



Insurance Cost Tracker Report Q2 2011

*Charterfields
monitoring
welcomed
by Brokers and
Risk Managers*

Welcome to the second issue of Charterfields' Insurance Cost Tracker Report. In this edition of ICT we report on the latest known trends that are likely to affect declared values for material assets.

Since our last report, we are delighted that many brokers and risk managers have expressed keen interest in receiving ICT. If any of your colleagues would benefit from receiving ICT quarterly, please invite them to email us to register. It's simple, with a request to alison.lewington@charterfields.com being all that is required.

Our activity in the insurance markets continues to grow. A headline case recently completed was on behalf of Progress Rail, the leading rail subsidiary of Caterpillar. The assessment covered buildings, plant and equipment at a number of former Balfour Beatty rail manufacturing facilities in the UK which Progress had acquired as part of a structured asset acquisition to develop their presence in the EU markets.

Over the next quarter, we plan to be performing valuations for clients in Germany, Honduras and the UAE, as a cross-sample of the territories in which we are asked to advise.

Latest Trends

This issue includes updates on tender price inflation for buildings and plant and equipment.

• BUILDING TENDER PRICE INFLATION 2011 – 2013 (forecast)

The current guide to tender price movements shows:-

Year	% Change
2011	+5.8
2012	+3.2
2013	+3.1

Recently, building tender prices, which form the backbone of tracking and monitoring changes in declared values, rose by 1.4% in 4th quarter 2010 compared with the previous quarter, and by 3.3% compared with the previous year. Industry analysts report modest growth in the construction industry within 1st quarter 2011, owing to weather issues during 4th quarter 2010, but the projected increase suggests a possibility of tender price acceleration as the year progresses, leading on to a more average increase in the index of around the 3.0% to 3.2% mark in 2012 and 2013. In our next edition, we will be able to report on the trend for this year as we conclude quarter 03.

The use of indices should always be treated with caution, and can only be applied to a known and reliable declared value that is supported with a valuation. A Charterfields report provides your clients with added confidence that under insurance can be avoided.





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- **COST AND EXCHANGE RATE FLUCTUATIONS – PLANT AND MACHINERY**

As part of our insurance assessment service, we regularly monitor cost and exchange rate trends that are directly relevant to the asset base of our clients to ensure the correct values are maintained at renewal.

An analysis of recent inflation rates for typical countries indicates that UK inflation remained static at 4.5% compared with 2.7% for the Euro zone, 3.2% for the USA and 0.3% for Japan, although manufacturers and suppliers appear to be absorbing any cost increases rather than passing them on at this time.

Year on year exchange rates indicate the value of Sterling falling 7% against the Euro and 2% against the Yen (making imports more expensive), but strengthening 10% against the US Dollar. Obviously, such movements can have a significant impact on the declared values for clients with imported assets that commonly form the majority of a typical company's manufacturing capability.

The monitoring of plant and machinery is specific to each risk. If you are concerned about clients in the position of insuring non-UK assets then ask for details about our Valuation Health Check Service that provides initial free advice, pin-pointing where problems or issues of under insurance might be prevalent.

Charterfields Service Range

Charterfields has a worldwide reputation for providing insurance valuation advice, acting for a diverse range of clients and insurance professionals.

Our insurance valuation service covers all classes of industrial commercial and residential property, plant, equipment and contents assets.

Charterfields' specialist insurance valuation team has a wealth of experience and can comprehensively advise clients and insurance professionals on values at risk in any business sector, both nationally and internationally.



Contact Information

For technical support or help with an initial enquiry, please contact Neil Warburton for details.

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