

Valuation Matters



RUSHTON
INTERNATIONAL

traditional values, modern valuations

In this edition of Valuation Matters we make special mention of the looming Insurance Act. Rather than focus on a specific industry as in previous editions we consider the Act, its challenges and how Rushtons can assist brokers and clients to comply with the relevant sections of the Act.



...from strength to strength

NEW JOINERS

The continued growth of the company and soaring demand, has allowed us to invest in two new valuers to add to our excellent team.

Josh Chivers has joined our plant & equipment valuation team, Josh was previously at Lambert Smith Hampton. Richard Smith has joined our buildings valuation team from Harrogate Borough Council and was before that a partner at Walker Singleton.

Kathy Pendlebury has also joined our Manchester Office administration team.

Welcome to Rushton International!

Overview of the Act

The 2015 Insurance Act, which comes into effect in August 2016, introduces what the UK government has described as “the biggest reform to insurance contract law in more than a century”. The Act is seeking to modernise insurance law by creating a new and fairer balance between policyholder and insurer. The main provisions of the Act have been well documented over the last 18 months and concern disclosure and misrepresentation, warranties, contracting out & insurers’ remedies for fraudulent claims.

How might the Act impact clients and their insurance professionals?

We feel that the Act places an onus on the client to issue clear and concise information in relation to the value of their assets via the requirement for fair representation. The insureds will be under a new duty of fair presentation, replacing the general obligation to disclose all material facts. The insured will have to disclose every material circumstance that he or she knows or ought to know, or sufficient information to put a prudent insurer on notice that it needs to make further enquiries to reveal the material circumstances.

Where a client does not have an independent and impartial valuation, or the values are estimates, then should this be clearly raised to the insurer?

Where a client knows that their values are subjective, or not properly allocated across locations, then again does this need to be flagged as part of their insurance submission?

Previously the insured could have data dumped information on the potential replacement values which could have been based on a mixture of inhouse guesstimates, recent project costs or historic valuations.

They might have had little faith in the accuracy of their values however the necessity to arrange insurance cover still applied. When considering the new requirement for clients to make “a fair representation” then clearly one of the keys issues for insureds will be the need to substantiate how they have arrived at their values at risk, and whether this actually reflects the best practice of a prudent client.

Does the Act now require clients to better understand the value of their assets to meet this fair presentation requirement?

How we can help – We can assist clients by providing confidence in their declared sums and taking away the risk of non-compliance in relation to fair presentation. Rushton International can provide:

- independent and impartial advice around fixed asset insurable values
- continued service and monitoring of values
- advice on inflationary provisions and any additions or deletions
- all work backed by our PI Insurance

Valuation Matters



The risk of incorrect sums insured

We often find that clients' fixed assets are incorrectly insured and / or hold limited information regarding how the sums insured have been arrived at. In many cases the values declared on the policy will impact on whether average applies in the event of a loss, the level of premium paid and in some sectors further studies such as estimated maximum loss. It is clear that the need for accuracy on the insurable values of assets is a key input.

We are often asked by clients and their advisors why the client was under insured? Common reasons for incorrect sums insured are:

- **Incorrect indexation** – One of the most common reasons for under insurance is the application of wrong indices to update values; updating already indexed figures without rebasing the values.
- **Low inflation so nominal increases applied** – Another common feedback is that no increase in values have been applied because inflation is at a low level. Plant & equipment values are geared to exchange rate fluctuations from country of origin, installation, transport & local engineering costs.
- **Incorrect asset classification** – We often find clients have incorrectly grouped assets, or worse omitted assets from their insurable values.
- **Incorrect asset numbers** – whether clients have property portfolios or plant and equipment assets, we commonly find that the insured values do not represent what we find onsite. It is very common for clients to make additions or deletions to their assets without reflecting the change in the insurable values.

If you have any concerns regarding the points above and how you are managing your values then please get in touch with us. Our team of specialist valuers can provide clients with a professional and current valuation. Once a valuation is completed we can help update the values via our post valuation aftercare and monitoring service.

Plant and Equipment Valuations

Rushton International undertakes valuations of plant and equipment for insurance purposes and this, along with buildings, is the core service that we provide.

We work with clients with small premises to large multinationals with multiple sites. Our expertise covers engineering, manufacturing, food & drink, waste management, oil, gas and power, telecoms, retail and public sector.

With our UK valuers based in our London, Manchester and Dublin offices we are able to assist clients with their valuation needs at competitive rates.



Airmic 2016

Winning another best stand award at last year's Airmic conference was a special moment for the Rushton team.

Our stand always represents our culture and values of quality, attention to detail, professionalism and fun!

Airmic travels to the spa town of Harrogate in June. Ideas have been flowing for this year's theme so please come along and join us for 'tea-tails' at Stand 126.

Contact Us

Rushton International are leaders in the valuation of assets for insurance purposes and provide reinstatement valuations for buildings, plant, machinery, IT and other contents including Fine Art. We have wide-ranging experience across all major industrial and public sectors and take full accountability for the accuracy of our valuations.

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