

Why is index-linking so high in 2022?

We have seen Insurers Index-linking figures increasing significantly over recent months. The reason is due to a range of factors over the last few years which have concentrated in 2022. It is extremely important that you adequately protect your property from these factors with the correct level of indexation.

How does index-linking work?

At each renewal of a policy, we adjust the declared value by applying an index provided by your Insurer.

Insurers calculate this index from data provided by RICS, the ABI and the Office for National Statistics. In recent years, these figures have increased slowly, but in 2021, the rate of growth has been more significant and sustained than we have previously been used to.

Insurers are now reacting to these changes to make sure an appropriate level of index linking applies to your flat insurance policy.



Reasons for higher index-linking increases include:

- The significant rise in demand for building materials following the pandemic causing increased pricing globally.
- Escalating shipping prices and delays at British ports causing shortages of crucial parts and materials.
- An unanticipated surge in demand for renovation works.
- Severe shortages in the availability of professionals such as architects, lawyers and planning consultants.
- Shortfall in raw materials; from concrete products to insulation; even new or hired power tools have not been readily available recently
- Figures from the Construction Products Association show that the UK lost more than a quarter of its EU-born construction workforce between January 2020 and January 2021.

All of these factors have played a role in creating supply chain challenges and labour shortages which affects the cost of materials, goods & services.



Why do we index-link?

Your sums insured are index linked to protect them against the effects of inflation. If your sums insured were not increased by such an uplift it could lead to your property being "under-insured".

In the event of a claim this may mean the amount being claimed exceeds the maximum limit that can be settled by the insurance company.

This could result in a shortfall for the policyholder, potentially leading to a serious financial loss for you and other flat owners at the property.

Occasionally the policyholder may choose not to index-link their policy to obtain a reduction in their premium. Doing this not only increases the risk of financial loss, it can also void insurance cover altogether.

The values as shown in the policy must always accurately reflect the costs to rebuild the property.

How can we be sure our Declared Value is adequate?

CAUTION: Index linking will only provide protection if the original value written into your policy is accurate. If the original value is insufficient index linking will not provide an adequate protection against inflation

The safest way to be sure your property is correctly valued is to have a Reinstatement Cost Assessment (RCA) periodically. A RCA should be carried out by qualified building surveyors, whose activities are regulated by the Royal Institution of Chartered Surveyors (RICS), following the guidance contained within their current Practice Standards.

If you need a Reinstatement Cost Assessment visit Block in a Box to get a quote from one of our recommended providers:

<https://blockinabox.co.uk/for-blocks-of-flats/>

Your flat is often your biggest asset, it's important to protect it!



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