

The Project

Valuation of clients Waste Recycling facility to provide reinstatement costs for insurance of buildings and plant & equipment.

Purpose built property capable of receiving 65K tonnes of waste for recycling and 500k tonnes for incineration on a yearly basis. The site was also capable of generating around 50 megawatts of power from the incinerator.

Key Benefits

Newly constructed facility and the client was aware that recent falls in the sterling had resulted in an increase in the replacement costs associated with specialist machinery.

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 facility that required specialist knowledge of buildings and plant & machinery for this sector.

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

On site inspection was followed by detailed investigation of building and P&M costs utilising a variety of cost libraries including Rushton's in-house database that is continually being updated with current projects.

The Solution

Lengthy discussions were held between our valuers and onsite management to establish precisely what was required and to get an understanding of the facility.

The client advised that although the facility was recently constructed the actual construction costs were incorrect as the contractor had lost considerable sums of money on the project and as such indexation of these figures was not appropriate.

Our valuers therefore could not rely on the construction cost data in isolation and Rushton's in-depth knowledge of the industry enabled wider evidence to be considered.

Delivered tailored valuation report based on current insurance reinstatement costs.

The Conclusion

Our valuation report concluded that the client was over insured by approximately £20million and we advised that the client inform their broker of the new value before the renewal date.

Utility Sector Overview

Out of the last 5 valuations undertaken on behalf of utility sector clients approximately 75% were under insured with the maximum amount being £25 million under insured.

Under insurance can be caused by a number of factors such as incorrect indexation, historic indexation of an incorrect base value and fluctuations in the price of materials and currency.

With regards to the case study, the result conflicts with the market trend as the client over compensated for the fact that they could not rely on the original build costs which resulted in them being over insured.

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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