

# Underinsurance

## In focus

### What is underinsurance?




Underinsurance happens when you don't have enough insurance cover to meet your needs. If the stated value of your property and assets aren't correct, or the time it takes to get your business back up and running after a loss are underestimated, you could be underinsured.

It sounds pretty straight-forward and easy to avoid but with things like the cost of living crisis, labour shortages, supply chain issues and material costs rising globally, we are seeing a steady increase in the number of people and businesses being underinsured.

### Who needs to think about underinsurance?

Underinsurance can affect any policy so whether you're a large corporate, an SME or an individual, it is something we feel you should be aware of and talking to your broker about to ensure you are minimising your risk.

### How to reduce the risk of being underinsured

-  **Get a professional valuation** – An expert valuation can help you get a true idea of the value of your assets, giving you the reassurance to choose an appropriate level of cover for your needs.
-  **Have regular catch-ups with your broker** – These allow you to tell them about any changes you've made to your property or business and will help you understand the level of cover you need.
-  **Make sure your period of indemnity is correct** – This will help you protect your income and cash flow should the unexpected happen and you need to make a claim.

### How big is the problem?



More than **9 out of 10** UK buildings are insured for the wrong amount.<sup>1</sup>  
(commercial and residential)

Aviva estimate **42% of SMEs** who insure buildings with them are underinsured<sup>2</sup>

Cardinus found **80% of properties** surveyed were underinsured by more than £750,000<sup>3</sup>



### What happens when you're underinsured?

The crux of it is that you leave yourself at real risk of having a significant shortfall to pay should you need to make a claim.

### Jargon busting



#### Sum insured

The stated value of the item(s) covered in the policy

#### Period of indemnity

How long it will take you to get back to normal

#### Average clause

The percentage difference between your recommended total sum and the actual sum

<sup>1</sup> Figures relate to RebuildcostASSESSMENT.com most recent 29,000 Rebuild Cost Assessments completed as of 31st August 2023.

<sup>2</sup> Based on Aviva's modelled data on SME customers with buildings insurance, September 2022.

<sup>3</sup> Based on aggregated data from on-site reinstatement cost assessments conducted in the UK in 2021 where existing declared values were known by Cardinus.

## Why choose Macbeth?

We'll be honest (because that's how we like to do business.) You can buy insurance from any insurance broker. But our business isn't really about insurance and finances; it's about people and relationships. We love getting to know you and your business, finding out what you need and making sure you get it. It's why so much of our business comes from referrals.

And, with over 30 years' experience under our belts, it's fair to say we know a bit or two about insurance.



**WorkingFeedback**★

Excellent from 741 reviews



I'm well aware that you need to trust your insurance provider. And I've always preached – and practised – open, honest business, conducted with integrity. Trust builds. This is how.

**Paul Macbeth, CEO**



## What happens if I need to make a claim?

We're here for you when you need us most.

The way we see it, arranging insurance is only half the story. As a business that puts people first, there's no question that we're here to help should you ever need to make a claim. And it couldn't be easier. All you need to do is call your Client Manager at Macbeth, office or mobile, no matter what time. No need to dig around for your policy details.

**Just explain what's happened and we'll take over from there.**

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