

Insuring for Reinstatement Value - will your insurance policy stand up if your house doesn't?

If your home is an older property, listed or in a conservation area, repair and restoration costs are likely to be higher than for a modern home. If your insurance policy doesn't stand up, you may find yourself liable... Wattle and daub walls, intricate cornicing, feature fireplaces - all require specialist materials and craftsmen to reinstate them; and this can mean lengthy uninhabitable periods and high costs. Your insurance policy needs to cover this and it's important to determine the cost of rebuilding the entire building using like materials and methods of construction. If the property is listed or in a Conservation Area, you may be required by law to repair or rebuild to the original specification.

Case Study

Lorna Harrington, Loss Adjuster at Cunningham Lindsey, reports the following case study: "My road to Damascus was a typical English village street, with its typical selection of vernacular homes. Dominating the street was a semi-burnt out timber framed cottage, showing evidence of its once thatched roof. Grade II listed and built circa 1651, it had been subject to a devastating fire; the cause of which has been attributed to a spark from a wood burning stove landing on the thatched roof. On arrival to the scene of the incident, the fire brigade were confident that very minimal damage would be caused. However, their inability to remove the thatch, due to it being under wire netting, meant the total loss of the roof, the almost total destruction of the first floor and significant damage to the ground floor. Following the removal of un-reusable historic fabric the cottage had suffered in the region of a 40-50% loss. It is somewhere near this point, where the cost of making good and repairing the remaining structure is equal to the cost of total demolition and rebuilding in similar materials.

The insurance policy in place at the time of the loss did not provide sufficient cover for the cottage. The figure of £200,000 (approximately £1,100 per m² and based on the purchase price circa 1996) fell steeply short of the post loss valuation of the cottage for reconstruction in good quality vernacular materials. The initial repair estimates received for restoration which indicated a sum insured at £500,000 in total or approximately

£2,600 per m². It is therefore evident that if the policyholder wanted to rebuild in materials of like kind and quality, they would have to personally fund the difference. Furthermore, if the Conservation Officer made a legal requirement under the Planning (Listed Buildings and Conservation Areas) Act 1990 to order repair, the homeowner would have to find the extra funds. This is a classic case of underinsurance.

In this case, the local Conservation Officer was presented with the policyholder's circumstances and the structural engineer's reports, that the building was totally unsafe and that repair was economically unviable. Therefore, despite the Government guidelines to the contrary, permission was given to raise it to the ground. The policyholder will then seek permission to build a new house in its place. If this homeowner had insured for a more realistic figure based on a pre-loss insurance valuation, and had been covered by a specialist insurance policy, it is less likely that this building would have faced demolition.

The knock-on effects of this underinsurance are:

1. The homeowner has had to witness their home be demolished and will have to rebuild in a more modest, modern way. The entire streetscape and vistas around the village will change.
2. Where once neighbours looked out onto a listed thatched cottage, they will now look at a modern home.
3. The replacement of the building with a modern house could lead to variations in market values of the surrounding properties
4. The market value of the new home will probably be less than a restored listed building
5. Once lost, a listed building cannot be replaced; they represent a finite resource, an irreplaceable asset to this country and should be protected for future generations.

It's vital to work with an insurance broker with specialist knowledge, who will understand your property and advise you on protecting it properly."

Thanks to Lorna Harrington, **Cunningham Lindsey**

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