

1st August 2022

Inflation in UK and global construction costs risks leaving businesses underinsured

- UK Construction Material Price Index rose 25% in just a year
- Raw material shortages and rising energy costs causing building costs to skyrocket

Rising construction costs in the UK and globally risk leaving homes and businesses underinsured if properties suffer damage from natural catastrophes, such as storms or floods, warns Chaucer, the leading specialty (re)insurance group.

Escalating construction costs mean that many existing policies are now far less likely to be sufficient to rebuild properties damaged by natural or man-made events.

In the UK, the Construction Material Price Index* increased by 25% in just one year. This has been driven by increases in concrete reinforcing bars (62%), fabricated structural steel, which has gone up 46% in a year and particle boards (up 34%).

This trend has been observed globally, for example, the United States has seen costs jump by 18% in twelve months, the largest spike since 1970**.

The crisis in Ukraine has contributed to greater levels of volatility in global energy costs, pushing up the processing and freighting costs of raw materials. Furthermore, sanctions against Russia have made raw materials more difficult to source, which has also served to push up prices.

Based on a rise of 25% in rebuilding costs, if a property that was insured against a value of £1m needed to be rebuilt entirely, it could now cost £1.25m. Therefore, policyholders would need to either finance the £250k difference themselves or pay for more coverage.

Chance Gilliland, Head of Global Property Delegated Authorities at Chaucer says: “Rapid inflation in building costs risks creating an insurance gap. Those based around coastal regions, which are more exposed to extreme weather are at greatest risk.”

“Policyholders need to review their coverage to ensure that they will not be left underinsured should their homes and business premises suffers damage.”

*** For all building**

****US Census Bureau**

End

Media Enquiries

Maria Hughes
Mattison Public Relations
+44(0)77 3169 3281
maria.hughes@mattison.co.uk

Greer Stead
Chaucer
+44(0)20 7105 8258
greer.stead@chaucergroup.com

About Chaucer

Chaucer are a leading specialty (re)insurance group working with brokers, coverholders and clients to protect and support business activities around the world. Our services are accessed both through Lloyd's of London and the company markets.

We are defined by an enterprising, bespoke approach to (re)insurance, enabled by the individual character, experience and imagination of our expert teams.

Chaucer is a member of the China Re Group and backed by their financial and operational resources. China Re is one of the world's largest reinsurance companies whose outstanding and comprehensive strength is rated A (excellent) by AM Best and A (strong) by S&P Global Rating.

Chaucergroup.com