuild period, no more. We charge a flat fee for our services and we have no financial or professional interest in overstating rebuild costs.

The policyholder is of course free to seek a second opinion from another suitably qualified provider. However, this is likely to come at a significant cost and caution would need to be exercised.

In any cases where our assessment is challenged, we are always happy to further justify the basis of our calculation, if required. Client comes first!

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We hope you've found this guide helpful. Please feel free to reproduce any of the content to support your colleagues or clients.

We would like to thank all brokers who helped in the production of this guide, including Pavey Group and Morrison Insurance Solutions whose input was particularly invaluable.

If you have any feedback or thoughts about this guide please email to **ewan.sandison@rebuildcostassessment.com** or call **01305 215576**.

Let's keep working together to eradicate incorrect building sums insured.

If you don't already have an online broker account with us, please visit www.rebuildcostassessment.com/insurancebrokers for more information. And if you don't want an account, there are other ways to arrange Rebuild Cost Assessments with us. Just give me a call.



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