



Don't get caught underinsured: It's time to check your commercial property insurance.

The past few years have certainly brought dynamic market changes that have had a direct affect on the cost to build commercial premises – shortage of trades and building supplies all playing a major factor. For this reason, it's vital that commercial property owners check how this affects the value and relevant insurance of their commercial properties.

Consider these scenarios:

Shortage in trades, along with increased cost of building supplies has greatly increased the cost to build. If you aren't sure if your sums insured is equal to the cost to rebuild your commercial premises, it's time to call your insurance broker.

If you've had a tough year financially and are renewing or taking out insurance, you might be tempted to save on premiums by underestimating the value of your commercial property or assets. This can also result in underinsurance.

Speak to us so you can feel confident about your cover in place without stressing about your business assets.

Why it's not a good idea to underinsure your commercial property:

Ausure Insurance Brokers' Liz Alexandre explains: "I'm seeing a tendency for people to want to try underinsure their commercial property in an attempt to save on insurance premiums. However, its vital people understand the ramifications of how much this could possibly cost them in the long run, should they have a claim. Clients often believe that in the event of a loss they will simply get the figure they have insured for.

However, if you have underinsured your commercial property, the insurer will actually penalise the client for prejudicing their position. This can reduce the claim payment proportionately to the amount underinsured. The insurer will normally allow the risk to be insured for a minimum of 80% of its value. Anything less is penalised at a proportionate rate of the underinsurance. Depending on the property price, this can have significant ramifications at claim time.

Your property is worth \$1.5m and you insure it for \$900,000 to save premium.

80% of \$1.5m = \$1.2m.
The chosen sum insured of \$900K is 75% of \$1.2m and therefore claims would be paid at 75% of their value.

So, in the event of a total loss, you may only receive \$675,000 (before excess).

This could leave you out of pocket \$825,000!!

Building costs have increased substantially, particularly in the past year as a result of covid shortages and other materials which is all leading to an increase in costs. This also needs to be considered when determining a building replacement value. It is important to insure for the current replacement cost, not what it cost whenever the property was first built.

Be aware the sum insured needs to be the total rebuilding cost of your commercial building as at today's current rebuilding costs, including demolition and clearing of the site. This is often far more than just the sale price of the building. So, always calculate your sum insured on current rebuilding costs at each renewal or inception of the policy and review it yearly. We can assist with this.

If your sum insured has not changed in two years, it is time to review this."