

PIB Insurance Brokers
Building Insurance Guidance



Is your property underinsured?

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Chartered

Underinsurance



As many as 9 out of 10 properties in the UK are insured for the wrong amount of which the vast majority (79%) are underinsured*. But what are the potential consequences of underinsurance and how can PIB Insurance Brokers help you to avoid them?

What is underinsurance and what are the consequences?

Property underinsurance occurs when a property is insured for less than the total cost to rebuild it.

If your property is found to be underinsured following a damage claim, insurers could reduce the value of the claims settlement proportionately in line with the amount of underinsurance or in a worst-case scenario consider the under insurance to be materially misleading and refuse to pay any of the claim.

*<https://www.rebuildcostassessment.com/single-post/2020/10/06/many-underinsurance-disasters-waiting-to-happen>





Common causes of underinsurance



In our experience these are some of the causes of underinsurance:

- > Building sum insured mistakenly based on the market value of your property, or a mortgage valuation. For insurance purposes your building sum insured should always be based on the rebuilding cost.
- > Where a property has never been professionally valued for insurance purposes or the valuation has not been reviewed in the past three years.
- > You have altered or extended the property but not subsequently reviewed your buildings sum insured.
- > You are not VAT registered but your building sum insured excludes VAT.

The rebuilding value of your property should cater for costs such as professional fees, site clearance and the replacement costs of periphery items such as gates, fences or car parking areas and any other items as included within the definition of buildings under your insurance policy

Underinsurance example

If the cost to rebuild your property is £1,000,000 but your building sum insured is only £500,000, then you would be underinsured by £500k or 50%. In this example your insurer may only cover 50% of any loss.



How we can help



We have partnered with Royal Institute of Chartered Surveyors (RICS) accredited specialist companies who offer rebuild cost assessment options to suit your specific needs. There are two forms of assessment available:

Site survey

A site survey involves a visit to the premises and is the most accurate means of valuing property for insurance purposes. This method should particularly be considered where there are multiple buildings or where the construction is non-standard or where properties have listed status.

Desktop assessment

A desktop assessment utilises satellite imagery and multiple data points to produce a comprehensive report without anyone visiting the premises. A desk top assessment offers a cost-effective option for less complex buildings.

Whatever the selected assessment method, if you own or are responsible for insuring your property it is vital that it is insured for the correct amount.

This will ensure you are not underinsured or even over insured and minimise the risk to your business in the event of a claim being made.

Get in touch

For more information please speak to your usual contact or get in touch:

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