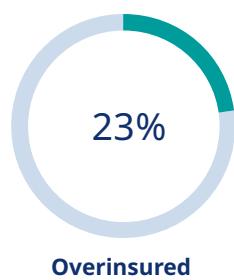
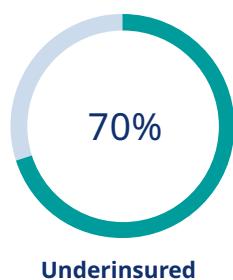


How underinsurance can affect UK property owners

According to recent data, 93% of properties in the UK are insured for the wrong amount:



On average, underinsured buildings are covered for just 67% of what they should be. Many people only find out their buildings are underinsured when they need to make a claim.

Why are so many properties underinsured?

When considering a property's value, the market value — what you paid or could sell it for — usually comes to mind, influenced by location, demand, and desirability. However, insurance generally focuses on reinstatement value, or rebuild cost, which covers the expense to rebuild from scratch, including demolition, debris removal, architects, surveyors, tradespeople, materials, and labour.

Sometimes, the reinstatement cost exceeds market value, especially when construction costs are high, and property prices are low, or for listed and unique buildings. Conversely, reinstatement value can be lower than market value in high land-value areas like London.

The problem with underinsurance

Underinsurance is common because property owners often believe they save on premiums while still having adequate coverage. However, premium savings are typically minimal, and many policies include an average condition. This means if you are underinsured by a certain percentage, your claim payout is reduced by the same percentage.

For example, if a property is insured for £500,000 but the true rebuild cost is £1 million, it is 50% underinsured. A £100,000 repair claim could be paid at only 50%, with £50,000 left to cover. In some cases, insurers may void the policy, leaving the owner with no payout.



How to prevent underinsurance

- Acquire an insurance reinstatement valuation every 2 years
- Consider any potential complications with rebuilding the property
- Update the broker on any building extensions or alterations

Property owners can use free online rebuild cost calculators to estimate reinstatement value. However, these tools often overlook key factors, such as listed status, building type, and local costs, which can lead to underinsurance. We recommend consulting an expert.

Insure buildings for the correct amount

Desktop valuations

Desktop valuations provide a trusted rebuild cost estimate within days, with no site visit required. You will receive a reliable, insurance-approved assessment and a detailed report to demonstrate to insurers that your property has been professionally evaluated. This is suitable for commercial properties insured up to £10 million and owner-occupied residential properties up to £5 million. Note: Grade 1 and Grade 2+ listed buildings cannot be assessed via desktop.

Onsite valuations

Premium onsite assessments are offered for any property that does not fit the desktop criteria. This is often due to an unusual feature of a building, typically found in heritage properties, large estates, commercial properties, and high-profile venues.

Get in touch

Speak to your Marsh Commercial advisor about underinsurance or establishing the reinstatement value of your property.

Email us at riskmanagement@marshcommercial.co.uk

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