

Guide to Insurance Rebuilding Costs

A brief guide to the assessment of a sum insured for buildings under a commercial insurance policy.

You should always seek the advice of a qualified Surveyor when determining your buildings sum insured.

What is included? (basis of valuation):

The basis of valuation is that the assessments will include all items except lessees' / tenants' contents.

Specifically the valuations will include:

- kitchen fittings and appliances
- outbuildings
- garages
- fences and gates
- paths/driveways
- swimming pools (including heating and filtration equipment)
- site clearance
- architects', engineers' and surveyors' fees.

The rebuilding cost will be the cost of demolishing and clearing away the existing structure (including the items referred to above) and rebuilding it to its existing design in modern materials, using modern techniques, to a standard equal to the existing property and in accordance with current Building Regulations and other statutory requirements.

Where buildings are listed, or in a Conservation Area, allowance will be made for reconstruction in accordance with the likely requirements of the Local Authority. Allowance will be made for replacement of the foundations and for temporarily making safe the damaged structure. In the case of attached structures (eg. terraces) allowance will be made for half the cost of replacing party walls and for the cost of protecting adjoining structures.

Allowance will be made for professional fees payable in connection with the re-building of the property.

No allowance will be made for credit for salvaged materials.

No allowance will be made for inflation during the currency of the policy or in any subsequent period before rebuilding is completed.

Although a rebuild valuation will specify the rebuild cost as at the date of valuation, you should make allowance for cost inflation when determining the actual sum insured. Costs are likely to rise during the currency of the policy and this should be allowed for when setting the sum insured. A buildings claim could be made towards the end of the policy period, meaning that the actual reinstatement may take place well into the subsequent period of insurance. Costs could have risen significantly during that time. The sum insured against which those costs would be assessed, is the building sum insured set at the start of the previous policy period.

To assist with insurance valuations Norwich Union have recently formally approved the valuation services offered by BCH Authentica. This firm offers a UK wide service specialising in insurance rebuilding cost valuations. Their contact details are shown on the attached information sheet.