Taylor & Martin
Bespoke Property Management

FAQS

What is an insurance reinstatement value?

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The reinstatement cost of a property (sometimes called the Declared Value) is the amount it would cost to totally rebuild the property if it was totally destroyed. So, for example, a fire burned your property down, or if it was left in such a state of disrepair that it had to be completely knocked down and rebuilt, the reinstatement cost is the sum of money it would take to reinstate it to how it was prior to the loss.

The reinstatement cost takes into consideration the following:

· Demolition & Site clearance costs
· Labour Costs
· Building Material Costs
· Reinstating features such as fixtures & fittings, windows, heating systems etc
· Professional fees such as planning and architectural.

The figure takes into account reinstating the property on a like for like basis utilising construction methods required to achieve this while adhering to current building regulations.

How often should an Insurance Reinstatement Valuation (IRV) be undertaken?

The Royal Institute of Chartered Surveyors (RICS) recommends a detailed site assessment should be conducted every three years. Many insurers will have their own requirements, however the panel of insurers utilised by Taylor & Martin mirror the recommendations of the RICS and require them to be undertaken every three years.

What are the risks of being underinsured?

Underinsurance is a huge problem within the UK property sector, with recent reports suggesting in excess of 75% of UK buildings are under insured. If your property is underinsured it could lead to a shortfall in the claims settlement to allow the reinstatement of your property. When dealing with claims, insurers look at the property reinstatement value and if they find a property is under insured, they will often apply the condition of average to any claims.

What is the Condition of Average?

The condition of average is applied if a property is under insured. The loss adjuster will look at the insured value against the correct reinstatement value and deduct the comparative percentage from any claim settlement.

For example:

You have a claim for £50,000 and your property is insured for £1m, however upon review your property reinstatement value should be £2m meaning you are only insured for 50% of the value. The condition of average would be applied to the settlement meaning opposed to a £50,000 settlement, insurers will offer £25,000 with any shortfall being the responsibility of the claimant.

Can I just use the property market value to determine the reinstatement cost?

No, the market value refers to the amount you will receive if you sell your property, whereas the reinstatement value relates to the demolition and rebuilding costs of your property. As such, the reinstatement value of your property is different to the market value. Just because your property costs £300,000 to rebuild from scratch, it does not mean that it would be worth £300,000 on the open market. If you relied only on your property's market value and a professional reinstatement valuation is not carried out, you could not be sure that the correct sums insured are in place and you could end up over or under insured.

Can I opt out of the IRV process?

In short no, if Taylor & Martin arrange a common policy for the property we will undertake this exercise in line with current recommendations of the RICS and insurer requirements for the protection of all owners and property that we look after.