

## YOUR BUILDING INSIGHT™ VALUATION

### PROPERTY INSURANCE

#### Commercial Express® Total Component Methodology

#### How do we compute the Insurable Replacement Cost of your chapter facility?

In order to estimate the insurable replacement cost of your chapter facility, we use the comprehensive Total Component Methodology calculations available through the Commercial Express® Building Insight™ Valuation Service provided by CoreLogic®. Commercial Express® is the most comprehensive automated commercial valuation system in the industry. This value is unrelated to cash or market value. It is the estimated cost to replace the entire building with equal quality and utility. Data used to calculate the value is updated on a quarterly basis, and regional and local adjustment factors are computed for variations in the market information. Labor rates and material costs are based on the zip or postal code for your chapter facility. Commercial Express® also accounts for the climatic seismic zone and high wind zone requirements of the building.

#### Costs included in the estimate model:

- |                            |                                       |
|----------------------------|---------------------------------------|
| 1) Normal site preparation | 5) Sales tax                          |
| 2) Labor                   | 6) Architectural and engineering fees |
| 3) Material                | 7) Contractors' overhead and profit   |
| 4) Normal utility hook up  | 8) Builders' risk insurance           |

#### Items not included in the estimate model:

- |                            |                                  |
|----------------------------|----------------------------------|
| 1) Acquisition loan costs  | 5) Demolition and debris removal |
| 2) Impact fees             | 6) Legal fees                    |
| 3) Real estate Commissions | 7) Landscaping                   |
| 4) Property Taxes          | 8) Parking Lots                  |



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### Building Codes and Costs

Building Codes refers to laws or ordinances that are in effect that regulate zoning, land use, or the construction, renovation, or repair of a building. The operation of these laws frequently creates added losses and costs such as:

- 1) The value of the undamaged portion of the building that must be demolished,
- 2) The cost to demolish the damaged building and clear the site, and
- 3) The increased costs of replacement or repairs to a building that are required to comply with current building codes.

Building Code Compliance Costs are a major cost factor in fraternity chapter facility insurance claims and often increase replacement costs by 25% - 35% or more.

The older your chapter facility the greater the likelihood that you will incur significant added costs for Building Code Compliance if the property is damaged. Some of the areas where the most significant costs are incurred include:

- Sprinkler systems and new water lines
- Fire alarm systems and monitoring,
- Asbestos and lead paint abatement
- Heating ventilation and air conditioning systems
- Electrical systems including conduit and GFIC outlets
- ADA compliance including ramps & elevators
- Increased taxes, overhead and profit costs.

Most building valuations do not include these cost items, but because they are significant and coverage for them is provided by your policy, they are included in the Commercial Express® Building Insight™ estimate of your chapter facility.

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### Broad Coverage = Full Claims Recovery

While the Commercial Express® Building Insight™ valuation service provided by CoreLogic® is only an estimate, it is accepted by your Lloyd’s Underwriters as a reasonable basis for premium and foundation for full claims recovery. In return for your insuring at the Building Insight™ indicated value your Underwriters have agreed to eliminate the co-insurance, contribution, and/or other penalty clauses commonly found in insurance policies that can prevent a full claim recovery. Your Underwriters have also agreed to eliminate the usual individual limits of coverage for Buildings, Contents, Rental Income, and Extra Expense and provide you with broad Blanket Limits of Protection.

The **Blanket Limit Coverage** structure affords you with the broadest possible insurance protection. It protects you against the increased costs due to a catastrophic event that affects the available supply and cost of construction materials or labor. It transfers the risk of loss to the Underwriters and assures that subject to the policy terms and conditions, even if your final loss or claim exceeds the values upon which your premium has been based, your Underwriters will pay the full amount of your claim up to the Blanket Limit of Coverage provided.

Insured Values on the Date of Loss		Actual Claim Payment	
Building	\$ 606,000	Building	\$ 1,112,388
Building Codes	\$ Included	Building Codes	\$ 557,388
Contents	\$ 40,000	Contents	\$ 76,519
Rental Income	\$ 36,000	Rental Income	\$ 29,114
Extra Expense	\$ 25,000	Extra Expense	\$ 124,661
<b>Total Insured Values:</b>	<b>\$ 707,000</b>	<b>Total Claim Paid:</b>	<b>\$ 1,900,000</b>

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### Alternative Sources of Building Valuations

While your Underwriters accept the Commercial Express® Building Insight™ valuation estimates without question as a reliable and reasonable basis for premium and claims payment, they will consider other information sources. If you disagree with your valuation estimate and wish to engage at your own cost the services of an accredited and qualified real estate appraiser, licensed general contractor, or professional cost estimator to provide a similarly detailed calculation of the Insurable Replacement Cost including Building Codes for your chapter facility, Underwriters are willing to consider such reports.