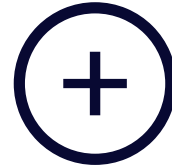


# Building Reinstatement Cost Assessment

Detailed assessments to determine costs for rebuilding commercial and residential properties in the event of total loss due to insured perils.

Our highly experienced team conduct thorough inspections and utilise up-to-date construction cost data to provide clients with reliable valuations that form the basis for accurate insurance premiums and enables better financial planning.



## How SRVO adds value

Our experienced Building Reinstatement Cost Assessment team ensures that clients have appropriate insurance coverage and are protected from potential financial risks.

- ⊕ Mitigate the risk of under or over-insurance
- ⊕ Ensure the property manager has the correct level of cover in place
- ⊕ Reports backed by surveyors' Professional Indemnity Insurance cover
- ⊕ Provide value through reduced fees for sites previously inspected by the team
- ⊕ Bespoke reporting tailored to property and client needs

Key considerations in building reinstatement cost assessments include:

- ⊕ Demolition and debris removal costs
- ⊕ Rebuilding and construction expenses
- ⊕ Professional and statutory fees
- ⊕ Special considerations for historic or listed buildings
- ⊕ Location-specific factors affecting reconstruction



## What are BRCAs

A written report that provides an accurate cost assessment to reinstate the asset or estate in the event of total loss.

A reinstatement cost assessment

- ⊕ Represents the cost of rebuilding to modern standards and regulations
- ⊕ Confirms construction and materials cost and are inclusive of VAT
- ⊕ Is used to produce an accurate-at-the-time 'Declared Value' for an insurance policy

Insurers use a BRCA to

- ⊕ Assist in determining the building sum insured
- ⊕ Calculate the annual premium

RICS recommends\*

- ⊕ Reinstatement cost assessments be reviewed in line with inflation annually
- ⊕ Formal reassessments be carried out at least every 3 years

\* <https://www.rics.org/profession-standards/rics-standards-and-guidance/sector-standards/building-surveying-standards/reinstatement-cost-assessment-of-buildings>

# Underinsurance: avoiding the risk of the averaging clause



The 'Condition of Average' provision can be applied when a property is underinsured. In these instances, and having identified the 'true value' of the asset, an insurance company will not pay out the full amount of the claim, leaving a deficit in the overall cost to reinstate the building. Who would cover the deficit, would likely depend on the covenants within the lease.

The insurer will reduce payout proportionally to the degree of underinsurance using the below equation:

$$\frac{\text{Declared value on date of claim}}{\text{True declared value}} \times \text{Loss amount (maximum is up to DV on insurance policy)} = \text{Amount payable}$$

## Example

1. A property has a declared value of £2,000,000 on its insurance policy at the time a total loss occurs.

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2. The insurer suspects under insurance and appoints a third-party reinstatement cost assessment, which determines that the true value is £4,000,000.

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3. Using the above formula, the insurer would only pay out £1,000,000, which leaves a £3,000,000 deficit in the overall cost to reinstate the building.

Most Insurers will not pursue an 'averaging' claim if the property has been assessed by a Chartered Surveyor within the last 3 years.

## How are BRCAs prepared?

- 1 Thorough site inspection, requiring access to external areas, common parts and facilities
- 2 Measured surveys to assess the component areas, calculations using site measurements
- 3 Capture accurate details on building age, construction, layout, services, grounds and outbuildings
- 4 Research individual accommodations to reflect additional features
- 5 Estimate rebuilding cost indices, drawing from in-house experience, trusted resources (RICS) and cost analyses
- 6 Apportionment of estate sectors to reflect service charge and insurance policy splits
- 7 Bespoke and comprehensive reporting tailored to property and client needs

## Your property service specialist

We're an independent property advisory and surveying business for the UK residential and commercial real estate market, offering a huge range and depth of services and technical expertise, with extensive UK-wide geographic reach.

Our team operates across the length and breadth of the UK, including London, Liverpool, Manchester, Sheffield, Nottingham, Birmingham, Cardiff, Bristol and Brighton.



## Get in touch

To learn more, please contact  
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To arrange a quote, please raise a request through Dwellant and our team will respond within 3 working days.

