

Property: One of Your Most Important Assets to Protect

February 21st, 2020

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Insurance | Risk Management | Consulting

Agenda

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- I. Introductions
- II. Importance of Property Valuations
 - A. What are Property Valuations
 - B. The Purpose of Property Valuations
 - C. What factors determine the “Worth” or value?
- III. Not all Valuations are Equal
 - A. Types of Valuations
 - B. Special Considerations
 - C. Who is Best to Prepare the Valuations?
- IV. Insurance Issues & Valuation Options
- V. Property Valuations Within a Holistic Risk Management Program
- VI. Claims Examples
- VII. Q&A

What Are Property Valuations?

- Property “Appraisal”; Property “Assessment”
- A process to determine the worth of an asset; an “ongoing” process
- The asset may be:
 - REAL PROPERTY - land and anything on it
 - BUSINESS PERSONAL PROPERTY - anything not affixed to real property
 - INTELLECTUAL – even “artificial” but full of “good will”

The Purpose of Property Valuations

- To identify the asset with respect to location; construction, occupancy, protection systems and other features
- To provide an inventory of buildings, structures and other property
- To calculate a current “value”
- To evaluate insurer underwriting capacity
- To ensure adequacy of risk transfer (i.e. insurance) program in place
- To secure the most cost effective insurance program
- A fundamental component to an overall Risk Assessment/Management Plan

What is the Worth?

- The value or worth of is determined by several factors which include:
- Economic: market conditions of supply and demand; key market trends
- Geographic location
- “C.O.P.E” (CONSTRUCTION, OCCUPANCY, PROTECTION & EXTERNAL EXPOSURE):
- Escalation Allowance: a contingency accounting for inflation

Different Types of Property Valuations

- Replacement Cost: “New for Old”
- Actual Cash Value: Account for depreciation
- Functional Replacement Value: Rebuild for the function or use
- Heritage Value: Same for Old
- Demolition Value: Cost to tear down and remove debris

Special Property Valuation Considerations

- By Laws:
 - Partial Loss
 - Same Site Rebuilding restrictions
 - New Zoning requirements
- Debris/Demolition Costs
- Foundations: Included or Excluded?
- Heritage Buildings: Are replacement parts readily available?
- Equipment Breakdown: HVAC systems; Auxiliary Heating such as Geothermal, Solar
- Other Special Property Considerations such as Artificial Turf; LEED Construction;

Who is best to prepare Property Valuations?

It's a matter of OWNERSHIPand COST!

The Insurer:

- Based on own property guidelines;
- May not be as comprehensive;
- May not provide you with complete Valuation Report but just the actual figure;
- May not provide “special” valuation (for heritage buildings; treatment plants or ice arenas)
- Owned by the Insurer
- May require more than one insurer to conduct
- In conjunction with Loss Hazard Survey
- Typically no cost to the you, their client

Who is best to prepare Property Valuations?

The Third Party Appraiser

- Typically use Canada Cost Guides as well as own data from client database
- Depending on expertise may be limited to the type of valuation and therefore may need more than one to conduct “special” valuations, i.e. heritage buildings, treatment plants
- May have arrangements to update figures every few years for a flat fee
- You own the valuation report
- You pay for the valuation report
- Some insurers may not accept third party valuations

Best Option: Use an Insurance Broker to assist you with this!

Insurance Issues

- **Blanket Property Limit:** A total blanket limit once all property is added up
- **Aggregate / Limit of Loss:** The maximum an insurer will pay for loss; may apply to all property or a specific facility with high concentration of values
- **Co- Insurance Clause:** Insuring to a minimum value (80 or 90%) otherwise a penalty applies for the amount (%) underinsured.
- **Stated Amount Clause:** Or sometimes referred to as “agreed value”; needs to be supported by current review and valuations and a signed Statement of Values otherwise co-insurance will apply
- **Margin Clause:** Limits the amount you will receive for a loss if the property subject to a blanket limit is damaged or destroyed. The amount is determined by taking the insured value of a specific location and applying a % or “margin” (can range from 110% to 125% typically).
- **Special Floaters:** Fine arts; museum artifacts; chains of office or other valuable metals
- **Buildings under Renovation/Construction:** Insure for “complete value”

Property Valuations & Holistic Risk Management

Property valuations require not just the “basics” but COPE details, building age, updates and upgrades. Providing these in combination are the two biggest factors in developing a good valuation. The more details the better when securing the most cost-efficient insurance:

- Location Address
- Square footage (area) including # of stories
- Full dimensions
- Construction (in as much detail as possible).
- This should include construction % as F/R, roof construction, % non F/R etc.
- Occupancy. The more specific the better
- Protection. Not only % of sprinklered vs. or without sprinklers but type also

Property Valuations & Holistic Risk Management

Detailed valuations will include:

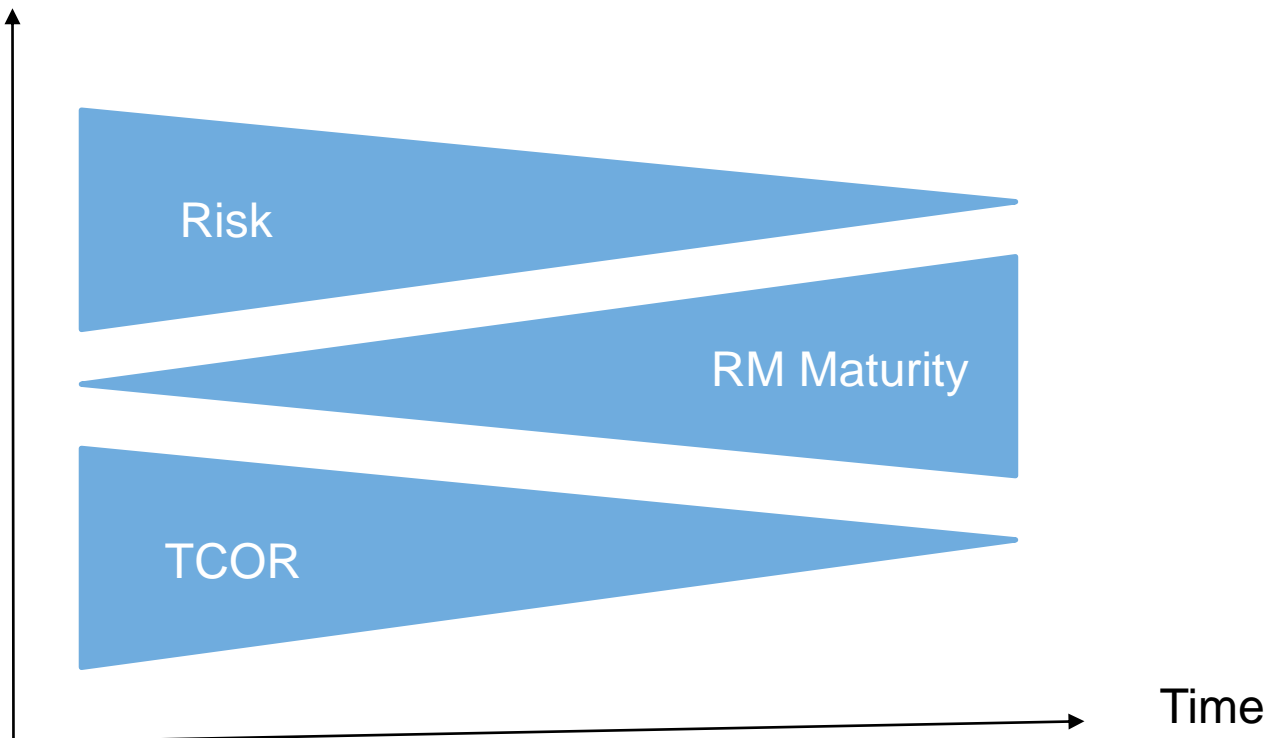
- Type of heating and A/C (e.g. rooftop, boiler, individual heating cooling units etc.)
- # of Elevators
- Wall covering % (i.e. drywall, metal cladding, etc.)
- Floor covering % (i.e. tile, wood, laminate, etc.)
- Ceiling covering % (i.e. drywall, painted, etc.)
- Historic or unique features.

Property Valuations & Holistic Risk Management

Insurance is not Risk Management!

Property Valuations is not Insurance!!

Knowledge



Claims Examples

- Are there any “horror” stories?

Questions & Answers

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