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Material Damage

Do I Need It?

In the insurance industry, Material Damage is what we use to mean Property Damage. If you have any 'material' items then these would be covered under this section.

Most policies split this cover as follows:

- Buildings
- Tenants Improvements (any building changes made to a rented property e.g. partitioning, new carpets, fixed machinery etc.)
- Shop Front
- Glass
- Contents
- Computers & Electronic Equipment
- Stock
- Portable Tools

If you have any of these items, it is a good idea to insure them – particularly if they are essential to carrying on your business.

What Does it Cover?

Insurers will provide cover for all declared items on an 'All Risks' basis. This means that everything is covered if it has not been specifically excluded.

The exclusions are contained in the Policy Wording so you will need to read through carefully to ensure that you are happy with what is covered.

Be aware that Accidental Damage and Subsidence covers need to be specifically requested so if you are wanting these covers, make your broker aware.

What Cover Do I Need?

Insurers will require 'sums insured' for each of the above categories you wish to include.

For Stock, you will be paid out what it will cost you to replace the stock, not what you could sell the stock for. Therefore, no element of profit should be included in your sum insured.

For all other covers, payment is usually made on a 'new for old' basis. This means that your sums insured should be set based on a new replacement value for all of your items.

It is important to note that if, at the time of a claim, your sums insured are found to be less than the actual value to replace them Insurers will apply a condition called Average. Average means that any claim settlement will be reduced in proportion to the amount of underinsurance or, if the underinsurance is significant, they may refuse to pay the claim entirely.

For example, if you insure a building for £50,000 but it is actually worth £100,000 and you have a claim for £20,000 worth of damage, insurers will find that you have only insured 50% of the value so they will only pay 50% of the claim, in this instance £10,000.

It is fine to self-insure items if you don't want them on the insurance, however it is best to let insurers know what items you intend to self-insure so that they don't get taken into account in any claims.

How Do I Get A Quote?

Material Damage is generally included in a 'Package' or 'Combined' insurance policy together with other elements of cover. If you want to include this cover, you just need to let the insurer know what sums insured you require.

The insurer will also want to know the following information:

- Construction of the Building e.g. brick, breeze block, metal cladding etc.
- Security on the Building e.g. what types of lock, whether there is an alarm, locks on windows etc.
- How the Premises are heated
- If any items are kept in the open
- What 'target stock' you have – this is theft-attractive goods such as designer clothing, computer equipment, mobile phones, alcohol and the like



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