

## Building Reinstatement Cost Assessments

***Zurich have recently entered into partner agreements with specialist valuation providers to assist your organisation when looking to procure Building Reinstatement Cost Assessments for your properties and portfolios.***

The need to ensure accuracy of property values for insurance purposes is a priority for many organisations, to ensure their properties are suitably protected from a financial perspective in the event of a loss. Underinsurance occurs when cover is set too low to adequately meet a policyholder's needs and is a recognised issue across the insurance market.

The extent and impact of underinsurance is often only discovered in the event of a claim, not the best time to discover any errors or oversights. The consequences can be significant, particularly if it could reduce the final settlement figure, leading to a need to source additional funding to meet any shortfall, or if it results in delays in reinstatement. It is therefore important to carefully assess and declare accurate property values when arranging insurance cover in order to ensure you receive full claims settlements in the event of a loss.

Property insurance aims to put you back in the same position you were in immediately before a loss, and whilst slight nuances exist depending on the basis of cover, this remains the central principle. Property values do not remain static, and sums insured should be subject to a review process to maintain appropriate accuracy. Such reviews can consist of full valuation assessments, desk top updates and sampling exercises.

It is key that a robust and structured approach is taken to ensure that your premises, portfolios and assets are correctly assessed from a reinstatement cost perspective. In order to help you facilitate this, Zurich have established *vendor relationships* with three specialists within this field that you may wish to consider in supporting the correct valuation of your assets.

For more information please speak with your RIC.

### **Our Partners**

We have partnered with the following organisations and can recommend that you consider their building valuation services:

#### **Rushton International**

Contact Details: [Gareth.Williams@rushton.co.uk](mailto:Gareth.Williams@rushton.co.uk)

Link: <https://www.rushton.co.uk/insurance-valuations/>

#### **Cardinus Risk Management**

Contact Details: [insurance@cardinus.com](mailto:insurance@cardinus.com) or 020 7469 0262

Link: <https://www.cardinus.com/building-insurance-valuation/>

#### **Bailey Partnership**

Contact Details: [p.schlussas@baileyp.co.uk](mailto:p.schlussas@baileyp.co.uk)

Link: <https://www.baileypartnership.co.uk/services/>

These organisations are specialists in the area of building reinstatement costs assessments and are able to assist in providing a range of assessment approaches tailored to your needs, ranging from desk top reviews, through to detailed on-site assessments. Please contact the organisations directly, quoting **ZURICH20** to discuss your needs and source a quote for any building reinstatement cost assessments you require.

### **Case Study: Mutual client of Zurich and Cardinus**

When you move into a brand-new apartment it is, perhaps, reasonable to expect no hidden increased costs.

That was certainly the view of a group of directors whose 200 plus unit building had only been handed over to them some 18 months previously.

The directors instructed Cardinus to complete a professional valuation and, as part of their instruction, asked that VAT on rebuilding costs, debris removal and professional fees should be included in the assessment

A declared value of £29m was provided. The surveyor attended site and completed on-site measurements as well as validating these with scale plans provided by the directors. A reinstatement cost assessment report at £56m including VAT was released... a shortfall of £27m and a considerable shock for all concerned, especially the almost doubling of the insurance premium for each of the residents!

### **How does this happen?**

A question that we get asked quite frequently is, if I set my insurance cover based upon the original development cost of constructing the property, that should be adequate shouldn't it?

Unfortunately, in most cases development costs do not compare well, if at all, with the costs of reinstatement following e.g. a serious fire. There are many factors which make reinstatement costs higher including:

- The need to commence works urgently
- The timescales involved when you have residents rendered homeless
- Demolition costs
- Changed surroundings due to the passage of time
- Addition of features and e.g. outbuildings post-development
- Additional site access costs
- The need to protect undamaged sections of a building from e.g. the elements
- Less efficient work programming requirements
- The scale of scaffolding and other access costs
- The need to protect and prop adjacent buildings
- The differing profile of professional fees
- Developer's costs being set on fixed price tenders, in some cases longer than a year before the first plant is brought onto site
- Economies of scale for developers buying materials in bulk not usually replicated in claims situations
- Zero rating for VAT for new build

Zurich Municipal is a trading name of Zurich Insurance plc, a public limited company incorporated in Ireland. Registration No. 13460. Registered Office: Zurich House, Ballsbridge Park, Dublin 4, Ireland. UK Branch registered in England and Wales Registration No. BR7985. UK Branch Head Office: The Zurich Centre, 3000 Parkway, Whiteley, Fareham, Hampshire PO15 7JZ.

Zurich Insurance plc is authorised by the Central Bank of Ireland and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our authorisation by the Financial Conduct Authority are available from us on request. Our FCA Firm Reference Number is 203093.