

# A GUIDE TO UNDERSTANDING AND AVOIDING UNDERINSURANCE



Rebuild Calculation • Surveys • Home Contents





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If you were to make a £500,000 claim due to fire damage, your insurer will only pay 70% of the £500,000 claim leaving you to personally fund the £150,000 difference. Your Conservation Officer or Historic England can enforce this by law.

If the underinsurance is severe the insurer may simply cancel the policy and not pay a claim on the basis that you have misrepresented the risk to them.

## INTRODUCTION

The reason your home is listed means it's special or unique and as the owner it is your responsibility to ensure this special status is preserved. Should disaster strike, for example by way of fire, flood or subsidence, Historic England or the local council's conservation officer will assess if it can be repaired or rebuilt and if so, how. They have no interest in the cost of this work, they simply expect the owner and/or their insurer to carry out the necessary reinstatement work to their specification.

Most insurer's policies contain a 'Condition of Average' clause effectively saying that should you have underinsured then they will reduce the claim in proportion.

If you insure your home for a sum of £700,000 but the true rebuild cost is £1million, you are 30% underinsured.

You might be surprised to learn that despite the policy covering £700,000, if you were to make a £500,000 claim due to fire damage, your insurer will only pay 70% of the £500,000 claim leaving you to personally fund the £150,000 difference. Your Conservation Officer or Historic England can enforce this by law.

Using the Condition of Average, your insurer will only pay out 70% of the damage claim because you had underinsured the total rebuild value by 30%.

If the underinsurance is severe the insurer may cancel the policy and not pay a claim on the basis that you have misrepresented the risk to them.

Underinsurance is a problem endemic in the listed property insurance industry due to the complexity in calculating rebuild costs, and it is vital the sum which you insure your home for accurately reflects the full rebuilding cost of your property, taking into account inflation, specialist tradesmen, availability of specialist materials and more.

Some owners will consider taking a chance and underestimating the real costs in an attempt to reduce their premium. This is a false economy. Buying insurance is buying peace of mind but underestimating the rebuild value removes this peace of mind.

If you are in any doubt as to the value of your property's reinstatement cost then please read this guide which is designed to assist listed property owners in protecting their homes and contents correctly.



## WHAT HAPPENS IF I GET THE SUMS INSURED WRONG?

Insurers have two ways of judging underinsurance, firstly by comparing the sums insured with the true rebuild cost, or comparing the premium you should have paid with what you did pay - and reducing the loss in each case proportionally. The principle is the same but for simplicity we will concentrate on the Sums Insured example in the rest of this document.

In the case of an overestimated Sums Insured, you've simply overpaid some premium. There is no benefit to over-insuring, you'll still only be paid to replace your contents or valuables like for like. If however you've underestimated the sums insured or have not reviewed it in line with fluctuating costs of materials and labour, the financial consequences can be devastating.

“Where reinstatement is deemed to be feasible, the owner, with or without adequate insurance, will be expected to cover the cost of this work along with associated professional fees and VAT.”

### AVERAGE CLAUSE

The ‘Condition of Average’ allows insurers to avoid paying the full amount claimed if you have underestimated – accidentally or deliberately – the total sum insured for both buildings cover and contents cover.

Your insurer may agree to waive the Condition of Average for three years after a rebuild valuation survey has been done by a suitable professional, provided that the recommended rebuild/reinstatement value is followed and that value is index-linked in the subsequent years.

If you are severely underinsured, your insurer may simply cancel the policy and pay nothing on the basis that you have misrepresented the risk to them.

“A fire damaged beam could be replaced with an R.S.J and clad with timber but your conservation officer would probably insist on a replacement hardwood beam of similar dimensions. He may even insist on a salvaged beam of similar age to the original.”



## REBUILD VALUES – COMMON MYTHS

### MARKET VALUE

Your rebuild value does not relate to the market value of your listed property and may differ considerably. The rebuild value is not affected by land cost, area desirability and local housing shortages or availability.

### SQUARE METRE CALCULATION

You cannot obtain an accurate rebuild value from multiplying out the square footage of a listed property. This method is often used for modern, standard construction housing stock.

### AVERAGE CLAUSE FREE?

Occasionally policies might claim to be 'average free' but on closer inspection they are likely to contain in the Statement of Fact upon which the policy is based a 'Declaration of Full Value'. Strictly speaking if you've underinsured then you've breached this

declaration and the policy can simply be canceled from the beginning and the claim refused. Generally though insurers will seek a compromise with you and suggest they settle as if average had applied.

### STANDARD ONLINE CALCULATORS

Online calculators such as the BCIS calculator do not account for the listed status, traditional construction materials, methods, and the demands of your local authority should your listed property be damaged.

### BEDROOM RATED POLICIES

Where bedroom rated policies are concerned, you should ensure that any limit on cover is suitable for your building and that the policy does not exclude listed buildings.





## I'M BUYING OR I THINK I MAY BE UNDERINSURED – WHERE DO I START?

The safest way to identify your rebuilding cost is to employ a firm which specialises in producing these valuations.

Whilst this may cost a modest amount having such a valuation and insuring for the recommended amount means not only that you will be correctly covered, but that some insurers will give an enhanced replacement cost for the property effectively giving another 25% or 50% over the valuation amount in the event of loss.

It is your responsibility to provide a rebuild value. An insurer or broker will not offer this to you or pay for a survey.

An insurer may commission their own internal survey to verify your valuation. If there is a considerable discrepancy between your valuation and theirs, insurers will seek to increase the sum insured to the amount they have calculated. If you disagree with this they may decline to insure you.

A professional assessment figure will include the total cost of completely rebuilding the property together with the costs of demolition and debris removal as well as professional and statutory fees.

A professional valuation is highly recommended and you can find a selection of specialist surveyors on page 11.





## HOW A REBUILD COST SURVEYOR WILL CALCULATE YOUR REBUILD VALUE

A survey will consider the materials and labour required to reinstate a listed building, the additional fees that will be incurred, location factors and the unknown demands of your Local Authority and Historic England.

- Professional fees involved in the rebuilding (architects, surveyors, engineers, planning consultants etc.) who have specialist experience with traditional buildings.
- Site clearance, demolition and debris removal costs including the running cost of machinery on site.
- Availability of matching materials. For example it is not unknown for a stone quarry to be reopened at great cost to provide matching stone to that which was originally used.
- Any unique features or elements of particular interest within the property, the restoration of which may be insisted on if possible.
- VAT on material and labour.

### DESKTOP SURVEY

Using a combination of technology, data available online and the expertise of professional assessors, surveyors are able to calculate a reliable and insurer-trusted rebuild value without always having to visit your property. Land Registry, Google Street View, Ordnance Survey and many other sources of information can be used to provide a reliable picture of your home.

### SITE SURVEY

If your surveyor believes a desktop survey will not provide a reliable report, then a site visit is necessary. This may be particularly applicable to larger properties or those with features that are difficult to quantify.

As well as utilising data available online, assessors may take notes, photographs and measurements to record your listed building's structure, construction materials, ceiling heights and finishes as well as summarising external areas, outbuildings and any special internal or external features that may need additional cover.

### INFLATION

Your existing cover levels may no longer be adequate because inflation means it is now far more expensive to repair properties and replace items. Even if your insurer index-links your level of cover, this may not guarantee full reinstatement or contents replacement if it is based on a valuation more than a few years old.







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## CONTACT A REBUILD COST SURVEYOR

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### ISL (INSURANCE SURVEYS LTD)

Desktop valuations suitable for all Grades and up to a £2.5m Building Sum Insured and costs £120 plus VAT for LPOC customers (normal price £150).

Call **01603 308051** or email **surveys@dtval.com**

### BARRETT CORP HARRINGTON

Desktop valuations suitable for Grade II and Category B and up to a £2m Building Sum Insured and costs £125 plus VAT.

On-site surveys suitable for all Grades, starting at £740 plus VAT.

Call **01455 293 510** or visit **www.bch.uk.com/listed-buildings**

### REBUILD COST ASSESSMENT

Desktop valuations suitable for Grade II, II\* and Category B and costs £173.50 including VAT using code LPOC20.

Visit **www.rebuildcostassessment.com/home-owners-desktop-order**

### CRITERION

Desktop valuations are suitable for all Grades, starting at £220 plus VAT. A 10% discount is available to LPOC customers.

On-site surveys suitable for all Grades, starting at £400 plus VAT.

Call **01483 310393** or email **info@criteriaurveyors.com**  
**www.criterionadjusters.com**

If you are looking to insure a listed property and have obtained a rebuild valuation, you may request a quotation by visiting **www.lpocinsurance.co.uk** or by calling the Club on **01795 844939**.



## CONTENTS – TURN YOUR HOUSE UPSIDE DOWN

For general contents insurance you will be asked to provide a Contents Sum Insured value.

Reviewing your required contents cover is important and it is advised to go room-by-room and check the replacement value of items. Home contents should cover the cost of replacing your possessions as new, including electrical appliances and furniture. It is wise to have special possessions such as heirlooms or jewellery professionally valued. A clock you bought for £500 ten years ago may be worth £2000 today.

23.7%

Rise in the cost of house  
contents in the year July  
2021 - 2022



### ITEMS TO CONSIDER:

- Fixtures and fittings such as carpets, curtains and replacement cost of bespoke unfitted kitchens and appliances.
- Hobbies or collections. Many pastimes, from walking to skiing, come with their own equipment, clothing and accessories.
- Jewellery and watches.
- Garden machinery
- Paintings and art

### SINGLE ARTICLE LIMITS:

Almost all policies include a single item limit, which is the maximum you can claim on your contents insurance for any one item that's damaged or stolen.

Any items in excess of the single article limit (shown on your Schedule) should be included on a Specified Items list.





## ABOUT THE LISTED PROPERTY OWNERS' CLUB

The Listed Property Owners' Club is Britain's only advice service dedicated to helping members get the most from their homes by providing detailed advice, information and support for just about every conceivable issue associated with ownership.

"4 out of 4 applications approved! I can't begin to thank you enough; we simply could not have done this without you."

Mr C Williams, Chelmsford

We understand that while owning a listed property is a unique privilege, it also comes with responsibilities, regulation and financial anxieties. Whether you are already in your dream home or are thinking of buying; we are here to help with unparalleled expertise in all aspects of ownership.

Over the years we have saved our members thousands of pounds by ensuring they get the right help and advice for their property, while our Campaign for Owners continues to lobby government for improved owners' rights and representation.



## MEMBERSHIP BENEFITS

### FREE TELEPHONE HELPLINE

Call on our expertise on the responsibilities of owning a listed property including buying, surveyance, VAT, maintenance, energy efficiency, insurance and legal issues.

### FREE CONSERVATION & PLANNING ADVICE

Our in-house Conservation Advisor is here to help with all aspects of building conservation, repair, maintenance, alteration and planning, and to advise on unauthorised work by previous owners.

### SUPPLIERS DIRECTORY

Hundreds of nationwide specialist companies which members can approach with confidence, from architects to lime plastering, surveyors to window restorers.

### LISTED HERITAGE MAGAZINE

Our exclusive 150 page bi-monthly publication providing practical information, news, ideas and guidance on listed property ownership.

### OWNERS LOGBOOK

Full of information and briefings on all aspects of listed property ownership to keep your knowledge up to date. Includes a copy of your own home's listing.

### CAMPAIGN FOR OWNERS

Our political campaign for the reduction of VAT to 5% on repairs and approved alterations to listed buildings and the simplification of the planning process.

### SPECIALIST INSURANCE

Particularly personal service, specialist advice and access to dedicated cover for listed buildings including those undergoing renovation or conversion.

### DISCOUNTED LEAD PLAQUE

Celebrate your justifiable pride of ownership with our unique plaque, just £120 for members.

### THE LISTED PROPERTY SHOW

Free invites to the UK's only show dedicated to listed property owners. Held every February at Olympia London.

Membership starts from as little as £5 a month when paying by Direct Debit.

### TO JOIN

Call us today on 01795 844939  
Email us at [membership@lpoc.co.uk](mailto:membership@lpoc.co.uk)  
Or visit our website: [www.lpoc.co.uk](http://www.lpoc.co.uk)



“During our 20 years of living in a listed thatched cottage we have found the help and advice we have received from LPOC extremely valuable. The magazine alone is worth the membership fee and I would recommend that anyone owning a listed building should become a member.”

LPOC Member

## CONTACT US

### THE LISTED PROPERTY OWNERS' CLUB

01795 844939

[info@lpoc.co.uk](mailto:info@lpoc.co.uk)

[www.lpoc.co.uk](http://www.lpoc.co.uk)

### REQUEST LPOC'S OTHER GUIDES



*From left to right:* Guide to Lobbying Government • Guide to Thatch & Thatching  
Tracing the History of your House • A Guide to Insuring your Listed Property  
A Guide to Owning or Buying a Listed Building

The Listed Property Owners' Club, working with a panel of the UK's leading insurers, have created LPOC Services to provide the very best insurance products exclusively to the owners of listed buildings.

Backed by decades of combined insurance experience, our mission is to help you understand the unique requirements of your listed property and leave you feeling confident in your cover.

Listed Property Owners' Club Services Ltd is authorised and regulated by the Financial Conduct Authority.





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