

Reinstatement Cost Assessments



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RICS

Objectives

- The need for insurance values?
- Extent and reasons for underinsurance
- Best practice for assessments
- Examples and pitfalls

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Why value?



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SH*T happens!!



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From this!



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To this!



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RCA

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The purpose of an RCA

To advise the client on the total cost of demolishing and reinstating the subject building using similar construction method to the same size, design and quality as the existing building.

Assessment will be used as part of the process of obtaining cover through an insurance contract. Declared Value on 'day one' of policy

DV

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3/4*£

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PII

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85%

BCH statistics for clients of one major insurer 2007/17

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61%

Average increase per job BCH 2007/17 for clients of one major insurer

Why is there underinsurance?

- Rules of thumb rates
- 'It will never happen to me'
- Blanket cover policies
- Bank valuations (inc. RCA)
- Failure to update previous RCA
- Never had an RCA



- Previous claims paid without underinsurance being raised
- Client pressure to maintain/reduce premium
- Broker/agent reluctant to approach the client
- Unguarded/unqualified recommendation
- Poor assessment by surveyor!



Good practice starts here



Guidance Note(3rd Edition) 2018

Bring element of uniformity into the approach to assessments

Improve consistency and reduce level of confusion

Demonstrate the level of professionalism which should be shown by Chartered Surveyors in carrying out instructions

Taking instructions

- Confirm purpose is RCA only
- Establish extent of property being assessed – obtain copy of existing insurance schedule
- Written instructions – define what is being included in assessment
- Confirm renewal date/assessment date
- Confirm whether 'as built' plans are available
- If 'desk top' based on information provided by others – include limitations in instruction letter

Don't move until...

- Written brief-what is being included
- Parties understand what they want and what they will get-RCA
- If 'desk top' based on information provide by others – include limitations in instruction letter
- Policy wording/ schedule defines 'buildings'
- Lease defines extent of insurance liabilities
- Availability of reliable 'as built' drawings

Don't move until...

- Check location for any unusual characteristics e.g. tube/rail tunnels, river walls
- If plans not available – check leases – can be obtained from Land Registry website
- Listed or Conservation Area – may impact on cost or rebuilding timescales
- OS based or other digital mapping
- Internet-Google Earth, Streetview, Bing, IoE
- Base date for assessment

Pre visit preparation



The Inspection

Purpose

- Measurement to calculate GIA/GEFA
- Record nature of construction and site specific factors, age, topography and services
- Sketch and photograph
- Gather all relevant information 'elementally'

The Inspection

- Initial general inspection – check that accords with instructions
- Assess age of building
- Restrictions on demolition – e.g. restricted hours, special protection, party walls, congestion zones?
- Increased cost of demolition e.g. asbestos?

The Inspection

- Accommodation and use
- Summary of construction, eaves and ceiling heights and finishes
- Services e.g. lifts, fire, air con
- External areas – topography, landscaping, boundaries, outbuildings
- Any specialist features/finishes

What to include

- Buildings
- Landlord fittings
- Alterations
- External structures, boundaries and surfaces

Calculating floor areas

- GEFA/GIFA
- GIFA of different zones of use
- Residential models and data GEFA
- Commercial GIFA includes all BCIS Data
- IPMS is and will impact on procedure

Rating

- Use of rates from sources such as, BCIS
- Rebuild On Line, BCIS On Line, average prices and detailed analyses.
- BCIS Commercial 'Look Up' Service -CRT
- Price books (Spons etc)
- Own project data
- Building Magazine

Rating-BCIS Approach

- Take area
- Select and skillfully adjust average price per m2
- Location factor
- Adjust for inflation TPI if required
- Adjust to cover policy period and rebuild GBCI
- Add fees
- Add demolition
- Add VAT
- BINGO!!!! RCA!

Rating-the alternative

Elemental approach to calculating rebuild cost of each type of structure

1. Substructure
2. Superstructure
3. Internal finishes
4. Fittings
5. Services

RCA – Elemental Approach (2- Superstructure)

- 2 A – Frame
- 2 B – Upper floors
- 2 C – Roof
- 2 D – Stairs
- 2 E – External walls
- 2 F – Windows and external doors
- 2 G – Internal walls and partitions
- 2 H – Doors

RCA - Elemental Approach

Code	Description	Units	Rate	Value	Notes
1.1	Site preparation and ground works	100	5000	500,000	
1.2	Excavation and foundation works	100	5000	500,000	
1.3	Structure works	100	5000	500,000	
1.4	Roof works	100	5000	500,000	
1.5	Internal works	100	5000	500,000	
1.6	External works	100	5000	500,000	
1.7	Services and utilities	100	5000	500,000	
1.8	Finishes and fixtures	100	5000	500,000	
1.9	Landscaping and grounds	100	5000	500,000	
1.10	Other works	100	5000	500,000	
Total				5,000,000	

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The insurance policy 'bits'

- Public Authorities and EU Directives
- Green issues and sustainability
- Professional team and local authority fees
- Demolition and site clearance
- External works
- Contingency
- VAT if required

The report

- Succinct summary of RCA
- Not detailed calculations to Client
- Describe property and its location
- GIA or GEFA
- Round figures
- Included and excluded
- Caveats of assessment and report
- Indicative reinstatement period
- Photos and plan useful
- Frequency of 'major review'

Warning

One of the most important figures you may ever advise a client. Get it wrong and you could be partly to blame for ruining a business or a family's livelihood

Accuracy

- Over assessing „excessive premium=**claim**
- Under assessing „potential shortfall in policy pay-out=**claim**
- **Insurance Act 2015**...Duty of 'fair representation'

Summary

- Losses related to inaccurate RCA could be life changing
- RCAs are not 'add ons' to other services
- Know your brief and convey the extent of this to all parties
- We should all be capable of measuring
- Rating should be to suit the building
- A move from 'one size fits all' to elemental awareness, spot rates and approximate quantities

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With thanks to Martyn Barrett of



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Thank you



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QUESTIONS
