



# ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

Last weekend the entire east coast of the United States was raved by Hurricane Irene. Many property and Home owners would no doubt have had cause to call on their insurance companies for assistance with repairs and in some cases rebuilding. It is against this backdrop that we present this week's term: **Under insurance**.

**Under insurance** can best be defined as the situation where you have insured your property for less than what it would cost to replace it. Therefore, what your insurance policy will pay in the event of a loss and subsequent claim is less than what it would cost to replace the lost items. Whereas **under insurance** may result in lower premiums paid by the policyholder, in the event of a claim, your contribution to the loss may far exceed any marginal savings in insurance premiums.

## What does this mean for you?

**Under insurance** can cause a serious financial crisis, depending on the asset that is insured and the extent of the shortfall in insurance. A perfect example would be a homeowner whose house has a rebuild value of say \$200,000.00 and he/she has insured this house for \$100,000.00. If this home is partially damaged the insurer would pay 50% of the loss, as only 50% of the rebuild value of the home was insured. The homeowner would now be forced to source the additional 50%. A policyholder must therefore take the following factors into consideration, as they could affect whether his/her policy provides cover below the value of the property insured:

- A gradual accumulation of possessions.
- Not accounting for upgraded assets example home renovations and additions.
- Financial prioritization i.e. taking a policy based on how much you can afford as opposed to the rebuild value of the property.
- Increased building costs.

For more information on **under insurance** and how you can avoid being in this predicament call our agents at EC Global Insurance Company Limited at 451-3244 or via email [ecglobal@ecfh.com](mailto:ecglobal@ecfh.com) .