

## UNDERINSURANCE ON HOUSEHOLD POLICIES

It may come as a surprise to many people, but the vast majority of homes and their contents are underinsured. This can have devastating effects in the event of a claim.

Policy wordings will vary, but if at the time of a claim your sum insured is inadequate, you may find that your claim payment is reduced. This could leave you having to find the money to complete repairs or to replace essential belongings, from your own pocket.

### Sums Insured

Your sum insured is the most that an insurer will pay in the event of a claim. So what should your sums insured represent?

#### Buildings

The cost of rebuilding your home including:

- domestic outbuildings such as garages, sheds and greenhouses;
- paths, drives, walls, gates and fences;
- permanent fixtures and fittings such as baths, toilets, fitted kitchens and fitted bedroom furniture;
- an amount for demolition and site clearance costs and architects' and surveyors' fees, which would be incurred if your home had to be rebuilt.

This figure is not the same as the market value of your home.

#### Contents

- The cost of completely replacing as new your furniture, furnishings, household goods, electrical appliances, personal possessions and valuables.
- The current market value of fine art and antiques.
- The second-hand value of clothing and household linen.

Generally speaking, items which you insure separately away from the home, should not be included in your contents sum insured. If you are unsure about what you should include as contents under your particular policy, please contact Genavco.

**Whilst claims involving the complete destruction of a building and/or its contents are rare, they do happen and therefore your sums insured must be adequate to cover these eventualities.**

### Index Linking

Whilst many buildings and contents policies include index linking to provide a certain level of protection against inflation, its benefits are limited.

- The indices used are only suitable for standard properties and general household items, clothing and the like.
- The index used for contents is an average of a number of different indices, meaning that whilst it may be adequate for certain items, it could be too high or too low for others.
- Valuable items such as jewellery, fine art and antiques are not catered for and these should be re-valued on a regular basis by appropriate specialists.
- No index can cater for new items that are accumulated throughout the year or for items that are replaced with upgraded versions, such as that new plasma screen TV.
- Neither can index linking cater for extensions or improvements to your home.

**Remember – it is your responsibility to ensure the adequacy of your sums insured.**

### Calculating your Sums insured

Many insurers now offer buildings and contents policies with set limits, rather than insisting on being provided with exact sums insured. However, whether you opt for a policy based on sums insured or one with set limits, you will still need to satisfy yourself that those sums insured and/or limits are adequate.

#### Buildings

- Help is available on the Building Cost Information Service website ([www.bcis.co.uk](http://www.bcis.co.uk)) and also the Association of British Insurers website ([www.abi.org.uk](http://www.abi.org.uk)). Rebuilding costs and a sum insured calculator are given for standard properties.
- However, if your home does not fit the criteria for the sum insured calculator and you are still unsure how to calculate your sum insured, you can seek the advice of a chartered surveyor.

#### Contents

- Unfortunately there is no easy way to calculate your contents sum insured. The best way is to go through your home room by room, listing what it would cost to replace each item at today's prices. Our household contents checklist may help.
- You should obtain professional valuations for specialist items such as fine art, antiques and jewellery.
- Alternatively, you could employ the services of a professional valuer.

### What Should I do?

- Check the sums insured on your policy.
- Review:
  - the total cost of rebuilding your home;
  - the full replacement cost as new of all household contents including personal possessions and valuables;
  - the current market value of fine art, antiques and collectables.
- If you have any doubts as to the correct amounts, we recommend you seek professional advice.
- Advise Genavco of any revised figures so that we can update your insurance. If professional advice is taken, a copy of the report would be of assistance. This can be done at any time during the life of your policy and does not have to be left until the renewal date.
- If you need any further assistance or advice please do not hesitate to contact Genavco.

Genavco Insurance Limited  
Michael's House  
10-12 Alie Street  
London  
E1 8DE

Tel: 020 7702 4300  
Fax: 020 7702 4585

## HOUSEHOLD CONTENTS CHECKLIST

Your estimate of the value of your contents should be based on their replacement cost as new except for fine art, antiques and collectables which should be based on the current market value and clothing and household linen where your estimate should be based on their second-hand value.

Lounge	Value
Three piece suite, chairs	£
TV, Hi-Fi, DVD, video etc.	£
Curtains, carpets, rugs, etc.	£
Pictures, clocks, ornaments, lamps	£
Other items	£

Total

Hall, Stairs and Landing	Value
Furniture	£
Bedding, towels etc.	£
Pictures, ornaments	£
Curtains, carpets, rugs, etc.	£
Other items	£

Total

Dining Room	Value
Tables, chairs	£
Pictures, clocks, ornaments, lamps	£
Curtains, carpets, rugs, etc.	£
China, glass and cutlery	£
Sideboards, other furniture	£
Other items	£

Total

Master Bedroom	Value
Bed(s) and bedding	£
Bedroom furniture	£
Pictures, clocks, lamps, mirrors	£
Curtains, carpets, rugs, etc.	£
Other items	£

Total

Study	Value
Desk, chairs	£
TV, Hi-Fi, DVD, video etc.	£
Personal computer & allied items	£
Bookcase (including books), tables	£
Cassettes and discs	£
Pictures, clocks, ornaments, lamps	£
Curtains, carpets, rugs, etc.	£
Other items	£

Total

2 <sup>nd</sup> Bedroom	Value
Bed(s) and bedding	£
Bedroom furniture	£
Pictures, clocks, lamps, mirrors	£
Curtains, carpets, rugs, etc.	£
Other items	£

Total

Kitchen/Utility Room	Value
Washing machine, tumble dryer	£
Dishwasher	£
Refrigerator, freezer	£
Cooker, microwave	£
Tables, chairs	£
Crockery, cutlery, tools & utensils	£
Electrical appliances	£
Floor coverings, curtains	£
Food, drink	£
Other items	£

Total

3 <sup>rd</sup> Bedroom	Value
Bed(s) and bedding	£
Bedroom furniture	£
Pictures, clocks, lamps, mirrors	£
Curtains, carpets, rugs, etc.	£
Other items	£

Total

Bathroom(s)	Value
Bathroom cabinet, etc.	£
Floor coverings, blinds	£
Other items	£

Total

**Garage and Outbuildings****Value**

Garden tools	£
DIY tools, etc.	£
Lawnmower	£
Garden furniture	£
Other items	£

**Total** £

**Other Areas****Value**

Cellar/basement	£
Attic/loft	£
Other cupboards/storage areas	£
Property in the garden	£

**Total** £

**Personal Effects****Value**

Clothing (excluding furs) and all other personal articles (including toys, sports equipment and pedal cycles), worn, used or carried, other than valuables and money.

His	£
Hers	£
Children's	£

**Total** £

**Valuables****Value**

Jewellery (including costume jewellery), watches, articles of gold, silver and other precious metals, furs, cameras, binoculars, pictures and other works of art and collections of stamps, coins and medals.

His	£
Hers	£
Children's	£
Items in the bank	£
Other items	£

**Total** £

**Valuables £1,500 and over****Value**

	£
	£
	£
	£
	£
	£
	£
	£
	£
	£

**Total** £

**Totals****Value**

Lounge	£
Dining Room	£
Study	£
Kitchen/Utility Room	£
Hall, Stairs and Landing	£
Master Bedroom	£
2 <sup>nd</sup> Bedroom	£
3 <sup>rd</sup> Bedroom	£
Bathroom(s)	£
Garage/Outbuildings	£
Other Areas	£
Personal Effects	£
Valuables	£

**Grand Total** £

List individual valuable items of £1,500 and over in the next column.

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