

Zurich Property Insurance

Find out the correct sum insured – step by step



Make sure that your company has sufficient cover: Accurately value objects that are to be insured, such as furnishings, work equipment, goods, etc., and thus avoid underinsurance.

You can determine the correct sum insured using these valuation principles:

1. Don't use book values

For the annual financial statement and in accounting you use book values. But these are fair values, and so are of limited use for your property insurance. After all, in property insurance you generally calculate using current new values, as you would have to buy new goods, furnishings, devices and materials in the event of a fire, for instance. You may possibly be able to use the fair value to calculate the reinstatement value.

2. Check the delimitation between the building and the business inventory

It is important to be aware of the precise distinction between buildings and property insurance. Property insurance covers moveable objects such as trade goods, machines and devices. Building insurance includes anything that is permanently fixed and connected to the building. Check which items and risks are included in which type of insurance based on cantonal law and the insurance contract. This will mean that there will be no gaps with serious consequences and corresponding underinsurance.

3. Use index tables and take fluctuations in value into account

The value of your inventory¹ is not a fixed amount, but may repeatedly change – for instance, due to inflation. Use recognized index tables, for instance a country index or building cost index, to calculate the correct current value of your inventory or your building.

Important to know: In periods of considerable value fluctuations, new calculations are indispensable. This is the only way that you can ensure that you continue to have sufficient insurance. Please check your sums insured for property insurance at regular intervals.

You will find a checklist for the valuation of insured objects below.

¹ Inventory = goods, furnishings and equipment

Valuation of goods for property insurance

| Object to be insured | Valuation |
|-------------------------------------|---|
| Goods manufactured in-house: | Material costs (at cost price) |
| | + Production costs = <i>Manufacturing costs</i> |
| | + Selling, general and administrative expenses (SG & A) = <i>Cost of sales</i> |
| | + Profit – Cash discounts, other discounts, sales bonuses, costs saved |

| | |
|--|---|
| Semi-finished products and goods in production: | Material costs already paid out |
| | + Production costs already paid out = <i>Manufacturing costs already paid out</i> |
| | + Proportionate selling, general and administrative expenses (SG & A) = <i>Cost of sales already accrued</i> |
| | + Proportionate profit |

| | |
|-------------------------|---|
| Purchased goods: | Purchase price (invoice price) |
| | – Cash discounts, other discounts, bonuses + Costs for freight and duty + Manipulation expenses (unloading, checks, handling, labeling, storage) + Reserve for price fluctuations + Change in exchange rate |

Valuation of furnishings and equipment for property insurance

| Object to be insured | Valuation |
|---|---|
| Operating equipment¹: | Replacement price ² for the same object with the same capacity |
| | + Costs for freight and duty + Installation costs + Commissioning costs + Costs for foundations + Costs for connection + Inflation reserve |
| | (Facilities that are no longer used are to be calculated at fair value) |

¹ Machinery, tools, office and warehouse furnishings, office equipment, telephone systems, etc.

² The replacement price equates to the current new value. That is the price that you would now have to pay to buy the equivalent of the equipment in question new.

Would you like support for calculating the correct sum insured?

Your insurance advisor would be happy to help.