

IMPORTANCE OF ADEQUATE SUMS INSURED

While there is a temptation to push for lower reinstatement cost figures from valuers or submit your own lower assessment of replacement costs; in the current insurance market and with the deflated economic environment influenced by restrictions and challenges arising from the COVID-19 pandemic, there are several good reasons why you need to ensure that sums insured are robust, including:

1. In the current market, insurers appear to be reviewing the status of current and new risks, putting more emphasis on declared values, risk management reports and pricing risks to reflect what they see as good and bad risks.
2. In a 'harder' market, insurers are reintroducing average clauses, meaning lower values puts clients at increased risk of a shortfall in recoverable funds in the event of a claim.
3. Insurers are taking a much less lenient approach to claims following a loss and sums insured are one of the first things being reviewed after a loss.
4. If values seem low to the insurer or a loss adjuster after a loss, the claim process is likely to be much slower and contentious.
5. Lower replacement costs could potentially have an impact on bank loans and other financing where the financiers are using the ratio of loan-to-cost as a key metric in the quality of the loan. A lower cost could therefore impact the cost or availability of borrowing.

**Source: John Foord**

The chart above shows the variations for equipment costs tracked over the years. As demonstrated during the Global Financial Crisis in 2008, prices bounced back very quick and inherently impacting the sums insured.

How can John Foord assist?

We can assist in desktop reviews of values to provide a quick and indicative assessment through our team of professional valuers and data analysts. Alternatively, where values are a clear concern and information is limited, we can carry out a comprehensive inspection and evaluation as required.

At John Foord, we work with clients and the various stakeholders to be prepared for any unexpected market conditions and to mitigate risks. A regular review by an independent valuer will help to ensure that the property damage cover is adequate and can value add in terms of asset information to the business operations. In the event of a loss, accurate valuations and justified sums insured can help to speed up with the settlement of a claim.

For all your valuation needs, contact us at [John Foord](#).

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