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## Insurance Cost Tracker Report Q3 2011

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### • INTRODUCTION

Welcome to the autumn issue of Charterfields' Insurance Cost Tracker Report [ICT]. ICT is produced quarterly to help insurance professionals and clients understand some of the key valuation issues relating to insurance, and deals with inflation and other matters that can affect the accuracy of declared values.

It has been a busy period for Charterfields since summer, with enquiries for valuation services and instructions received from clients in sectors such as aviation, education, manufacturing and distribution, chemicals and engineering. We are delighted to see clients returning to us year after year, using our services to help maintain correct values for their insurance programmes.

Our initial issues of ICT have been well received in the market, and we hope that you find our latest report interesting and informative. There's even a chance to win theatre tickets worth £150 by guessing where the image on the back page was recently taken.

### • TERMINOLOGY

#### *Do your clients understand insurance terminology?*

Misunderstanding the meaning of insurance terminology, such as confusing 'declared value' with 'day-one sum insured' can have potentially disastrous consequences. Recently, explanation of the terms had to

be clarified for a client who was under the impression that if a declared value was significantly under-insured, the loading factor would take this into account and offer protection.

As we know, a 'declared value' must accurately reflect the replacement with new cost to include appropriate allowances for professional fees and the estimated cost of debris removal.

Insurers then add an inflation factor, expressed as a percentage, and this may range from 15% to 25% to give the 'day-one sum insured'. The purpose of the inflation factor is to account for cost inflation from the time of a loss to the point of reinstatement, and applies assuming the declared value is correct. The regular review of declared values is a key component of good and proactive risk management.

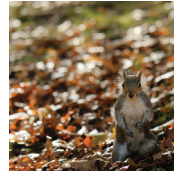


### • PROPERTY

#### *Latest Inflation Trends*

The forecasted updated tender price inflation trends for buildings show further change for 2011 – 2013.





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The current guide to building tender price movements show:-

Year	% Change
2011	+4.1
2012	+2.6
2013	+2.6

Charterfields offer a range of declared value monitoring services, with our free cost monitoring support following a valuation, proving ever popular.



### *The sky's the limit*

The construction of iconic skyscrapers in London may be coming to an end, according to the City of London planning department. This is supported by a growth in the number of applications to refurbish existing office blocks. Refurbishment offers a more sustainable alternative to new-build, with planners keen to see existing building stock being improved and brought back into use.

Insuring refurbished buildings can be a challenge, as there are two elements to consider; the legacy building and the cost of refurbishment works. A client should

always consider having an insurance cost assessment carried out on the completed building, rather than relying on an historic declared value and simply adding the cost of the refurbishment works. For more information on how we can assist clients in this respect, please contact us.

### • PLANT AND EQUIPMENT

#### *Cost and Exchange Rate Fluctuations*

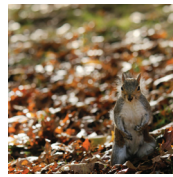
An analysis of third quarter inflation rates for the main industrialised economies indicate that UK inflation remained static at 4.5%, compared with slight rises to 3.0% (2.7%) for the Euro zone and 3.7% (3.2%) for the USA, and a slight fall to 0.2% (0.3%) for Japan.

Since we reported in quarter two, Sterling has strengthened 2% against the Euro, but has fallen 9% against the Yen and 5% against the Dollar. Such movements can have a significant impact on the declared values for clients with imported assets, so it is important that regular reviews are undertaken to ensure accuracy is maintained.

Exchange rate differentials remain one of the key reasons for under insurance occurring, particularly for clients in the manufacturing sector.

By way of example, we have recently provided indices to three manufacturing clients, two in the UK (Clients A & B) insured in Sterling, and one in France (Client C) insured in Euros.





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Client A had a predominantly UK sourced asset base, Client B's was predominantly from Korea and the Far East, whilst Client C's assets came entirely from within the Eurozone. The indices provided to update the insurance programme showed change by 4.5% for client A, 9.0% for Client B and 2.7% for Client C.

The monitoring of plant and equipment is specific to each risk, so if you have concerns or would like details about our Valuation Health Check Service that provides initial free advice, pin-pointing where problems or issues of under insurance might be prevalent, please contact us.

### ***Annual Cost Monitoring Support***

Following a valuation, we always provide an annual cost monitoring support service to enable values established initially to be updated prior to renewal in the following two years.

As part of this service, for plant and equipment, we regularly monitor cost and exchange rate trends that are directly relevant to a client's asset base, and provide both client and advising broker with appropriate indices pre-renewal to ensure the correct values are maintained.

- **VALUATION TRAINING FOR BROKERS AND RISK MANAGERS**

Wish to know more about what drives and

influences insurance valuations? This year, Neil Warburton has been presenting a training programme to enable account managers and executives to understand the issues surrounding valuations of both property and plant and equipment. If you feel it would be beneficial to take part in a training session, then please do not hesitate to contact [alison.lewington@charterfields.com](mailto:alison.lewington@charterfields.com) with your interest.

- **PERSONNEL**

We are pleased to announce expansion in our Manchester office team with two senior appointments.



David Fowlds



Declan Kilbride

David Fowlds, formerly a director at Colliers International, joins us as a director in our Real Estate department and Declan Kilbride, previously of Edward Symmons, joins as an associate director to expand our plant and equipment team.





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- **COMPETITION**

Each quarter we will be holding a competition and the prize in this issue is a voucher for a pair of theatre tickets worth £150, if you can answer the following question:-

*Where was this image taken?*



Please email your answer to [alison.lewington@charterfields.com](mailto:alison.lewington@charterfields.com). The winner will be announced on Monday 21st November, so please get your replies in early!

- **AIRMIC 2012**

We are delighted to be exhibiting again at next year's AIRMIC conference to be held at The ACC in Liverpool on 12th and 13th June. Neil and the team look forward to meeting you, so do visit us on Stand 101.



- **CHARTERFIELDS' SERVICE RANGE**

Charterfields Limited 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 a senior member of the team for details.

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