



ECCLESIASTICAL

INDEX-LINKING An explanation of Building Cost Inflation

Ecclesiastical is unusual in the current marketplace in that we use the All-In Tender Price Index (All-In TPI) to calculate rebuilding costs in the event of a total loss. Why, you ask- it might help if we first indicate why we use this for building cost inflation.

As you probably know, Ecclesiastical is unique amongst insurance companies in providing free of charge valuation advice regarding sums insured on selected properties. We also undertake that provided these figures are adopted and kept up to date, "average" will not apply in the event of a claim. Because of this, we have from time to time sought advice from professional construction consultants who consistently indicate that the Building Cost Information Service (BCIS) All-In Tender Price Index should be used.

This Index is based upon actual tenders submitted to the BCIS, which are then analysed by them to produce the Index. It is therefore a reflection of the actual market conditions in the building industry at the time. By contrast, the BCIS General Building Cost Index is based upon a standard cost model, which is updated each quarter to reflect standard increases in wages and materials, etc. Unlike the All-in TPI, it does not reflect the fluctuations in market conditions and the effect these have on overheads, profit margins and availability of work or skilled labour.

Over the years, we have found that the All-In TPI does adjust sums insured to an appropriate level so that when either independent Chartered Surveyors or ourselves undertake revaluation, only relatively minor adjustments to sums insured are required. All index figures change from month to month (even those said to be 'confirmed'). For this reason, Ecclesiastical ensure that the index figure is taken at the same 'time' each month/quarter. To ensure we have the most up to date index figures, Ecclesiastical subscribe to the BCIS On Line Information Service, which is updated twice a month. The figures we use will therefore differ from those published quarterly in the BCIS Quarterly Review.

In the case of properties insured with ourselves that require a survey, these tend to be resurveyed and revalued on a regular basis (usually every 5 years). If applicable, any over/under-insurance of the building is adjusted at that time, although these changes tend to be minor.

PLEASE NOTE: Ecclesiastical do NOT provide a valuation service on all properties. It is available on selected properties at our discretion once cover has been placed with us. Terms and conditions apply.