Avoiding Under-Insurance & Penalties

Property, Business Interruption, Business Insurance Packages, Industrial Special Risks and other policies will contain **Under-Insurance**, **Co-insurance**, **Average** or similar clauses. The usual effect of these clauses is that if the Sum Insured you select is under-stated then the amount by which you have under-insured will not be covered.

Example

This also applies to partial loss or damage. For example, a policy with a 100% Co-Insurance clause will in the event of under-insurance pay only as follows.

- the replacement value of your property is $500,000 but you select a sum insured of only $375,000 (= 75%)
- an insured loss occurs causing damage to your property with repairs totaling $200,000
- you elected to insure the property for only 75% of its value
- you are deemed to have self-insured the other 25%
- the Insurer is liable to pay only 75%, which is $150,000, towards the repair bill
- you are left to fund the remaining 25% which you self-insured, in this example $50,000

Review Your Sums Insured

When determining appropriate sums insured you should include in your considerations;

- current reconstruction costs plus an allowance for ongoing cost increases over the rebuilding period
- architectural and engineering fees, trades, labour and material cost increases
- removal of debris costs (including the safe removal of any asbestos or similar materials)
- federal and state regulations, environmental issues, local government approvals
- replacing and reconnecting utility services
- seasonal or inclement weather conditions, increased cost of labour and materials
- replacing contents, plant and machinery and where necessary, the cost of sourcing these from overseas

Sum Insured Calculators

We can assist you to obtain an estimate of the replacement cost of your building (and average contents) using external on-line services. These do not replace the advice you should obtain periodically from a quantity surveyor or registered builder.

Business Interruption Insurance (Consequential Loss)

- 80% of businesses that suffer a major insured property loss do not recover without BI insurance
- BI can cover your loss of profits, business finance repayments, payroll/wages and other fixed expenses
- Additional Increased Costs of Working cover can be included to pay for necessary expenses to stay afloat
- An Indemnity Period of at least 24 months should be selected; 12-months is simply not enough
- Professional help is available to establish appropriate sums insured (a fee may apply)