

Despite having insurance, many individuals and businesses remain financially vulnerable due to having insufficient coverage. Underinsurance occurs when coverage is inadequate, leading to potential financial loss if a claim exceeds the amount for which an asset is insured. While it may lower premiums in the short term, the cost of being underinsured can far outweigh the initial savings.

Property insurance is vital for protecting the insured's business or home from unexpected events. To safeguard against financial risk and better protect your assets, it is essential that you understand the terms, conditions, and cover that your policy provides and the potential consequences of underinsurance.

The average clause is a provision that reduces the payout amount if the insured's asset is found to be underinsured at the time of loss. The payout is proportionally reduced based on the level of underinsurance, leaving you out of pocket.

To avoid underinsurance and the application of the average clause, we recommend the following:

- Conduct regular reviews of your policy's sums insured to ensure they reflect the current replacement cost of assets (home, buildings, or their contents and belongings).
- Obtain a professional appraisal or valuation report to determine the replacement cost of all assets (home and/or property), considering factors such as local construction costs, professional fees, and building materials.

Understanding your cover requirements and conducting regular reviews of insurance policies minimises exposure and ensures adequate protection against a potential loss.

If you need more information or have any questions, please get in touch with us.

Warm regards

Philippa Wild
Chief Underwriting Officer