

Options for settlement

The principle of indemnity requires the insurer to put the policyholder back in the same financial position that they enjoyed immediately prior to the loss.

This can be achieved in a number of ways:

- Cash (pay the value of the damage, usually on receipt of the contractor's invoice or quotation)
- Repair (arrange for repairs to be carried out – e.g. by an approved contractor)
- Reinstatement

Cash Payment

Paying cash directly to the customer gives them the option on how to control any required repairs and how quickly they might wish to get the work arranged but may need the approval of the lender if the property is mortgaged.

Repair

Many customers may prefer the option of the insurers appointing their own preferred contractors. This can often take away the stress and worry of arranging builders and trying to ensure that they turn up on time, do a good job and that they are being charged a fair price.

Reinstatement

Reinstatement is a more onerous form of indemnity (for the insurer), who takes possession and assumes full responsibility for the repair, irrespective of cost, even if the sum insured is exceeded. For this reason, insurers rarely elect to exercise their option to reinstate.