

## Residentsline Advice on Staying Adequately Insured

Unsure about the different methods used to protect your insurance policy from inflation? We talk to Managing Director of Residentsline, Belinda Thorpe, who explains, there are two main methods used by Insurers to protect policyholders from the effect of inflation during the period of cover – Index Linking and Day One

### Index Linking

Index Linking of your Sum Insured (which should represent the buildings full reinstatement cost) is the preferred option for residential properties. Index linking provides protection for your block against inflation during the period of "insurance without a limit", and the increase consolidated into a higher Sum Insured at next renewal. There is no additional premium charged for this protection.

### Day One

Generally, this clause is used in policies covering commercial properties. The rebuilding cost of the property is stated as the Declared Value on your Policy Schedule and a percentage maximum uplift is provided to cover expected inflation.

For example, if a property has a rebuilding cost of £1m and a 25% Day 1 clause applies, the Sum Insured becomes £1.25m. However, the maximum payable at the time of claim is only £1m plus the inflation percentage to the date of damage.

### Condition of Average

It is well known that if a property is insured for, say, 75% of its rebuilding cost, then the claim payment will be 75% of the loss.

However, specialist policies may offer a percentage "leeway" to help prevent the Insured being penalised for inadvertently under insuring. As long as the Sum Insured declared is within the Condition of Average percentage shown in your policy wording (normally 85%) and the shortfall is inadvertent, the policyholder will not be penalised at the time of a claim.

### VAT

Does your policy need your rebuilding cost to include or exclude VAT....it's in the small print.

**Exclusively flats, it's our policy.**

