



Underinsurance Jargon Buster





Sum Insured

DEFINITION:

Insuring a property based on the amount it would cost to **rebuild** if it was **destroyed beyond repair**.





Sum Insured

It is the **maximum amount of money** your insurer will pay out if you claim on your Buildings Insurance.

Includes cost of professional fees such as architects, demolition costs and labour.

It's important to note that it's **not the same as the market value**, which might be higher or lower than the rebuild cost.



Average clause

DEFINITION:

Amount the insurer pays out for a claim when property is insured for less than its worth.





Average clause

For example, if you insure a property that would cost £600,000 to rebuild for £300,000, **you are underinsured by 50%**, meaning you only paid part of the premium you should have been paying.

Due to this, the average clause dictates that if a claim is made against the building sum insured on your policy, **your insurer will only pay out a maximum of 50%** of any claim you make.



Index linking

DEFINITION:

When your sum insured increases to match inflation.





Index linking

Can be applied to your policy at no extra cost to you.

This means that your policy will still account for the **inflationary rise in the cost of materials and labour.**



How to avoid underinsurance?

As well as reviewing your Buildings Insurance annually, it's important to **review your insurance any time you make a significant change** such as a renovation or, for commercial buildings, during times of peak stock levels.

We recommend that you revalue the property **every 3 to 5 years** to ensure the figures are still accurate

At Gravity Risk Services, we work with **RebuildCostAssessment.com** to provide you with an accurate valuation of your property, at a discounted rate. Get in touch to find out more.



0121 270 5809