Insured for what it cost, not what it costs

Marchwood Court is insured, the premium is paid, and the 2016 assessment was correct on the day it was made. It is now covered for about two thirds of a rebuild, and the first anyone will know is at a claim.

2016
when the sum insured was last assessed

£3.47m
between the sum insured and the rebuild

67.2%
of any claim, once average is applied

Nobody was careless

The 2016 assessment put Marchwood Court at £66,000 a bed, right on the basis it was given, and the policy has been index-linked at an average of 5% a year since, which is where today's £107,500 comes from. But an index only scales the number it was handed, and that basis excluded debris removal, professional fees and compliance with current regulations. It is also a domestic house average, and does not track the lifts, sprinklers, commercial kitchens and nurse call a care home is full of. The gap opened underneath the indexation, not instead of it.

MARCHWOOD COURT, 66 BEDS	PER BED	TOTAL
Assessed in 2016	£66,000	£4,356,000
Sum insured today, ten years at an average of 5%	£107,500	£7,095,000
Rebuild cost today, complete basis	£160,000	£10,560,000
Shortfall	**£52,500**	**£3,465,000, or 32.8%**

Why it bites before a total loss. An average clause scales any claim by the ratio of the sum insured to the true cost, so at 67.2% a claim pays 67.2%, total loss or not.

A PARTIAL LOSS	AMOUNT
Cost of making good a kitchen and two floors of a wing	£2,000,000
Paid by the insurer after average	£1,343,750
Left with the owner, or argued about with the tenant	**£656,250**

Under a full repairing and insuring lease the tenant insures, and three clauses in two documents decide what that is worth. In the lease: the insuring covenant, naming who insures and on what basis, and the reinstatement clause, saying whether the lender is noted and who carries a shortfall. In the policy: the condition of average. Two are a lawyer's and one a broker's, so they are rarely read together.

What the platform does with it. Every assessment is held with its date, so its age is a figure rather than a memory, beside the valuer's figure, the policy schedule and the lease clause.