

UNDERSTANDING PROPERTY INSURANCE TERMS AND ESTABLISHING YOUR PROPERTY INSURANCE VALUES

PROPERTY INSURANCE

Fraternity & Sorority Risk Management and Insurance Program Important Property Insurance Terms

This brochure was developed to address the questions most commonly asked by Fraternities and Sororities, their officers, house corporations, chapters, and volunteers about establishing their property insurance values.

1. **BUILDINGS:** Structures owned by the Fraternity or Sorority or its house corporations including completed alterations and repairs or additions to the structure and additions under construction. **Buildings do not include land, water, foundations or supports below the surface of the lowest floor/basement, outdoor trees, shrubs, plants, or lawns.**
2. **BUILDING CODES / LAW OR ORDINANCE:** A Building Code, Law or Ordinance, in effect at the time of loss or damage, that regulates the zoning, land use, or construction of a building, which affects the reconstruction, repair, or replacement of a damaged building. **Usually these laws or ordinances operate to impose added costs for upgrading various areas to current required standards** (i.e., electrical wiring, plumbing, heating, fire alarms or sprinkler systems, emergency lighting, or other life safety codes).
3. **CONTENTS OR PERSONAL PROPERTY:** All contents or personal property owned by the Fraternity or Sorority, its house corporations, or chapters. Any property of others at your premises (except members and tenants property). If you are a tenant, your interest in any tenant's improvements and betterments are included. **This does not include the personal property of the undergraduate chapter members or any other tenants, or a building, land, or water.**
4. **FINE ARTS:** Personal property owned by the Fraternity or Sorority, its house corporations, or chapters. Fine arts items may include: Paintings, rare books, manuscripts, pictures, etchings, drawings, bronzes, statuary, porcelains, and other **bona fide works of art, or other unique items of rarity or historical value such as fraternity or sorority memorabilia.**
5. **REPLACEMENT COST:** The cost to repair, replace, or restore the damaged property with materials of comparable kind and quality to the condition which existed prior to the damage. **Claim payments are made without any deduction for depreciation if the damaged property is repaired or replaced.**
6. **MARKET VALUE:** The price for which Fine Arts property would sell if sold on the date it is lost, damaged, or destroyed.
7. **BUSINESS INCOME:** The business's net income including rental income, before the physical loss or damage, the continuing expenses after the loss or damage, and the business's likely net income if no loss or damage had occurred.

****DISCLAIMER NOTICE****

This basic information has been prepared as information only. The actual insurance policies are subject to definitions, exclusions, limitations, and various other terms and conditions. This information does not amend, extend, or alter the coverage afforded by the actual policies.

8. **EXTRA EXPENSE:** All expenses paid to reduce a business income loss. **Any reasonable additional expenses necessary to continue as nearly as practical your normal operations**, which exceed the normal expenses that would have been incurred during the period of restoration if no physical loss or damage had occurred.
9. **ACTUAL LOSS SUSTAINED:** The total amount of business income lost, including the necessary continuing expenses, and any reasonable extra expenses incurred to continue, as nearly as practical, your normal operations during the period of restoration.
10. **PERIOD OF RESTORATION:** The period of time that begins with the date the property is physically damaged or destroyed and ends when damages are repaired and operations are restored to the condition that would have existed if no physical loss or damage had occurred.

Establishing Your Facility's Property Values

BUILDINGS

Building Values will be prepared or updated by our office. **They will be based on 100% of the current estimated "Replacement Cost"**. These are prepared using a comprehensive Total Component Methodology calculation available through the Commercial Express® Building Insight™ Valuation Service provided by CoreLogic® and the detailed information obtained from our Risk Management Survey & Inspection Report.

These estimated values should be reviewed and adjusted to reflect any recently completed remodeling, improvements, or renovations about which we may be unaware. Be sure to include any recent building additions, or Life Safety and Loss Control improvements such as fire doors, improved fire alarms or sprinkler systems, emergency lighting, or other life safety codes.

BUILDING CODES / LAW OR ORDINANCE

The estimated building values prepared by our office will include estimated building code / law or ordinance costs. They will be based on 100% of the potential building codes / law or ordinance upgrade costs. The older the building, the greater the potential for significantly added costs. Recent building codes / law or ordinance claims have ranged between 20% and 35% of the current insured building value often exceeding \$250,000.

FINE ARTS

Fine Arts Values should be based on 100% of the current estimated "Market Value". As market values can fluctuate rapidly and widely, this type of property should be appraised regularly. These values should be reviewed at least annually, and the updated information provided to our office.

CONTENTS

Contents / Personal Property Values should be based on 100% of the current estimated "Replacement Cost". A current video tape record, combined with a detailed contents / personal property inventory including current replacement cost estimates, provides the most accurate information and the best resource for claims handling when a loss occurs. **Members / Tenants property should not be included.** These values should be reviewed at least annually, and the updated information provided to our office.

Your input is very important! Fraternity and Sorority losses show that contents / personal property claim costs vary widely. Recent claims for contents / personal property have ranged between \$1,500 and \$3,000 per chapter facility resident. Items which are often overlooked when estimating your contents / personal property values include: Ritual equipment, composites, smaller purchases, or donated property. Update your contents / personal property values to 100% of current estimated "Replacement Cost".

BUSINESS INCOME

Business Income Values should be based on 100% of the current estimated annual business income. These estimates should reflect the most current circumstances and projections. Be sure to include all sources of income. The most common sources of income include:

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|---------------------------|----------------------------|
| 1) Rental income | 4) Summer income |
| 2) House Corporation fees | 5) Income from fund drives |
| 3) Maintenance fees | 6) Interest income |

These values should be reviewed at least annually, and the updated information provided to our office.

LEASES / HOUSING AGREEMENTS

Written Lease Agreements should always exist between the house corporation (landlord) and the chapter, its members, or others (tenants). They should hold the house corporation (landlord) harmless against any liability for any actions of the chapter, its members, or others (tenants), or for any loss or damage to their personal property. If available, always use the lease or housing agreements approved by your Inter/National Fraternity or Sorority. We will be pleased to work with your legal counsel in developing or updating your lease or housing agreement.

EXTRA EXPENSE

Extra Expense Values should be based on 100% of the current estimated annual costs for extra expenses. Estimates should reflect the house corporation / chapter's most current circumstances and projections. Extra expense costs will likely arise from: Temporary living expenses, chapter facility resident relocation costs, alternate housing and meal services, property storage costs, or rental of alternate meeting facilities. These values should be reviewed at least annually, and the updated information provided to our office.

Your input is very important! Fraternity and Sorority losses show that extra expense claim costs vary widely. The longer the period of restoration the greater extra expense costs. Several claims have exceeded \$125,000. Recent claims for extra expenses have ranged between \$1,500 and \$3,500 per chapter house resident. Total extra expense claims were between \$35,000 and \$70,000.

MEMBERS / TENANTS PROPERTY

Members and/or Tenants Property is not covered by the Fraternity or Sorority's insurance program. Your lease / housing agreement should clearly make members and tenants responsible for insuring themselves against loss or damage to their own property or for any legal liabilities which may be imposed on them. The most common sources of protection for members and tenants are the individual's parent's homeowners' policies or renters' policies.