

The Cost of Materials and the Impact on Insurance

The increased cost of materials has been well publicised. Citing, Brexit, an unusually warm winter in Scandinavia (affecting timber supplies) and an increase in shipping costs as reasons (amongst others), insurers need to consider this impact on building insurance.

At the beginning of September 2021 The Office of National Statistics published its headline figures that the material price index for 'All Work' increased by 4.5% in July 2021, compared to June 2021, and by 20.1% compared to July 2020. With building insurance policies based on a reinstatement basis, the cost of rebuilding or repairing properties has, therefore, increased substantially. The lack of materials and availability of contractors will also impact claim length periods, including the potential duration in alternative accommodation.

In order to help ensure buildings are not under insured, insurers are suggesting higher than previously experienced indexation figures for the declared values (rebuild costs) at renewal. However, the most effective tool against under insurance is to have your building professional revalued (from a reinstatement perspective). The RICS recommend this is carried out every 3 to 5 years but given the current market conditions, we suggest bringing this forward and in the interim bracing yourself, from a budgeting perspective, with wildly fluctuating indexation figures.

Please contact us should you have any questions.

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