Are you underinsured?

Dear Policyholder,

As one of our valued home insurance customers, we want to be sure that you have the appropriate level of cover should you need to make a claim.

The rise in the rate of inflation and other economic factors may impact the cost of replacing your buildings or contents. It is important that you regularly review the sums insured to rebuild your home and/or replace your contents to make sure that you are not underinsured.

What do we mean by underinsurance?

Underinsurance refers to a scenario whereby a property and/or its contents are insured for less than the amount that it would cost to rebuild, reinstate, or replace them.

Buildings sum insured:

Your property should be insured for its **full rebuild cost**. The rebuild cost is the cost of replacing your home and outbuildings. It should include the cost of demolition and the cost to remove debris after a loss, the cost of professional fees, and the costs associated to comply with current building regulations. The Buildings sum insured should include all items mentioned in the "Buildings" definition of the policy. It is important to note that buildings include items such as solar panels, septic tanks, fuel tanks, terraces, patios, decked areas, driveways, footpaths, walls, fences, gates and hedges. If you wish to check any other item, please refer to your **policy booklet** for the full definition of the buildings.

Remember, the rebuild cost is not the same as the market value of your property

Market value is the price your home could sell for on the market. It reflects not only construction costs, but the cost of the land, the supply and demand for houses, and the location of the property.

Rebuild cost is the cost to replace or reinstate your house to an equivalent standard, using equivalent materials and equipment. It does not include the cost of the site. The rebuild cost is what is important from an insurance perspective.

Contents sum insured:

Your Contents sum insured should cover the cost of repairing or replacing personal belongings and household goods in your home. This includes items such as carpets, rugs, furniture and electronics.

A good tip is to calculate the value of your contents room by room and don't forget to include your attic and garage contents.

Here is a **Household Items Checklist** you can use to do this.

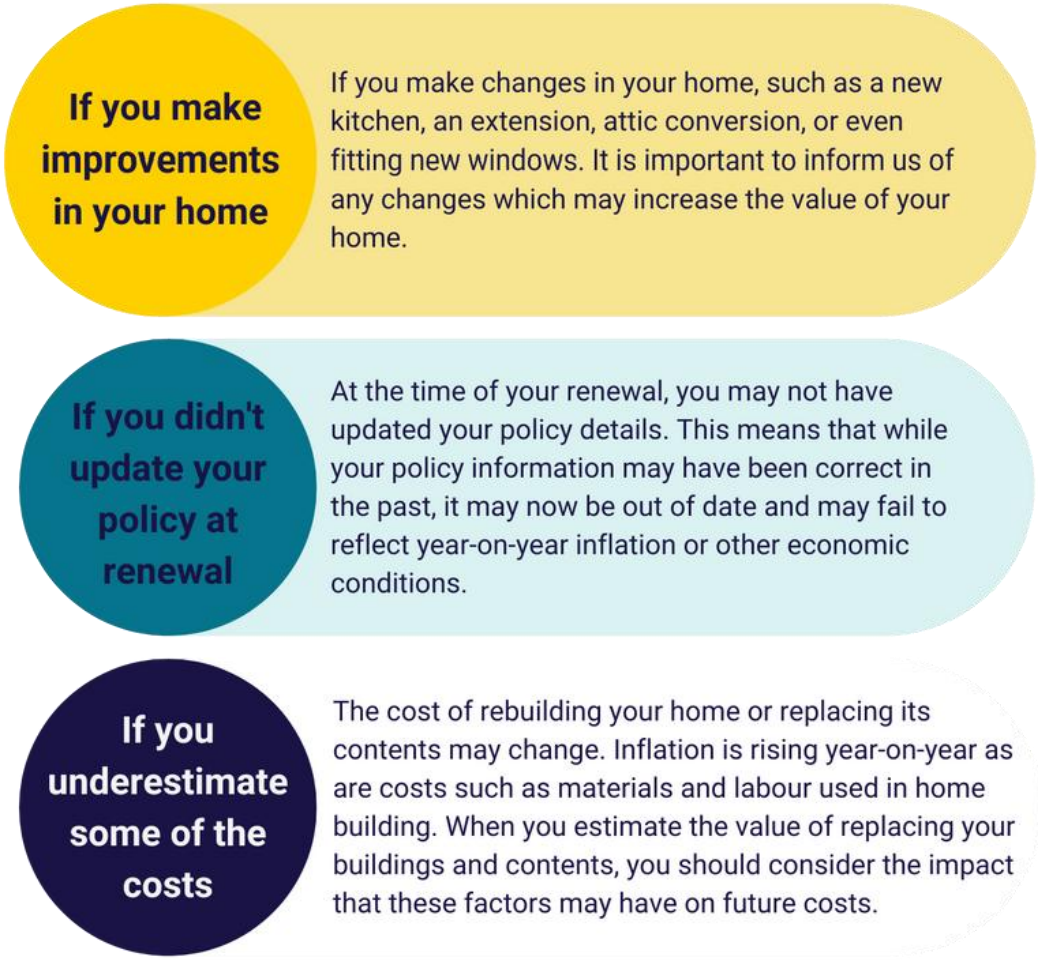
Why is underinsurance an issue?

Over the past few years the global economy has faced many challenges, from Brexit to Covid-19 restrictions, war in Ukraine and war in the gulf region. The impact of this, combined with current high inflation, **has caused a significant increase to the cost of raw materials and products**. It has also driven up energy prices and led to a shortage of labour. The pressures that these factors create increase your rebuild cost and the cost of replacing contents and other personal possessions. This may mean that you have become underinsured, or **you may be at risk of becoming underinsured** during the term of your policy.

How could this affect you?

In the event of a valid claim, your home insurance policy will cover costs based on the Buildings and Contents sums insured that you provided to us when purchasing your policy. You may think your home insurance policy covers the full cost to reinstate your property and/or contents to their pre-accident condition. This may not be the case if you are underinsured. **To explain the impact of underinsurance, we have prepared some examples** below to show you the effect it can have.

How could you be underinsured?



You need to consider other factors, such as whether your home is a period or listed house. You also need to check if the materials used in the building of your home are of non-conventional material. The rebuild costs are often higher if any of these factors apply to your home.

If you believe that any of these factors apply to you, you must consider getting a professional to calculate the total rebuild cost of your property as per the “Buildings” definition in your policy. This professional valuation will make sure that you insure your home for the true rebuild cost.

Indexation

Some insurers review inflation data and if required, apply an appropriate increase to the Buildings and Contents sums insured on all the home properties that they insure. This is known as indexation. Indexation alone doesn't provide security from underinsurance if the Buildings and Contents sums insured have been set too low in the past. As each policy is not reviewed individually, the same percentage increase is applied to every policy. Due to this, **it is important that you, as a policyholder, review the level of cover** that you have in place to make sure it's adequate for your buildings and contents needs.

What can you do?

If you would like to get an accurate estimate of the cost to rebuild your home, you can check this on the Society of Chartered Surveyors' House Rebuild Calculator **here**. If you are unsure about the correct rebuild cost of your property, we recommend that you seek professional advice to help you with this. The professional will make sure your rebuild costs are correct. This guide, developed by the Society of Chartered Surveyors Ireland (SCSI), provides average rebuilding rates, which you may find helpful. **Important:** The rebuilding rates are for speculatively built homes (i.e. estate-type homes).

SCSI Rebuidling Guide

If you are worried that you may be underinsured, or if you wish to update your policy, contact us on **0818 300301** and a member of our team will assist you.

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