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ONE IN FIVE CLIENTS 'GUESS' AT BUILDINGS SUM INSURED, SAY BROKERS



More than a third of policyholders are using 'market value' to set their buildings sum insured and one in five 'simply guess' according to a new study.

Reinstatement valuation experts RebuildCostASSESSMENT.com asked 580 brokers to identify the source of building sums insured in the UK, in a poll timed to coincide with this year's BIBA conference.

More than a third (35%) said policyholders used the 'market value' - the amount the property would currently sell for - rather than the correct basis, which is the cost to rebuild from scratch. Even more concerning was the fact that 20% believed their clients guessed at what the sums insured should be. Just 5% said the source had been a professional 'Regulated by RICS' property assessment.

"Our extensive data based on tens of thousands of property assessments shows that nine out of every ten buildings in the UK are insured

for the wrong amount," said RebuildCostASSESSMENT.com director Trevor Smith. "When you look at where brokers believe these figures came from, it's not surprising there is such a widespread problem when it comes to the accuracy of property sums insured."

Almost a quarter of brokers (24%) said sums insured were set according to what the insured's bank or building society recommended they insure for, while 6% identified other third parties such as accountants or property agents as the source. One in ten (10%) insured for what the previous owner covered the property for.

"Another problem here is that generally, after the figure is set, it is not normally revisited by the client and reliance is made on index-linking thereafter," said Sally MacIntosh of Noyce Insurance Solutions, just one of many brokers that highlighted a lack of periodic reviews and an over-dependence on index-linking.

Trevor Smith commented: "It takes professional expertise to determine property reinstatement values. Brokers have told us that in the past the cost of a valuation would often be prohibitive. However, our digital approach means an accurate 'Regulated by RICS' assessment report can be sourced for as little as one tenth of the price it used to. In some cases insurers will often now pay for the assessment themselves.

"There is no longer any excuse for building sums insured to be so off the mark. Overinsurance means clients paying too much for their cover and underinsurance, which affects around 80% of policyholders, can mean severe consequences in the event of a claim. A persistent campaign highlighting the only reliable source of building sums insured is needed to really tackle this issue."