



Highhouse Insurance Services



Overinsurance and Underinsurance

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When providing quotes for [property insurance](#) here at Highhouse we often come across enquiries where people are unsure about true values for either their buildings sum insured (BSI) or contents sum insured (CSI) and have never really taken stock of what assets they own and how much it would cost to replace everything in a worse case scenario such as a fire or flood, where everything could be damaged or lost.

When you guess or base your insurable values on inaccurate or incorrect figures, this can lead to either overinsurance or underinsurance. The stresses and strain of having to deal with a worse case scenario and picking up the pieces for your family could be further worsened if you find yourself thousands of pounds out of pocket and unable to replace half of what is needed to start up again.

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Underinsurance

Underinsurance is where the sums insured are inadequate and the insured will usually only become aware of this when it is too late and a claim has been made only to find out that the final settlement is far less than the accurate cost of replacing lost or damaged property. The sums insured for buildings should be the full value of a complete rebuild and remember that it is the maximum figure that the insurer will pay out.

An example of underinsurance for buildings is when a property rebuild value has increased because either renovation work and/ or extensions have been built or in the case of listed buildings, the cost of listed building materials have increased faster than the protective index-linked rate.

An example of underinsurance for contents is when the insured sets a CSI based on a blanket figure to take into account the cost of replacing big items they would like to have cover for such as fridge/ freezers, cookers, TV's, computers, beds and basic furniture including carpets. This does however fail to take into account a true reflection of what may have to be replaced and its the smaller items such as smaller electrical appliances, DVD's, CD's, crockery, cutlery, pots and pans, curtains, blinds, mirrors, bed linen, clothing, ornaments and so on. By listing everything in a room and adding up their values, its amazing what the actual cost of replacing like for like really could be.

Tips on preventing becoming underinsured

1. For Buildings – The sum insured should be the cost of a full rebuild which in the worse case scenario of a fire may include the cost of demolition, debris removal, architects fees, surveyors and legal fees and of course the rebuild itself.
2. For Contents – go thoroughly through each room and note as many items as possible, creating a checklist with a full replacement value for each item, think of the worse case scenario and you had to replace everything and therefore you want to have the correct sums to be able to do this. Remember to include contents from the garden and outbuildings and create a list that can be reused or changed to make the process of updating easier in the future. We have put together a sample checklist later in this guide to help get you started.
3. Heirloom items, antiques, jewellery, fine arts and other expensive items should be correctly evaluated by properly qualified valuers to their full market or current market value depending on the piece and be aware of any market trends that may affect their value.
4. Where an insurance company will not dispute you owning a washing machine or television in the spare bedroom, they may however require evidence of ownership or proof of existence for more expensive 'specified items' like jewellery or antiques. Keeping photographic evidence and as much proof of ownership as you can in a safe place will help, should a claim arise in the future. Ideally a backup of proof should be safely stored away from the property in case of a fire where all evidence could be lost as well.

5. Don't take out insurance and then forget about any endorsements or exclusions that have been applied to the policy. For example some insurers apply a safe clause endorsement for specified items such as rings or necklaces and will not cover theft of jewellery from the home unless it is kept locked in a safe whilst not being worn.

Overinsurance

Overinsurance means the insured is paying too much for the cover required and would save money by revaluating the correct values. It is also possible you may have an item insured more than once under different types of policy such as home insurance and insurance cover through banks and credit cards.

An example of where a property might be over insured is where they have based their BSI on the market value of the property and not the rebuild cost which is usually less (except in circumstances such as some listed properties) as it excludes the value of the land the property is built on.

An Example of where contents might be overinsured is an evaluation of items that had a higher value a few years but have since gone down in price. Remember it's not the price you paid for something that you are insuring but rather the cost of replacing it like for like and with advances in technology making appliances and devices cheaper, their cost to replace is also reducing.

Tips on preventing being overinsured

1. Don't guess or purposely evaluate an item to be worth more than it is especially to the extent where you think you would make a profit by doing this, insurance companies and in particular loss adjusters are very good at determining an accurate value of items and it is in your interest to do the same.
2. Don't do an evaluation of how much buildings and contents cost in the first year of insurance and then never do it again. It may be unrealistic to expect people to evaluate everything every year but remember that what you own collectively and insure in year 1 isn't going to be the same as in year 10. For high value listed items on an insurance policy, you should keep the insurance company notified when you sell them, if they are damaged (but you don't claim) or if their value has dropped significantly.
3. Check that your possessions aren't insured over several different policies. Banks these days often offer a premium service for monthly fee which may include phone and gadget insurance as well. Ideally it is not worth claiming for a phone or small electrical items as a singular claim on your home insurance because losing a no claims bonus and an increase in premium can out way the benefits of the claim in the long term. That said it is worth noting when items are insured and with whom because you may be paying for a separate phone insurance policy when you already have insurance with your bank.
4. If you live in a flat and contribute towards a management company then make sure you don't have duplicate cover with a single flat policy you have taken out and a block of flats policy taken out by the management company.

Contents Inventory Checklist

To aid in assessing your contents on a room-by-room basis we have provided a contents inventory checklist to help you get started:

Lounge	Estimate
Carpets, rugs & curtains	£
Three piece suite & chairs	£
All furniture	£
Pictures, mirrors, clocks & ornaments	£
TV, stereo & electrical	£
Media like DVD's, Cd's	£
Other Items:	
	£
	£
Total	£

	Estimate
Dining Room	
Carpets, rugs & curtains	£
Table and chairs	£
All other furniture	£
Pictures, mirrors, clocks & ornaments	£
Tv, stereo & electrical	£
Media like DVD's, Cd's	£
China, glass, crockery and cutlery	£
Other Items:	
	£
	£
Total	£

Kitchen	Estimate
Curtains, blinds, rugs	£
Cooker, microwave	£
Washing machine, dishwasher, tumble dryer	£
Pictures, clocks & ornaments	£
Electrical appliances	£
Pots, pans and other Utensils	£
Knives, forks and crockery	£
Refrigerator and freezers	£
Refrigerator and freezer contents	£
All Food and drink	£
TV's & other electrical equipment	£
Other Items:	
	£
	£
Total	£

Study	Estimate
Carpets, rugs & curtains	£
Desk, chair and furniture	£
Computer and other hardware	£
Books	£
TV, stereo & electrical	£
Pictures, mirrors, clocks & ornaments	£
Other Items:	
	£
	£
Total	£

Bedrooms	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4
Carpets, rugs & curtains	£	£	£	£
Beds and bed linen	£	£	£	£
Bedroom furniture	£	£	£	£
Electrical items	£	£	£	£
TV, stereo & other electrical	£	£	£	£
Pictures, Mirrors, Clocks & Ornaments	£	£	£	£
Clothing, shoes, toys, personal items	£	£	£	£
Other Items:				
	£	£	£	£
	£	£	£	£
Total	£	£	£	£

Bathrooms	Bathroom 1	Bathro m 2	Bathroom 3	Bathroom 4
Floor coverings, rugs and blinds	£	£	£	£
Furniture	£	£	£	£
Pictures, mirrors, clocks & ornaments	£	£	£	£
Other Items:				
	£	£	£	£
	£	£	£	£
Total	£	£	£	£

Hall, stairs, landing and conservatory	Estimate
Carpets, rugs & curtains	£
Three piece suite & chairs	£
All Furniture	£
Pictures, mirrors, clocks & ornaments	£
Phone and other electrical items	£
Household items	£
Other Items:	
	£
	£
Total	£

Garage, outbuildings, loft, cellar and garden	Estimate
Lawnmowers, strimmers etc	£
Other garden tools	£
DIY tools, drills, saws and sanders	£
Garden furniture, statues, bbq	£
Other Items:	
	£
	£
Total	£

Specified items and valuables	Estimate
Jewellery	£
Watches	£
Gold, silver, gold and silver plated	£
Fur's	£
Pictures	£
Pedal Cycles	£
Other Items:	
	£
	£
Total	£

Area of property	Estimate
Lounge	£
Dining	£
Kitchen	£
Study	£
Bedrooms	£
Bathrooms	£
Hall, stairs and conservatory	
Garage, outbuildings, loft and garden	£
Total	£

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Home



Non Standard



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Business

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