



# Building Valuation

**Your premises are likely to be your greatest asset and it is vitally important that the buildings insurance is set at the correct level, taking into account the basis on which your insurance cover is arranged, usually a reinstatement basis.**

This guidance highlights some of the items that need to be considered when obtaining a building valuation for insurance purposes.

If you are under-insured, you run the risk of any claims payments following a loss being reduced in that same proportion and you may not be able to reinstate the premises. As an example, if your building is insured for half of the true cost of rebuilding, the claims payment may be half of the amount claimed.

Selecting an appropriate building sum insured is therefore important if your insurance policy is going to operate in the way intended following a loss – to allow repair or rebuild of your premises. Your insurance adviser may be able to provide support and guidance, however you may wish to seek advice from building valuation specialists.

The age, nature of occupation, construction and location of your premises will all influence its reinstatement cost, along with other factors.

- **Materials of Construction**

If original building materials e.g. locally sourced stone, are no longer readily available, there can be a considerable cost involved in sourcing them. Indeed, some items, such as thatch, may only be seasonally available.

- **Decorative Features**

External features, such as relief carving, parapets and finials can be very decorative and the number of craftsmen with the skills to reinstate them is limited. Detailed records of such embellishments should be kept in order that they may be replicated as necessary.

Similarly, internal decoration must be considered including fibrous plaster, wood panelling and decorative staircases. The quality of fixtures and fittings should also be taken into account. Flawless finishes take longer to achieve and costs increase accordingly.

- **Labour Skills**

The pool of people with specialist building skills is limited, so there is great demand for traditional craftspeople, their services come at a premium and they will often be booked up months in advance.

- **Location and Access**

Access to the site may be limited, either by the road network or by restrictions placed by Local Authorities, perhaps with regard to the timings of deliveries etc. Space to store materials and equipment on site might also be minimal, leading to the need for more creative solutions for storage, such as suspending parking bays or building scaffolding out over the pavement. Some buildings may not have direct access to the rear, so negotiations may need to be held with owners of neighbouring properties. Conversely, some more rural locations may have plenty of site storage space, but the time taken to get to the site may be lengthy. Factors such as congestion charges should not be overlooked.

The building and its relationship with other buildings and the landscape around it must also be considered. Where a building forms part of a terrace, it offers support to those around it, and if it is lost, costs will be incurred to shore up and brace the neighbouring property. Additional foundations may be required if the building is close to water-courses, railway lines etc, or if the ground is prone to subsidence if the building is close to water courses, railway lines etc, or if the ground is prone to subsidence.

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- **Size and Layout**

The size, shape and layout of a building will all affect the build costs. The larger a building, the greater the economies of scale that may be achieved; multiple trades can work on the site at any one time in smaller buildings, often only one trade can work at a time, leading to some delays and downtime whilst awaiting the changeover.

The shape and layout of a building can also add significantly to the costs. It is simpler to construct a building that is of a regular shape, with right angles; much more difficult to build curved walls. The building may have been extended many times in the past; each of these extensions and changes in direction of the wall will add to the cost. The height of the building will also affect the cost – more materials and more scaffolding needed. Deep basements and sub-basements can add significant costs bearing in mind the retaining nature of the walls and the engineering skills required to retain a large quantity of soil.

- **Demolition and Clean Up Costs**

The cost of demolition will need to be included. In the event of a serious fire or other structural damage, where asbestos or other contaminants are present in a building, the whole of the resulting debris is likely to be declared contaminated, and as such will need to be disposed of under licence. This can add a significant

amount to the costs. Where the roof and walls contain asbestos, it is possible that the surrounding area will be contaminated, in addition to the buildings footprint, perhaps necessitating removal and disposal of the top soil. Any remaining structure will also need to be made safe.

- **Professional Fees**

Your sum insured should include suitable allowance for architects', surveyors', engineers' and other specialist contractors' fees. These can add considerably to the cost, particularly if the building is complex or the site conditions difficult. Remember you may need more than one professional service.

- **Value Added Tax (VAT)**

The situation regarding VAT is very complex and depends on your own VAT status, as well as the nature of the service provided within the building. VAT is always payable on professional fees, demolition costs and debris removal, unless you are VAT Registered and can recover such charges. If you are likely to have to pay VAT on the rebuilding of your property, it should also be included in your buildings sum insured. You should seek advice from your accountant or other professional adviser.

Whilst the sum insured should be sufficient to put the building back in substantially the same manner as the original, there are occasions where there is unintended betterment, where, for example, Regulations require certain features. The owner of a building can be forced to comply with onerous modern requirements whilst reconstructing, including, for example, access for the disabled or the upgrading of fire protection. Often, compliance with these requirements will attract a significant additional cost.

Another example would be with regard to Part L of the Building Regulations\* - Conservation of Fuel and Power. If your building is of fairly light construction, such as a timber hall or classroom block, it is unlikely that permission would be granted to replace with the same materials since this would not conform with requirements as set out under Part L. It is likely that a more substantial masonry building would be required. By its nature, this would be more costly, so consideration should be given to a form likely to be approved when selecting your building sum insured.

The longer a project goes on, the greater the cost will be. If the building is listed, the additional time involved in obtaining agreement from the various bodies involved can be considerable. Planning Permission and Listed Building Consent can take some time to approve and there may be significant restrictions and requirements, such as the need to use a particular building material. This can also be true of buildings in Conservation Areas and Areas of Outstanding Natural Beauty.

Don't only think about the main building. Consider all of the ancillary buildings, outbuildings, tennis courts, swimming pools, walls and driveways. Your buildings sum insured should reflect the cost of replacing all of these items.

Ecclesiastical has an established in-house team of specialist surveyors trained to deliver insurance building valuations for qualifying customers. Our valuations reflect the factors detailed above and are based on cost information derived from many years insuring and valuing a wide portfolio of buildings ranging from the medieval to modern era. For further information please contact your insurance broker.

\* Applicable in England and Wales only, Scotland and Northern Ireland will have similar regulations.





## Risk advice line

(provided by Ecclesiastical professionals or external specialists)

Phone: **0345 600 7531**

Email: [risk.advice@ecclesiastical.com](mailto:risk.advice@ecclesiastical.com)

Risk specialists are on hand to advise you on a range of topics, including:

- property protection, security, business continuity planning
- health and safety, food safety, environmental management
- construction safety, fire safety, occupational health, water safety or asbestos.

Available Monday to Friday 9am – 5pm (excluding public and bank holidays).

For further information speak to your insurance advisor or call us on **0345 60 20 999**

[www.ansvar.co.uk](http://www.ansvar.co.uk)

For queries about your policy cover or claims please contact your insurance broker.

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