Under-insurance

Frequently Asked Questions



What is under-insurance?

Under-insurance occurs when you insure your buildings and contents for less than the amount it will cost to rebuild your home or replace your contents.

A recent study by the Central Bank of Ireland found that 16.5% of claimants in 2021 were under-insured, as rebuild costs had increased by up to 40% in some areas[1].

In the event of a claim, a policyholder who is under-insured may not receive the full amount necessary to rebuild, repair or replace items as new.

As a homeowner it is essential that you regularly review your sums insured to make sure you are adequately covered. The sums can be adjusted at any time, and there is no need to wait until your policy renewal.

Could I be under-insured?

Yes, you could be under-insured if you haven't reviewed or updated your sums insured recently.

Inflation and the significantly increased costs of building materials are leading to higher costs for rebuilding, repairing and replacing items.

You may also be under-insured if you have not reviewed your sums insured since renovating or extending your home or if you underestimated the sums insured when taking out your policy.



What are the risks of being under-insured?

If you are under-insured, and in the event of a claim being made on your policy, you run the risk of only a portion of your claim being paid out. For the majority of policies an 'average' condition will apply which in the event of under-insurance will reduce your claim payment by the percentage you are under insured. Here are some examples of how under-insurance could affect a claim payment.

Partial Damage Example

- The home is insured for €300,000 but the full cost to rebuild the property is €400,000.
- This means that the home is under-insured by €100,000 (25%).
- Damage occurs to the home and the cost to repair the damage is €100,000.
- Where the condition of average applies a deduction of 25% (€25,000) is made from the cost of repairs.
- Therefore, the most the policyholder will receive is a payment of €75,000.

Total Loss Example

- The home is insured for €300,000 but the full cost to rebuild the property is €400,000.
- This means that the home is under-insured by €100,000 (25%).
- Damage occurs to the home where it requires a complete rebuild.
- As the home has been insured for €300,000 this is the maximum payment that can be made. The outcome is the same when the condition of average applies.

In both of the above scenarios the payment made to the policyholder is not sufficient to fully repair the damage caused.

Note: The above examples do not include other settlement factors, such as excess.

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How can I avoid under-insurance?

To avoid under-insuring your home you simply need to review your sums insured regularly and set them to an adequate amount.

Remember it's key to insure your home for the rebuild cost **and not the market value.** The rebuild cost should include any associated costs such as architect fees, debris removal and regulation fees.

Due to recent increases in inflation rates, as well as many choosing to renovate or extend their homes, it's more important than ever to check that you are still insured for the correct rebuild costs.

Going forward it's important to update the sums your home is insured for regularly, it's not a case of set and forget. Any updates to your home can increase the rebuild cost, as can inflation, therefore it's key to review your policy on a regular basis.

Who determines how much my home is insured for?

The amount your home is insured for is referred to as the sums insured.

If this figure is not sufficient to cover the rebuild value of your home, you will be under-insured.

The sums insured is set by you, our customer.

The Society of Chartered Surveyors Ireland **SCSI's House Rebuild Calculator** provides guidance in calculating this figure.

Visit www.scsi.ie to find out more and to use the calculator.

How do I calculate the rebuild cost of my home?

The **SCSI's House Rebuild Calculator** can help you identify the current rebuild cost of your home. It's available to use at www.scsi.ie

You will need to know the size of your house to use the calculator. Choose the appropriate house type and region and insert your total floor area. You can add the cost of a garage if applicable.

You should add higher-than-average kitchen fittings, finishes, etc if appropriate. You can also add for any other outbuildings e.g. studio, office. Once you have entered all the required information, the figure generated will be a minimum base guide for rebuild costs for insurance purposes. If you would prefer to access professional advice you can contact your local Chartered Quantity Surveyor.

How do I value my contents?

With your contents, it's important to insure them for their new replacement value. Make a list of the items you need covered and calculate how much it would cost to replace them with new items, not forgetting items that may be stored away out of sight.

How do I check and update my policy?

Your policy schedule contains details of the sums insured for your home.

If you would like to make amendments to your policy you will need to contact your broker.

Should I wait until renewal to adjust the value of my sums insured on my policy?

No, please don't wait until renewal as you may not be fully protected in the event of a claim. We are advising our customers to review their home insurance policy now and amend the sums insured if necessary.

[1]Central Bank of Ireland "Central Bank review identifies evidence of increasing levels of under-insurance in the home insurance market" Press Release, published on 22 September 2022.

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