

THE LIFECYCLE OF AN RCA

How to keep a Reinstatement
Cost Assessment compliant



**DAY ONE: REINSTATEMENT
COST ASSESSMENT**



If you need to arrange either a Reinstatement Cost Assessment, Major Review or Revisit, please contact us on info@bch.uk.com or call **01455 293510**.

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Day One Reinstatement Cost Assessment

The next time and every time that a renewal of the building insurance policy or a change of provider is undertaken, the RICS recommend an annual review to update the building sum insured – reflecting inflation. This is often something that can be done in co-ordination with the insurer or broker and they may even do this automatically.

An annual review is not sufficient **every** year

While adjusting the building sum insured in line with inflationary effects is likely adequate for two years following the initial RCA,

it is less specific to the property. This is due to it being an average increase based on broad cost indices from published sources, rather than reviewing the specifics related to the property.

If an annual review is undertaken, it is possible that the property may become over insured during the two years following the RCA which means the policyholder could be paying a higher premium than necessary. If on the other hand an annual review isn't undertaken as advised by RICS for best practice, policy penalties could be introduced and the property could become underinsured.

If an annual review is undertaken, it is possible that the property may become over insured during the two years.

HOW TO KEEP THE BUILDING SUM INSURED ACCURATE AFTER THE INITIAL RCA

Third year following the RCA

If no major alterations have been made to the property, the RICS recommends a Major Review at year three to keep the building insurance valuation accurate, ensuring it retains its RICS compliance.

A Major Review maximises the investment in the original RCA, ensuring that the property remains correctly insured and the correct premiums are being paid.

Without a Major Review, there is the risk of being incorrectly insured and the

benefits provided in the policy wording, such as Average Waiver, falling away. This could mean that in the event of a valid claim, the Condition of Average could be applied, a clause which calculates the pay-out in proportion to the amount incorrectly insured.

BCH's Major Review is a cost-effective extension to our RICS Compliant RCA. It's desk-based and draws on data collected from our extensive database of site-based surveys and external industry recognised sources. This provides a more detailed and considered review than index linking alone.



FOURTH & FIFTH YEARS →

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Fourth and fifth years following the RCA

Between a Major Review and the sixth year from the original RCA, it is recommended that the practice of an annual review is followed.

This of course means that it is possible to drift away from the very specific building sum insured figure to an average figure based on inflationary effects and could result in incorrect buildings insurance premium being paid.

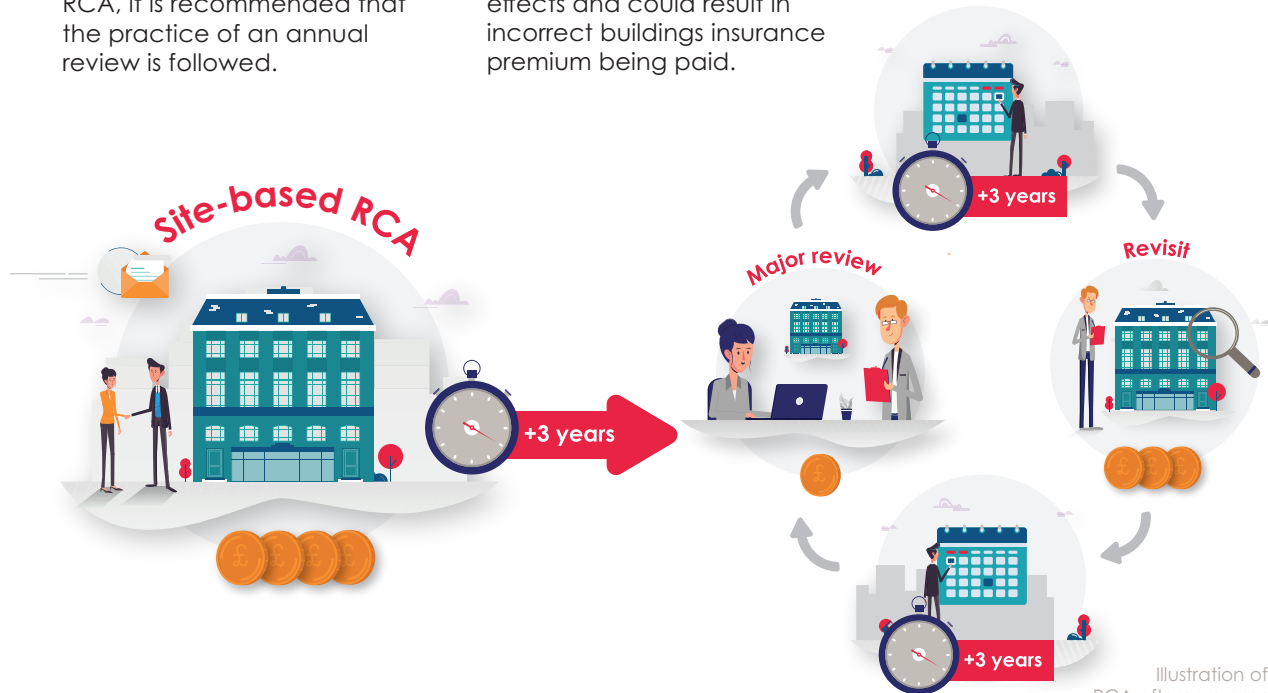


Illustration of the RCA aftercare process.

Year six Revisit

On the 6th anniversary of the original RCA, BCH recommend that our Building Insurance Surveyor revisits the site to re-appraise the property by undertaking a full review of both the property itself and any external influencing factors that may have changed.

A Review is carried out similarly to the initial RCA, with the property being remeasured and photographed and any materials changes to the building being recorded. This Review keeps the RCA RICS compliant and as BCH are

already familiar with the property from the initial RCA, the Review is offered at a discount rate.

An RCA doesn't last forever

In this article, we have covered what needs to be done in the six years following the original RICS compliant Reinstatement Cost Assessment – to ensure that the buildings insurance valuation remains specific to the property to avoid over or underinsurance.

In the subsequent years, it's recommended to follow a similar process which we refer

to as the 'BCH RCA lifecycle' – it is essentially a continuous loop of Major Reviews and Revisits every alternate three years. This is the process recommended by RICS to keep the buildings insurance valuation compliant and accurate.

As a BCH customer, following the 'BCH RCA lifecycle' will give access to discounted rates and will avoid both over insurance (paying too high a premium) and underinsurance (a reduced pay-out in the event of a valid claim).

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