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Members of the Ecclesiastical Insurance Group

Insurance – have you got enough?

For many of us, reviewing our insurance arrangements is a chore but a thorough review should be conducted each year, focusing on the ***type*** and the ***amount*** of cover you will need.

Why insure for the full value?

- Insurance works on the principle that the losses suffered by a few, are shared by many (through the payment of premiums). Insurance premiums are calculated by insurers in the belief that all property is being insured for its full value so that everyone bears their equitable proportion of the cost of insuring similar properties.
- Office holders who are responsible for arranging insurance have a duty to ensure they properly manage the finances of the organisation. Arranging adequate insurance cover is part of that obligation.
- Inadequate insurance protection may provide a false sense of comfort and in reality may impose a financial burden as a consequence of under insurance.

Reasons for under insurance

- Renovations and additions to buildings that have not been notified to the insurer.
- Building costs have increased dramatically (over 90% between 1997 and 2007). Forecasts suggest a further increase of up to 10% can be expected in 2009.
- The original sum insured nominated on the policy was inadequate.
- Historical buildings with features like timber panelling, stonework, stained glass windows and high ceilings can have a substantially greater rebuilding cost.
- In modern buildings architectural design, large quantities of glass and large installations of audio/visual equipment can inflate the costs.
- In the event of a major loss, demolition and removal of debris can be expensive especially where asbestos is present.
- Following a loss, new building codes may require additional features like disability ramps or passive fire protection measures to be installed when repairing or rebuilding.

Calculating a correct replacement value

- Engage a Quantity Surveyor to assess your buildings.
- Compile an Asset Register that lists all your major contents and calculate replacement costs for each.
- Talk with your insurer who may be able to give you some guidance.

Can you afford the consequences?

When a building is considerably underinsured any claim settlement will be less than satisfactory.

- Replacement buildings may be smaller than the current one
- Replacement buildings may be of lesser quality.
- Accusations of mismanagement or negligence may be directed towards the organisation's management team.

Insurance is bought to provide protection and peace of mind. If it is important to buy insurance, it is important to do the job properly.

This material is for information purposes only. It is not intended to give specific legal or risk management advice nor are any suggestions, checklists or action plans intended to include or address all possible risk management exposures or solutions.

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