



THE MASONIC HALLS ADVISORY GROUP

Practice Note 17. Building Insurance and Reinstatement Cost Assessments.

Masonic Centres and Halls are homes to Freemasonry, but in providing this service to members they operate as hospitality businesses, and they are subject to all of the challenges which that industry faces during a 'cost of living crisis'. Costs are generally increasing whilst incomes struggle to keep pace.

In the search for ways to keep costs under control it is important for Hall Managers and owners to focus on savings which do not add to risks, and nowhere is this more important than in relation to insurance. Whilst it may be tempting to turn a blind eye to the importance of being fully insured, a short-term saving in the annual premium through under insuring could come at considerable cost should a claim need to be made. Accurate assessments of the amount for which buildings are insured are a major factor in obtaining commercially acceptable levels of insurance quotations, but at the same time they only provide peace of mind if claims need to be made and there is no dispute that the risks are appropriately and fully covered.

Underinsurance could mean that in the event of a claim insurers will apply 'average' leaving the loss only partially covered. Over insurance avoids that risk, but at the expense of inflating the premium.

Errors made in submitting figures for sums insured can lead to under or over insurance, both of which should be avoided. A recent Allianz survey showed that 29% of those who own a business property used the market value to calculate the cost of reinstatement rather than the cost of rebuilding i.e., RCA.

According to a report published by the British Insurance Brokers Association, pre-pandemic, the level of underinsurance was dropping and less than 20% of claims exhibited the problem. By early 2021 the level had risen to 40% and this was before inflation had really taken hold.

A recent study by Masonic Mutual Limited broadly supports the above findings as 86% of its members who accepted an offer of a rebuild cost assessment were found to be under-insured by an average of 48%.

Halls Managers are therefore encouraged to review: -

- The original calculation or basis upon which their stated values were based. Frequently, sums insured are mistakenly based upon property market value or a mortgage valuation.
- The sum insured calculation includes all elements such as foundations, boundary walls, outbuildings, drains, driveways, and car parks for example.
- Additional costs involved in rebuilding such as site clearance, demolition, Architects, Engineers, and Surveyors fees.
- Features specific to the building, listed status, period ornamentation etc.
- The last time the value was reassessed, and by whom. Has the building ever been professionally valued and was it more than three years ago.
- Whether all significant changes, such as extensions, alterations, and upgrades, have been taken into account and notified to insurers.
- Whether there are any maintenance related issues outstanding which may compromise the level of cover provided.
- Has VAT been correctly assessed.



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These days Reinstatement Cost Assessments (RCA's) are readily available in the marketplace from professionally qualified surveyors at commercially competitive rates, and in these challenging times it would be prudent to have RCAs reassessed by a professionally qualified practitioner at regular intervals. Indexation is usually applied when insurance policies are renewed, but by definition they represent an adjustment reflecting average increases in costs. Whilst this may be adequate for straightforward buildings, anything out of the ordinary such as a building which is 'Listed' or contains individual and possibly elaborate internal finishes needs careful and individual consideration. Many Masonic Halls will fall into this category.

Masonic Mutual Ltd, arranged for a presentation to members on this important question on 6th December 2022. Some 30 masonic Halls were represented, and the clear consensus of opinion in the Q&A session which followed the presentation was concern for the consequences of under insurance both for the individual Masonic Hall and personally for its owners, managers, and trustees.

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