

Property Rebuild Valuations

A rebuild value is, well, exactly that. The total cost to rebuild your property following a total loss.

A rebuild value is made up of a number of factors including:

- Cost of materials
- The labour to build your property again
- Cost associated with clearing away any debris following your claim
- Making the land good again
- The cost of architects to re-draw any plans

It is important to remember that a rebuild value is NOT a market value. When valuing your property for sale, an estate agent doesn't have to think about the cost of cleaning up debris following a fire or paying an architect to draw new plans. Likewise, a rebuild value does not include the value of the land on which your property sits. In some cases, the rebuild value will be higher than the market value, in others it will be the other way around.

If your home or properties are built of non-standard materials (not brick-built) or has specialist architectural features, its rebuild cost may be higher than its market value.

Market update

We are all aware of the headlines in the news about the shortages of building materials and labour, in particular the impact this could have on the cost of a rebuilding claim.

Whether it be because of Brexit, Covid, people wanting more work done on their homes; or HGV driver shortages – the cost of rebuilding has increased at a far higher rate than any inflationary provision since the beginning of the year.

We are therefore recommending to all our clients that sums insured are reviewed NOW before your renewal and importantly before any loss is sustained.

Historically, if your building has had a valuation for insurance purposes within the last 3 to 5 years – the

annual index linking of the sums insured should have kept the building covered in line with current costings. However, the exceptional circumstances at the moment would leave many of us underinsured.

We have spoken to loss adjusters to ascertain if rebuilding costs are likely to go down – the consensus is that they would plateau over the coming months/years – but not reduce back down to the levels seen in previous years.

For commercial and farm buildings, the sums insured should be seeing an increase of 30–40% for modern materials. Residential and traditional built buildings are also having similar substantial increases in costs and should be reviewed.

We would strongly advise that you carry out a review with a qualified surveyor. We are more than happy to assist you and have access to qualified specialists.

As an insurance broker, I must stress the importance of adequately insuring your property. Where a rebuild value is incorrect, insurers will not pay your full claim. Your policy may even include a Condition of Average clause, which means that insurers will only pay a proportion of the claim. For example, if you are underinsured by 20% (either knowingly or unwittingly), the insurer will only pay for 80% of your total claim, possibly leaving you with a very large and presumably unwanted bill.

Please do not hesitate to contact us to discuss.