

The Client

International engineering company

The Project

Valuation of client's engineering facilities and distribution centres to provide reinstatement costs for insurance of buildings and plant & equipment.

National and international engineering company specialising in the production of finished and semi finished metal products.

The Benefits

The client has postponed the last valuation programme following financial uncertainty in the difficult economic climate. Additionally, recent falls in the sterling had resulted in an increase in the replacement costs associated with specialist machinery. As a result the client and their broker were concerned that the client could be exposed across their insurance cover.

There was also uncertainty as to how the sums insured were arrived at, whether through unsuitable cost data or guesswork, and therefore a fresh valuation was considered the best solution.

An accurate, current and independent valuation mitigates problems with a claim should a loss occur and could also help to remove the average clause as part of the renewal process.

Work Summary

Substantial facilities that required specialist knowledge of plant & machinery for this sector.

One valuer from our buildings and one from our plant & machinery department inspected each facility which allowed detailed on site consideration of both aspects of the project.

On site inspection was followed by detailed investigation of buildings and P&M replacement costs. A variety of cost libraries were utilised including Rushton's in-house database that is continually updated with current project data.

The Solution

The valuation was overseen by a lead valuer who acted as the project manager. The lead valuer was responsible for liaising directly with the client on issues such as site visits and technical questions which resulted in minimum disruption for the client.

As all of the work was undertaken in-house by the same experienced team of valuers this resulted in a consistent valuation approach.

Delivered tailored valuation report based on current insurance reinstatement costs.

The Conclusion

Our valuation reports concluded that the client was under insured by over £6.5m and one site alone was 700% under insured. We therefore advised that the client inform their broker of the new values before the renewal date.

Engineering Sector Overview

Out of the last 5 valuations undertaken on behalf of SME clients in the engineering sector approximately 75% were under insured.

The trend can be explained by the fact that some SME businesses defer risk management expenditure during periods of economic uncertainty. The sums insured then become out of date and do not accurately reflect the increase in the replacement costs associated with specialist machinery during the period.

This unfortunately leaves many clients under insured at a time when they cannot afford the cost of directly replacing the equipment.

Furthermore this shows the importance of a current and correct valuation to ensure that clients are correctly insured and paying the appropriate premium.

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