

Home Contents – Are You Undervalued?

The value of a typical home's contents stands at £45,341, representing an increase of over 50% in the last 10 years, according to the Centre for Economics and Business Research (Oct 2005). Whether or not your home is typical, have you correctly valued for insurance purposes all the contents therein? Do you really know what's hidden away in every cupboard or drawer and have you calculated the real cost of replacement in the event of burglary, fire or flood?

Yes, the typical home contents insurance policy gives a cover level of around £60,000 to £75,000 so on the face of it there's at least a £15,000 safety margin for typicality. Last year research conducted for Prudential Home Insurance showed that almost 25% of householders estimated their home contents to be worth £35,000 or more, while around 35% valued contents as low as £20,000.

How typical are you?

Are you, for instance, in one of the estimated 2 million homes at risk from flooding? The severity of such cases is rising; according to Zurich Municipal, the average cost of flooding claims has risen by 120% over the past six years.

There are around one million burglaries a year in Britain. The biggest-ever domestic break-in occurred this February when property developer Harry Hyams (he of Centre Point fame) was relieved of some £30 million worth of art and antiques from his home in Wiltshire despite the tight security (incidentally the house also holds another record; when bought in 1964 its price tag of £650,000 represented the highest then recorded for a private dwelling).

Insurers maintain that a significant amount of household content is underinsured, either by accident or design. Yet given the constant barrage of mailshots offering cheap, 'unrepeatable' house contents insurance, it is not surprising that most people opt for the inexpensive deal, don't read the small print and thus don't realise the restrictions on cover and claims.

Focusing on price can be a false economy if the policy subsequently does not pay out. Research has shown that every year some one million home contents policyholders (around 1 in 4 of the total) who make a claim do not receive the full amount requested; the average shortfall is about £600.

Beware false economies on insurance

You risk a reduced payout or even non-payment on a claim if you haven't done your valuation sums properly. Your policy is a contract with the insurer, placing legal obligations on both parties. You are responsible for determining the correct sum insured and you and members of your household are obliged to keep insured

possessions in a good state of repair, taking all reasonable steps to prevent loss or damage.

So what is the right level of cover (given that you're not typical!) and how do you determine it? There's only one way; a room by room inventory, not forgetting the contents of the garden shed. And the attic; Prudential's research has revealed that 1 in 10 attics conceal 'treasures' worth more than £500. It's tiresome, but this method avoids a serious under-estimation of the cost of replacing possessions.

The bonus could be a pleasant surprise at the value of your total net worth! Jot down the value of all those computers, laptops, TVs, mobile phones and iPods; the cost of replacing fixtures and furnishings such as carpets; the designer clothes and footwear in wardrobes; kitchen electrical appliances (and hardware - Creuset doesn't come cheap); bathroom suites; expensive handbags; ditto sunglasses; art and antiques; jewellery; bicycles; garden furniture; and so on...

Do not overlook heirlooms or the value of specialist collections whether they be books, stamps, Hockney paintings, Jimi Hendrix first pressings or 13th century Tuscan ceramic tile motifs. Get professional valuation if you are uncertain (this is usually a prerequisite anyway if you want to insure items separately on a household contents policy).

Note the increasing value of collectables. For instance, Stanley Gibbons index of rare stamps has increased in value by 103% in seven years; a 1903 variant, sold for £5,000 in 1999, now commands £20,000. Your final tally could push contents value beyond the cover limit of the typical household policy, whereby items rated at more than £1,500, sometimes £2,500, need to be insured for an extra premium.

Check the small print for exclusions and payment policy

Remember too that cut price contents policies frequently exclude items taken out of the house. Also, items considered high risk in the event of burglary may be subject to a claim payout limit and many policies will not cover for theft or damage if the house is left unoccupied for more than 21 days.

Always check the small print; is it 'replacement as new', 'new for old' or plain 'indemnity' (claim payment will reflect wear, tear and depreciation) cover? Is a no claims discount offered come renewal time? Are discounts available for enhanced levels of house security and the installation of a safe or would you get a better deal by moving to a different postcode?

Be aware of clauses in the declaration such as 'not having lodgers or paying guests' and the fact that you are responsible, when renewing the policy, for disclosing any material facts affecting insurability which may have arisen during the past year.

It just might be, once your valuation is completed, that a contents policy for higher net worth home makes more financial sense. Such specialist contracts are naturally more expensive but usually all items are covered to their correct value without the need for individual specification. They can also provide worldwide protection, so are useful for those with more than one home who move personal possessions between properties.

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