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Property insurance

You need adequate insurance for your premises to protect your business. If you are a tenant, it is probably required by your lease. It is important to remember that buildings insurance does not usually cover disruption to your business, contents or stock which will probably need to be insured separately. A chartered surveyor can calculate the reinstatement cost for insurance purposes, advise you on precautions that will satisfy your insurer and negotiate on your behalf if you are unlucky enough to suffer a loss.



How do I arrange insurance?

If you are a tenant, the first step is to establish from the lease who is responsible for insuring the premises. It may be that you are required both to arrange and pay for the building insurance. On the other hand your landlord might arrange insurance but pass the cost on to you. If you occupy only part of a building, the landlord will probably arrange insurance for the building as a whole and charge you your proportion of the cost.

How do I know how much I should insure for?

Your chartered surveyor can undertake a reinstatement cost assessment. This tells you what it would cost to rebuild the premises if they were to become a total loss, including the cost of demolition and clearing the site plus professional and local authority fees.

However, you must make allowance for inflation in construction costs. In an industrial building, any process plant would normally be insured under a policy separate from that covering the building structure.

Make sure that your insurance provides cover for disturbance and relocation costs should your premises become unusable following serious damage. You should also ensure that you have insurance cover for continuing to pay rent in the event that the building is damaged and you are unable to run your business from it.

How do I arrange the insurance?

You would normally go through your own insurance broker and obtain at least three quotes. Once you have made a provisional choice, insist on obtaining a copy of the policy document and get your broker to advise you on the policy details.

Your insurers may want to see the reinstatement cost assessment that your chartered surveyor has produced, and might also want to carry out their own inspection of the premises. Your landlord may also want to see evidence that you have obtained adequate insurance.

How do I keep my insurance up-to-date?

Your insurance policy will probably have an 'indexation clause' that will automatically increase the sum insured in line with construction costs each year. However, the figures should be reviewed whenever you undertake alterations. In any case you should ask your chartered surveyor to review the reinstatement cost every three to five years.

What happens if I suffer a serious loss?

If your premises are seriously damaged – by fire, for example – the immediate task will be to carry out emergency work to protect the building and its contents.

You should contact your chartered surveyor immediately and he or she will be able to negotiate with your insurers or their loss adjusters over the emergency measures and administer the work. Later, your chartered surveyor will be able to negotiate the full claim on your behalf.

Your lease may provide that rent ceases to be payable if the premises are no longer usable. Finding alternative accommodation will be your own responsibility. If you were responsible for insuring the property, it will normally be up to you to arrange to have it repaired or rebuilt. Again, your chartered surveyor can help with the planning and may act as contract administrator for the construction work.



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