

# UNDER INSURANCE... IT CAN COME BACK TO BITE!



30%



It is estimated that 70% of business insurance policies are under insured by at least 30%.

What this means is that when you make a claim, your payment can come up short. Feeling short changed is not great for any relationship, that's why at City Rural we do an annual review of your policy to ensure you are adequately covered.

The formula on a policy with 80% co-insurance is:

$$\text{Adjusted Loss} = \frac{\text{Declared Value}}{\text{Value}} \times \text{Loss}$$

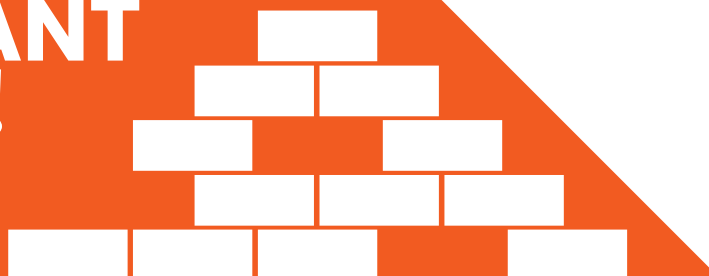
If we insured for \$500,000 and the value at risk was say, \$1,000,000 with a loss of \$200,000 the claim would be adjusted as follows:

$$\text{Adjusted Loss} = \frac{\$500,000}{\$800,000} \times \$200,000$$

Adjusted Loss = \$125,000  
(Uninsured Loss at your cost is \$75,000)

\*80% of \$1,000,000

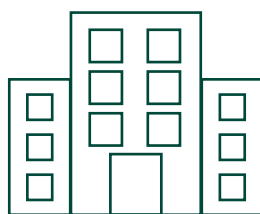
# RISING REBUILD COSTS...AN IMPORTANT FACTOR!



With the increased costs of material, labour and compliance, building costs have increased significantly over the past 5 years. The rebuild costs are 'like for like' which means to rebuild the exact same building as it was before the claimable event.

In the current environment, we are seeing major delays in construction supplies and services. This is due to products and trades not being available. This also increases your rebuild costs as the materials pricing rises.

The time to rebuild also affects your claim settlement and the potential for underinsurance and impacts your Business Interruption cover. It is an important factor to take onboard when reviewing your sums insured. Getting your property valued by a Quantity Surveyor can ensure your limits and timeframes are accurate.

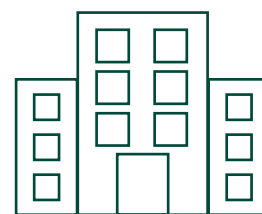


**2017**

Office Building  
Adelaide

**\$1,516,000**

Rebuild time 70 weeks

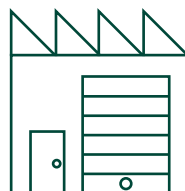


**2022**

Office Building  
Adelaide

**\$2,206,000**

Rebuild time 92 weeks



**2017**

High Bay Warehouse  
Adelaide

**\$2,010,000**

Rebuild time 60 weeks



**2022**

High Bay Warehouse  
Adelaide

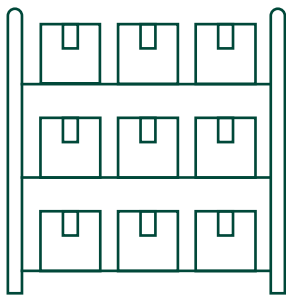
**\$2,300,000**

Rebuild time 74 weeks

**REMEMBER:  
DON'T WAIT UNTIL RENEWAL  
TO MAKE CHANGES.  
YOUR POLICIES CAN BE UPDATED AT ANY  
TIME THROUGHOUT THE YEAR**

# HOW WE HELP:

- ▼ We can get indicative Valuations
- ▼ Access to professional Valuations Services
- ▼ Access to calculators to help with Sums Insured
- ▼ Discussions about your Sums Insured at renewal or when changes are made
- ▼ Negotiate removal of the underinsurance clause in your policy
- ▼ Negotiate with Insurers and Assessors on your behalf



Ensure your Sums Insured include the true replacement value of stock, equipment, contents and the building itself.

## THINGS TO THINK ABOUT:

- ▼ Have you bought new machines or increased stock levels?
- ▼ Have you added solar panels or alternative electrical supply?
- ▼ Have you renovated?
- ▼ When did you last get a valuation?
- ▼ Have your tenants changed?
- ▼ Supply timeframe – How long to get delivered and installed?

**IF YOU HAVE MADE ANY OF THESE OR OTHER CHANGES TO YOUR BUSINESS OPERATIONS, CALL US WITHOUT DELAY.**

**PHONE: 08 8272 7785**

**WEB: [cityrural.au](http://cityrural.au)**

**CITY RURAL INSURANCE BROKERS PTY LTD**

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**Steadfast**  
THE STRENGTH YOU NEED