

Is your property adequately insured?

A property reinstatement cost assessment calculates the anticipated cost of reinstating the property to its original specification in the event of total destruction. It is vitally important to note that the market value of the property and the reinstatement costs of the property are in no way linked.

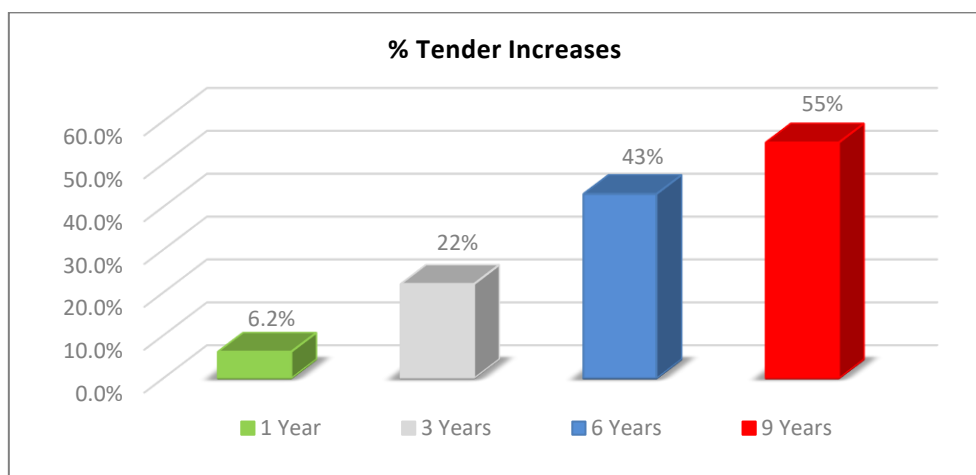
The reinstatement costs assessment should typically include the following:

Typical Check List	
1. Demolitions / site clearance costs	✓
2. Re-build costs of the buildings and external works	✓
3. Professional Fees	✓
4. Planning Fees	✓
5. Fire Certificate Fees	✓
6. DAC Fees	✓
7. VAT	✓

The reinstatement cost assessment should be carried out by a chartered quantity surveyor who has experience in the particular asset class.

Crucially, your reinstatement cost assessment must be updated every year to ensure that you are not over or under insured. Tender rates have been increasing steadily since they bottomed out in the first half 2011 as per the SCSI Tender Indices. The current SCSI Tender Indices are based on the second half 2019.

We illustrate the SCSI tender inflation increases over the previous year (2019), 3 years, 6 years, and 9 years.



NB. Tender indices base date is second half 2019

For example, if your cover has not been adjusted in the past 12 months in 2019, you will be **6.2%** under provided. If you have not adjusted your cover in the past 9 years, you will be **55%** under provided. This under insurance relates to tender inflation alone.

Building standards have been enhanced substantially over the past few years as well. There have been significant amendments in relation to improved fire regulations, Part M & L regulations, NZEB requirements etc. These do add quite a bit to the build costs. Reinstatements are based on current regulations. These improved building standards must be factored into the reinstatement as well.

The cost of reinstating a protected / listed structure (or a property with period features) or a property converted into multiple units (e.g. pre-63) can be significantly higher. This should be factored in when obtaining an insurance reinstatement valuation, and thereafter reflected in your building's insurance cover.

As outlined above, it is imperative that the amount of the insurance cover is updated regularly. It is important that the sum insured on your property is accurate to avoid under insurance issues in the event of a claim. You may get penalised under your policy by having to pay a certain proportion of the reinstatement costs if under insured. This term is referenced as the *Average* or *Underinsurance* clause in your policy wording.

The reinstatement should also include the list of exclusions. For example, contents are normally identified separately and included in a separate policy. Tenant fit outs, furniture fittings and equipment and shopfronts (in some instances) are normally by others and should be excluded if this is the case. These should be verified with the building owner. This ensures that there are no gaps or overlaps in their insurance policies.

Contact Buildcost for your next reinstatement cost assessment.

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