

Underinsurance and how it can affect you

Imagine a scenario – Mr Jones bought a watch several years ago which is now worth nearly £20,000. He has a general household insurance policy in place with a £2,500 limit. He has been warned this policy won't cover the watch, or any other expensive item he has in his collection over this value. But Mr Jones doesn't want to pay the higher premiums insuring these items would require, so he declines.



Six months later, he loses the watch and his insurance company will only pay out £2,500, leaving Mr Jones significantly out of pocket.

Nearly three quarters of high net worth clients are underinsured, and it's easy to assume those people are unaware of it. But what of those who actually know they're underinsured and choose to do nothing about it?

Underinsurance occurs when a client hasn't taken out enough insurance to meet his or her needs. Being under-insured might mean your premiums are lower but in the long-term, it won't actually save you money. It will mean if you need to make a claim, it won't be paid out in full.



This might not seem like much on a single item, but consider the consequences on a larger claim, such as in the event of a fire, for example.

We've talked about Mr Jones knowing his watch was underinsured, but it is worth pointing out that it's also easy to underestimate how much your general contents are actually worth.



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The more rooms you have, the easier it is to miss items that are potentially of high value.*

You should also take into account the change in market conditions. The price of gold, for example, has increased to over £1,000 an ounce, a quarter more than it was at the end of last year.

Artwork in your home might have increased in value recently if the artist has died, or you might have inherited some heirlooms that are more valuable than you initially thought.

Here at Centor, we want to make sure you have the right amount of cover for your needs, and we want you to understand why it's important to be adequately insured. To assist you with this, we offer:

- Expert advice to establish correct values
- Building appraisals (depending on insurer used)
- Bespoke policies for individuals who don't suit an off-the-shelf policy
- Regular review of your policies to make sure you're adequately covered.

It is important to be aware you also have a responsibility to let us know if your circumstances change.

If you haven't had your house or contents valued recently, or you think you might be underinsured, please get in touch with your Centor account handler or call 0207 256 7300.



*Contents include but are not limited to carpets, curtains, linen, whitegoods, furniture, utensils and clothes.