Residentsline
Flats Insurance

What is the difference between sum insured and declared value?

Your Policy schedule will often show two values one referred to as the Declared Value and the other as the Sum Insured. The difference between these two figures is simply how the insurance contract handles inflation during the insured period.

The Declared Value, is simply the cost to rebuild your property in full, however you do not need to add any increase for inflation during the insured period or during the time it takes to rebuild the property following a claim.

A "Day One" Clause(") provides protection against the effects of inflation during the period of insurance for a given percentage uplift figure. The percentage uplift will vary from insurer to insurer but will typically be between 10% and 50%.

The insurers still require a rebuilding figure to be given to them, known as the "Declared Value" and in return they will confirm what the total Sum Insured equates to inclusive of this Day One protection. For example a property with a rebuild figure of £500,000 which represents the declared value, will have a Sum Insured of £600,000 if the insurance policy contains a 20% Day One Uplift Clause.

The Declared Value figure and the sum insured figure are often confused. If the Declared Value is incorrect then problems may still arise with underinsurance as the Day One Uplift is only meant to protect against inflationary problems and not valuation inaccuracies. The Average Clause will still apply.

When arranging buildings insurance quotations on a "Day One" basis the insurers will need to know the Declared Value and not the Sum Insured.

At the time of a complete loss the insurers will then pay the maximum of the Declared Value, plus the amount by which inflation has increased the Declared Value stated at the start of the policy period the added allowance protecting you from inflation, without you paying more premium.

If you would like us to review your policy against your current – please call us on 0800 281 233

Exclusively flats, it's our policy.

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