
INSIDE THE CHUBB MARKET

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VALUE YOUR ASSETS, ADEQUATELY

What is the similarity between the Indonesian sand ban, the Beijing Olympic Games and the upcoming integrated resorts in Singapore?

All of the above are contributing to the rising cost of construction in Singapore. Just look at the numbers.

The 4th Quarter 2006 construction cost data from the Building and Construction Authority indicated an increase of 4% to 7% for office buildings and shopping centres, and a 15% to 48% rise for above average and luxury condominiums, from a year earlier. And that was before the sand ban!

Since the sand ban, prices of concrete, sand and granite have risen by about 300%, adding some 7% to 10% in construction costs according to industry estimates.

The construction boom and mega-projects in many parts of the world, including China (and it's not just the Olympic Games infrastructure), the Middle East and also in Singapore, has also resulted in a tight labour market, contributing to the increase in construction costs.

What does this mean for building owners and those responsible for maintaining adequate insurance for their assets?

For one, the property sum insured based on reconstruction cost values from as recently as a year ago may be significantly inadequate. In the event of a loss, aside from the possibility of having less than 100% of the loss paid due to averaging, a management corporation council or persons handling insurance valuations may face claims that they have failed in their duty to maintain adequate insurance for the property.

As building construction costs are expected to rise further over the coming years, it is important to ensure that replacement values are adequate and annually reviewed by a qualified professional.



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