**The importance of insuring your Home and Contents to the right level of cover**

Your home is one of the most valuable assets you are likely to own, and it is common sense to insure your home and contents against unforeseen and potentially catastrophic events.

However, it is essential the cover you have in place is correct and at the right level to ensure you are not left out of pocket in the event of a loss.

**How much cover is needed for buildings insurance?**

The building sum insured amount needs to be the **full value cost** of rebuilding your property by a professional third-party contractor. This will include:

* Rebuilding expenses such as architects & surveyor fees
* Clearing the site of debris
* Complying with local building regulations etc.
* Outbuildings, Walls, Fences, Driveways, Paths etc. also need to be included within this figure

**NB: The cost to rebuild your home is not the same as the market value of your home.**

**How much cover is needed for contents insurance?**

The contents cover you need for your home, is **not** **everything within** the home. Fixtures and fittings for example, such as attached units in the kitchen or bathroom would not be classed as Contents.

If you aren’t sure, imagine your house in your hand with no roof and turn it upside down; anything that falls out would be classed as Contents!

* For general contents and personal possessions, the figure must be the cost to replace as new.
* For valuables, the figure must reflect the current market value**.**
* Items in outbuildings, within the garden should also be included within your contents cover amount

**Why is it so important that the cover accurately reflects the value?**

* The sums insured are one of the main factors in how the premium is calculated.
* If at the time of a loss, they are not adequate you are deemed to be **‘underinsured’** and the principle of **‘average’** will be applied to your claim.
* This is where your claim payment is proportionately reduced by the percentage of under payment of premium.

|  |  |
| --- | --- |
| **Correct Level of cover in place on Home & Contents Policy** | **Incorrect Level of cover in place on Home & Contents Policy** |
| * All contents within the home are insured for £50,000 with a £200 excess
* The premium generated is based on this required level of cover
* You come home and find your property flooded and need to claim £5,000 to repair/replace item(s) due to Escape of Water.
* **The claim payment of £5,000 is accepted less the excess, so a payment of £4,800 is made.**
 | * All contents within the home are insured for £25,000 with a £200 excess
* The premium generated is based on this required level of cover; **the sums insured cover selected is only 50% adequate.**
* You come home and find your property flooded and need to claim £5,000 to repair/replace item(s) due to Escape of Water.
* As you have only paid 50% of what would have been the correct premium (if you had declared your sums insured correctly) **your claim pay-out is only 50% of your loss**.
* **The claim payment is £2,500 less the excess, so a payment of £2,300 is made against a £5,000 loss**
 |

**Things to consider:**

* When did you last review the levels of cover you have on your policy?
* Material costs have risen enormously since Brexit and COVID-19; the price for materials “then” will not be the same as “now”
* As well as the increased material costs, there may be availability challenges and not just for materials.
* You will need contractors to do the work and whether the work is major or minor, you may have to pay more to get it done when you need it to be done.
* When the policy was taken, have you bought any new items and has their value been added or specified to your policy?
* If you have items of jewellery or fine art, when did you last have them valued? Gold has gone up approximately 15% in the last 12 months and over 50% in the last 5 years!

**What to do if you are unsure about your sum insured**

Whether you have a sum insured policy that is index linked or a bedroom rated policy, it is important to consider the limits you have in place to cover your home and your contents.

Talk to a mortgage or financial adviser for help, advice and guidance on the current cover levels and the cost of the cover you have in place.