

Underinsurance





In focus - Construction

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.

What are the main areas of concern for Construction?

-  **Contract Works Insurance** - ensure your policy meets the required total contract value including Professional Fees. Where the works are subject to a form of contract, such as a JCT, the professional fee uplift will be specified in the contract - typically 15% or 20%. Some insurers wordings will include an automatic professional fees uplift, but make sure you've checked your policy wording to ensure the specified amounts are correct throughout the lifetime of the project.
-  **Own Plant** - the sum insured (including a single article limit if applicable) should represent the basis on which the insurance is arranged i.e. reinstatement as new or indemnity. Any lenders' interest should be correctly noted and their requirements are met by the policy.
-  **Hired in Plant** - ensure the maximum limit for any one item of plant is adequate and also that your policy includes cover for "continuing hire charges" i.e. to reimburse the hiring company for the period that they are unable to hire out the plant following a claim (subject to the hiring agreement).
-  **Liability** - ensure the limits of indemnity selected represent the exposure in terms of employees and persons on site. Also check if there is a contractual requirement for any specific works where a higher limit is required by local authorities.



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

JCT

Joint Contracts Tribunal are contracts usually made between an 'employer' and a 'contractor' to facilitate the delivery of a building project.

Expert Insight

"When entering into formal contracts it's advisable to have a professional insurance broker check that the insurance requirements are fully met by the policies in place. This will help you order avoid potential underinsurance, and the danger of not complying with important contractual conditions."

Barry Davies, Client Director - Commercial & Technology





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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