

# What would it cost to rebuild your school?

## Why should you arrange a full valuation?



When buying insurance, it is important to have an accurate indication of the true value of your school and the cost to rebuild and return to 'business as usual' in the event of a disaster.

### Do you know how much it would cost to rebuild your school?

If, by unhappy chance, your school was to suffer serious and extensive damage, resulting in the need for complete or even partial rebuild, would you have an accurate indication of the likely cost? Such an eventuality may seem unlikely but accidents happen and, in the event of a disaster, you need to be confident that your insurances will protect you completely.

For many independent schools the simple task of providing a sum insured figure can prove to be a major difficulty when purchasing insurance, particularly directly from an insurer or from brokers not providing a full valuation service. Simply "filling in the space provided" with your estimated sums insured, without a full valuation, leaves the school very exposed to problems that will only become apparent in the event of a serious incident much further down the line. Many independent schools inhabit listed or unique buildings, and possess several unique heirlooms or bequeathed items, the value of which has never been truly questioned.

### What are the consequences of undervaluing your school?

Findings have shown that many schools purchasing their insurance without a professional valuation have been undervalued by up to fifty percent. In such a case, in the event of a large claim only half of the required costs would be paid out as a result of an 'average clause' often included in commercial insurance policies. Why wait until a claim to find out if your estimations are correct?

The only way to achieve an accurate understanding of the cost to rebuild your school is to conduct a full valuation and to update it every three to five years (because the cost of rebuilding will fluctuate over time as a result of many factors). Not only will an accurate valuation ensure that you are fully covered in the event of a major disaster, it will have the added advantage of ensuring that you are not paying too much for your insurances in the meantime.

### What are the benefits of a full valuation?

#### Rebuilding bricks and mortar and replacing contents

A 'Reinstatement Cost Assessment' (RCA) – previously known as a 'fire insurance valuation' – will provide an accurate indication of how much it would cost to completely rebuild your school (taking into account the various costs associated with total rebuild, not market value), and therefore how much you should be paying for your insurance. It is the only type of valuation appropriate for assessing the correct sums insured and is usually valid for three to five years, providing the figure is index linked.

The RCA is made up of two parts:

- 1. Buildings Reinstatement Cost Assessment (RCA) for Insurance Purposes** – This includes the rebuild cost and an allowance for the removal of debris, professional fees and VAT (where appropriate).
- 2. Contents Reinstatement Cost Assessment (RCA) for Insurance Purposes** – This includes the cost of replacing the asset to the same or substantially similar specification, including transport and installation costs and VAT (where appropriate).

### What does a RCA involve?

A surveyor will visit the school to:

- Make a general inspection of the property
- Determine the total area of each building, using CAD drawings, scaled drawings or by physical measurement
- Photograph each building and any specialist features
- Note the use of each building, i.e. office, accommodation, teaching etc.
- Note any external works, i.e. walls, gates, paths, roadways and underground services
- Note any specialist features (internal and external), e.g. marble cladding, ornate stonework, timber panelling, lead work etc.
- Consider any likely restrictions to demolishing and rebuilding the school (limited access, working hours restrictions, location etc.)
- Conduct an elemental breakdown of the building and cross reference this with BCIS construction costs
- Compare previous build/refurbishment costs of similar properties
- Audit and prepare an inventory of the school's contents – from 'general' teaching equipment through to specialist or high risk contents such as computers and technology equipment
- Conduct a valuation of antiques and bequeathed items such as heirlooms and works of art

- Provide an overall valuation of the contents, helping you identify the assets presenting the greatest security risks and ensuring you are neither underinsured nor overpaying for unnecessary cover
- Provide a means to satisfy auditors' requirements

## What are the benefits of a RCA?

- You will receive adequate 'declared values' – meaning an accurate estimated cost to rebuild your school and replace the contents and have the peace of mind that:
  - this takes into account all possible costs should you face damage from fire, flood or other peril – such as demolition, site clearance and ground surveyors
  - you are neither underinsured, nor paying for unnecessary cover – providing peace of mind and potential cost efficiencies
  - the liability is transferred to the surveyor, who is insured against any errors and omissions and as such will be liable for any undervaluation

- Your insurer's requirements will be satisfied in terms of adequate values
- You will have an inventory and audit trail relating to your buildings and assets, which, in the event of a loss, can be used to help expedite a fair settlement of your insurance claim

## The cost of delivering 'business as usual'

Rebuilding the school and replacing its contents is the most obvious and largest cost you are likely to incur, but there are others that must be taken into consideration before arranging your insurances.

Your duty to provide education for your pupils cannot just stop whilst building work takes place or equipment is replaced. Temporary classrooms will need to be paid for and the cost of 'business interruption' will need to be accounted for. A good independent insurance broker will visit you in person to assess the likely cost of interruption to your day to day activities, in order to provide the right cover to meet your needs, as well as recommending measures to minimise your risks.

## Case study

A school in the North East had previously been valued at £900,000. However, following a survey by a professional property consultant the school's actual rebuild cost was £3.2million.

Due to the 'Under Insurance Clause' or 'Average Clause', if this school had bought their insurance on the basis of their original valuation – and then had to make a substantial claim – the insurer would have paid out less than a third of the claim's actual value. As the survey was not conducted by a qualified professional there would have been no cover from Professional Indemnity insurance, leaving the school vastly under insured and burdening the governing body with the responsibility of making up the balance of the cost.

## Talk to us

For further information on the services we provide to schools, academies and other educational establishments, please call us on **0161 972 2480**, email us at [education@lucasfettes.co.uk](mailto:education@lucasfettes.co.uk) or visit [www.lucasfettes.co.uk/education](http://www.lucasfettes.co.uk/education).