

UNDERINSURED CLAIMS IN BC



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The rising trend of underinsured claims, combined with inflation, can have significant implications for property owners and insurance in British Columbia. Here are some important things to know about this situation:





1. **Underinsured Claims:** Underinsured claims occur when the insurance coverage is not sufficient to fully cover the cost of repairs or replacements after a loss. This can leave property owners facing substantial out-of-pocket expenses.
2. **Inflation Impact:** Inflation leads to increased costs for labor, materials, and property values. If insurance coverage doesn't keep up with these rising costs, it can result in inadequate coverage and underinsured claims.
3. **Replacement Cost vs. Actual Cash Value:** Understanding the difference between replacement cost (the cost to replace an item with a new one) and actual cash value (replacement cost minus depreciation) is crucial. Replacement cost coverage is generally recommended to mitigate the impact of inflation.
4. **Rising Building Costs:** Inflated construction costs due to inflation can lead to higher repair or rebuilding expenses after a loss. Adequate coverage is necessary to ensure you can cover these costs without financial strain.
5. **Market Value vs. Replacement Cost:** Homeowners often confuse market value (the price a property would sell for) with replacement cost (the cost to rebuild a property). Insurance should be based on replacement cost to account for inflation's effect on construction expenses.
6. **Regular Policy Reviews:** Regularly reviewing and updating your insurance policy is important to ensure it remains aligned with current replacement costs and property values. Failing to update your coverage can lead to underinsurance.



7. **Mitigation Measures:** To prevent underinsured claims, consider implementing risk mitigation measures such as routine property maintenance, installing safety features, and staying informed about insurance trends.
8. **Consult with Professionals:** Insurance brokers and agents can provide valuable guidance on coverage needs, especially in the context of rising inflation and underinsured claims.
9. **Loss Assessment Coverage:** For strata property owners, loss assessment coverage can help mitigate the impact of underinsured claims arising from shared property expenses.
10. **Policy Limits and Deductibles:** Review your policy limits and deductibles regularly to ensure they're suitable for current costs. Higher deductibles can lead to a higher financial burden in case of a claim.
11. **Educate Yourself:** Understand the terms and coverage options in your insurance policy. Being informed will help you make educated decisions about the coverage you need.
12. **Adjusting Coverage:** After significant life events, renovations, or changes in property values, consider reassessing your insurance coverage to make sure it still adequately protects your assets.

Keep in mind that insurance is a dynamic field, and trends can evolve over time. It's crucial to stay informed about developments in the insurance industry, including changes in regulations and coverage options in British Columbia, to ensure you have appropriate coverage in the face of inflation and the rising trend of underinsured claims.



 
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