Underinsurance Explained

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What is underinsurance?

Underinsurance occurs when your property or its contents are insured for less than the value it would cost to rebuild, repair or replace them following significant loss or damage.

How could this affect you?

In the event of a valid claim, your home insurance policy will cover costs based on the level of cover you have purchased.

However, if your home or contents are underinsured, the amount you receive may not be enough to fully cover the cost to rebuild, reinstate or replace your property, leaving you to cover the remaining costs yourself.

Example: If your cover only reflects 60% of the true rebuild value, you might only receive 60% of any claim, and this also applies for a partial loss.

How could you be underinsured?

- If you make **changes in your home**

If you make changes in your home, be it a new kitchen or bathroom, an extension, or installing energy saving features it's important to inform your insurer of any such changes as it could alter your property rebuild or contents value.

- If you **haven't updated your policy** at renewal

At renewal time, you may have rolled forward your policy information without reviewing your details, this could mean your cover no longer reflects the true value of your property. Check the rebuild and contents value on your policy are up to date.

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- If you **underestimate your home rebuild cost**

You might have inaccurately estimated the cost to rebuild your home, and how these costs can change over time. The cost of building materials and labour can fluctuate due to year-on-year inflation.

Review your rebuild cost using the SCSI calculator, it's free on their website - scsi.ie. If your home is a bit unusual, like a bespoke rural property, a period home, or one with a major extension, you should consider getting a surveyor's valuation

Don't Get Caught Out by Underinsurance

Your home is one of your most valuable assets. Making sure it is insured for the correct rebuild cost, and that your contents are adequately covered, can help protect you from unexpected financial costs if the worst happens.

By regularly reviewing your rebuild and contents values on your policy, informing your insurer of any significant changes to your property, and checking your cover at renewal, you can help ensure you have the protection you need when it matters most.

Take a few minutes to review your cover today.

If you have any queries relating to Underinsurance, please contact your broker.