Attenborough Sailing Club : Clubhouse Insurance Values

Attenborough Sailing Club [ASC] has been obtaining all of its insurance policies from AJ Gallagher [AJG] over the past few years, utilising their tailored RYA-backed scheme to insure the site, boats, equipment, contents and clubhouse in a single policy at reduced rates under a long-term commitment agreement. There are separate policies also in place with AJG to provide various legal protections. Full details of all policy schedules and levels of cover are available to review if you contact the Hon Treasurer (treasurer@attenboroughsc.org.uk).

Until recently, the clubhouse building was valued at £150,000, but this was raised to £180,000 a couple of years ago - to try and keep up with increased building costs - and then again to £205,000 this year via a percentage uplift advised by AJG.

AJG also advised ASC to obtain a formal valuation of the full rebuild cost of the Clubhouse, as they were concerned that the value might be considered insufficient for a full rebuild. AJG recommends that this valuation is undertaken every two years and they offer a desktop valuation service, which the Committee agreed to purchase for the base fee of £201.00.

The full rebuild valuation figure came back at £608,213 - which is obviously a much bigger figure than anticipated, at around 3 times the current insured value and 4 times the original insured value! A copy of the valuation report can be provided on request, but the main points are these:

- The total figure includes £50k to rebuild the deck/terrace and elecs cupboard - which are considered to be integral parts of the clubhouse package and likely to be included in any rebuild incident.
- The figure(s) include VAT - i.e. a 20% uplift on the original, VAT-exempt, build - which is an inevitable difference between new-build work and re-build/renovation/extension work.
- The figure(s) include all labour for a rebuild, plus all necessary professional fees (architect, structural engineer, etc, project manager, etc) - which were all provided voluntarily by members during the original build.
- The figure(s) include a huge uplift in construction costs, materials and labour that have hit the construction market from the impacts of leaving the EU, COVID and the Ukraine War.
- The valuation figures allow for a better specification in some instances - e.g. a true tiled roof rather than the tile-effect sheeting we currently have. This is the danger of a simplistic desktop valuation exercise - but a bespoke valuation based on the actual materials used would cost considerably more and may not significantly affect the rebuild value due to the incremental influences of all the other factors listed.

To insure the Clubhouse for this full rebuild value would cost an additional £1,828.06 at this year's rates. This year's full insurance cost renewal - including all material and legal policies as outlined above - was £3,564.96. So the uplift on the Clubhouse would add around 50% to the annual costs.

Can we afford to insure the Clubhouse at the surveyed Full Rebuild Valuation at the moment?

Yes. The Club currently has a cash reserve of nearly £24k - even with the Weed Fund ringfenced as it should be. This reserve is generally tagged for new club boats and rigging, site improvements, replacement equipment and other “big ticket” items that inevitably crop up through the use, growth and improvement of the club, its site and its facilities.

Can we afford to insure the Clubhouse at the surveyed Full Rebuild Valuation in the future?

It depends. The Club is forecast to have retained a surplus income of around £4k this year, when the Weed Fund donations are discounted. However, we have not needed to bring in professional weed control services, so far; which could easily eat into this figure by £2-3k (once the Weed Fund has been used up) and there is a real chance that next year’s income may be £1-2k less for various reasons (which can be elaborated on by request). So it would not take too much fluctuation in the Club’s fortunes to make the resulting uplift on the insurance costs tip the accounts into a net deficit next year.

Can we contest the Full Rebuild Valuation?

Not really. A “second opinion” could be sought - but at a price. Also, the insurers would not accept a Full Rebuild Cost that did not include all professional fees and labour - despite how we built the Clubhouse the first time - and if the building was to burn down then we would really want the insurers to take over and get it rebuilt without significant efforts from the membership.

What if we choose to keep the Cubhouse value as it is, or at a lesser value than the Full Rebuild Valuation?

If we choose to set our own figure for the value of the Clubhouse, then we run the risk of Underinsurance. It is not illegal, but it significantly jeopardises any claim we might need to make if we are considered to have knowingly underinsured. If we insured the Clubhouse for, say, half of the value that the Full Rebuild Valuation has set (which at £300k would still be 50% more than at present!) then we would only get half of any claim - potentially leaving the club looking for £300k to cover the difference if the claim event required a total rebuild. Even claims for partial loss would only return half of the necessary claim value. And we are now in the position, with the Full Rebuild Valuation on file, that the insurers will defer to this in the first instance to decide on the value of any claim or insured value.

Should we accept the Full Rebuild Valuation figure and ensure the insurance covers this, and how do we pay for this increased cover going forwards?

This is up for discussion and agreement at the AGM on Thursday 9th November 2023, at the Clubhouse, at 7:30pm. Matters to be agreed, by discussion and vote, will include:

- Do we accept and raise the Clubhouse insurance value to the £600k total figure (incl VAT and all fees, etc) defined by the Full Rebuild Valuation exercise?
- If we do, do we absorb the resultant uplift in insurance premiums in the general accounts - or do we seek other methods of providing the necessary money?
- Do we consider increasing the membership subscription levels to cover the difference, partially or totally? This could be via
    - an uplift of c£25pa per individual member, with proportional uplifts for family, veteran, student, group, etc, categories, or maybe
    - increasing the bar costs to bring in more income, or maybe
    - making cuts in other services, such as the weekly Clubhouse clean.
- If we do not accept the Full Rebuild Value as it stands, then what do we reduce it to, and how do we create a justification for it?

The Committee recognises the need for the Membership to be in agreement on this matter, which is why the decisions have been deferred to the AGM.