

# BARTON

Motor, Home & Business Insurance



Motor Insurance • Home Insurance • Business Insurance • Travel insurance

## **Underinsurance is a serious risk!**

Underinsurance could cost you dearly, especially if it affects the “Buildings” section of your insurance policy.

Buildings must be insured at the amount that it would cost to rebuild your property today at today’s building costs. The best way to calculate the correct value is to ask a local building contractor in your area about the average construction costs per square metre (m<sup>2</sup>) in your area. (It is always a good idea to ask more than one). Once you know the average costs, you can multiply that by the total area (m<sup>2</sup>) of your property to calculate the costs of rebuilding the property.

*Example: R5 000 per m<sup>2</sup> x 400 m<sup>2</sup> (This includes the main building and outbuildings) = R2 000 000.*

For the example, the property should be insured at a minimum of R2 000 000. It is important to remember that you have to add the costs of very expensive fixtures and fittings, such as imported tiles or taps. The building contractors will provide the average rate and that does not include very expensive and imported fixtures. PLEASE NOTE: The sum insured for your buildings is not the same as the market or retail value of your property. This means it is NOT the price you could get if you were to sell the property. It is also not the same as the municipal value of your property.

## **What happens if you are underinsured?**

Insurers apply “averaging”. In the industry it means that they apply a formula to calculate your insurance cover. If it will cost R2 000 000 to rebuild your home, but you chose to insure it for R1 000 000, it will mean that you are 50% underinsured. According to the formula, you will only receive R5 000 in case of a valid claim for R10 000 (50% of your claim). Please check the sum insured for your buildings cover and make sure it will be enough to rebuild your entire property, including outbuildings, pools, driveways, paving and walls. If you are not sure, or if you need help, please contact us. We will refer you to a professional to help you assess the current costs and help you calculate the correct figure.

Regards

The Barton Team

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