

How to make sure your Home is insured correctly

At Hiscox we want make sure that our customers' homes are properly safeguarded in the event of loss, especially in these times of rising inflation and geopolitical uncertainty. To that end we have prepared this guidance note to help you have the correct insurance for your home. Below you'll find important terms relating to your home insurance and how they impact the sums insured of your home.

Rebuild Value

Rebuild value of the property is the total cost of rebuilding your home to its former state following total loss event e.g. if your home is destroyed as a result of a fire. The rebuild value includes professional fees materials and labour.

Rebuild value is not the market value. The market value of your property is the price you could expect to get if you sold your home and its land in its current condition. The market value of your home does not need to be considered for the purposes of home insurance.

To get an estimate of how much your rebuild value is, you can use the Society of Chartered Surveyors Ireland's SCSi House Rebuild Calculator. Please be aware that the calculator will not account for items such as high end kitchen fittings, so you should increase your figures to allow for high end fixtures and fittings.

Buildings versus Contents

In the context of home insurance your buildings are the walls, floors, fixtures and fittings of your house. Whereas your contents include clothing, electrical items, garden furniture, bikes, carpets, curtains, , as well as any art and collections.

Average Clause

Please note that the Hiscox 606 Home Insurance product does not apply an average clause. Our Home Insurance policies we pay up to the sum insured.

Many other insurers do apply an average clause. This clause is triggered when the property and or contents are underinsured. If average clause is applied an insurer can reduce the amount they pay out in proportion to how much you are underinsured. For example If your contents are worth €50,000 and you have noted your contents at €25,000 on your policy and you had a claim for €10,000 on your contents your insurer would only have to pay out €5,000 as you would have been incorrectly insured by 50%.

Inflation Leading to Rising Building Costs

Inflation is the rate at which prices for goods and services rise. This loss of purchasing power impacts the cost of living which ultimately leads to a deceleration in economic growth.

Rising inflation in 2022 is being driven by events such as Russia's invasion of Ukraine. The war in Ukraine is having an impact on the price of building materials previously sourced from these regions especially steel and base metals while it has also led to an increase in fuel and energy costs.

Rising building costs have been compounded by both labour shortages and rising labour costs in the construction industry.

When reviewing the rebuild value of your home with your intermediary, you should give due consideration to increased prices in the construction industry.

Underinsurance

Underinsurance is when your insurance policy does not adequately cover the cost to replace your property and personal belongings.

When you get a quote for home insurance, you will usually be asked to specify a rebuild value for your property. This means the total cost to completely rebuild your home, including professional fees, materials, and labour. This will vary according to the size, age and type of property you have. If your estimates are too low, you could find yourself underinsured.

If you have under-estimated your rebuild value or the total value of your contents, you could find yourself significantly out of pocket if you had to make a claim as your insurance company may not pay out the full cost to reinstate your home or contents.



For example, if the actual rebuild value of your house is €600,000 but you have noted the rebuild value as €300,000 on your policy, you are 50% underinsured. If you were to make a claim for a total loss, an insurer may only pay 50% of your claim. This means you would have to pay the rest yourself.

The same principle applies to contents. If your contents are worth €50,000 and you have noted your contents at €25,000 on your policy, you are 50% underinsured. If you were to make a claim for a total loss, an insurer may only pay 50% of your claim. This means you would have to pay the rest yourself.

To ensure you have an accurate figure for your contents conduct a thorough walkthrough of each room of your house and note down an estimated value for all the items you'd take with you if you moved home. These include clothing, electrical items, garden furniture, bikes, carpets, curtains,, as well as any art and collections.

Index Linking

Index linking is a is a mechanism used by insurers to ensure the rebuilding sum insured remains as accurate as possible.. The purpose of index linking is to assist in safeguarding against underinsurance and to ensure that when clients make a valid claim their settlement is fair.

For example if a home insurance policy is index linked, it means that if there's a change in the rebuild cost (for example, the cost of materials were to increase), your insured amount will automatically increase. For index linking to work effectively, the rebuild value must be correct at the start of the policy.