October 22-25, 2026 I Sheraton Boston Hotel

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Conference & Trade Show

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10/23/2026
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Is Insuring the Building to Replacement Cost Enough? (Personal & Commercial)

Safety Insurance

DO YOU KNOW … WHETHER INSURING THE BUILDING TO REPLACEMENT COST IS ENOUGH?

PERSONAL AND COMMERCIAL

Irene Morrill, CPCU, CIC, ARM, CRM, CRIS, MLIS, LIA, CPIW

This program is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

With special thanks to the Insurance Services Office, Inc. for advance information, continued support, and permission to use their forms and information.

0

Valuation – what do we use

What valuation process do we use?



1

1

Valuation – what do we use

Policies – commercial or personal use the terms

Replacement cost

Replacement cost NEW … cost to replace the entire building of equal quality and utility

Actual cash value

Replacement cost minus depreciation

2

2

Valuation – what do we use

R/C and ACV …

are based on

"as was" ….



ISO does NOT have definitions of terms … though some states might (Maine in New England)

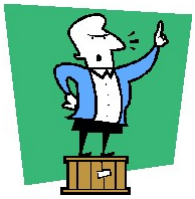
Carriers use software rating programs to determine building values

3

3

Valuation – what do we use

(MSB purchased by core logic..rebranded to Cotality)... no longer advises R/C.. but



supports

"reconstruction costs"

Which makes sense ...because ...

it costs more to rebuild something that is already there ... then to create it new ....

4

4

Valuation – what do we use

According to THEIR article ....

Replacement Cost New is defined as the cost to replace an entire building with one of "equal quality and utility."

Replacement costs, often calculated using outdated square- foot or unit-count methods, are based on prices for labor, materials, overhead, profit and fees that are in effect prior to the loss.

Replacement costs assume that modern materials and current methods, designs and layouts will be used to replace the building.

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5

Valuation – what do we use

The article then said this regarding reconstruction costs ....

In contrast,

<u>Reconstruction Cost</u>
provides the cost to construct, at current prices,
an exact duplicate or replica of the building,

using like kind and quality materials, construction standards, design, layout and quality of workmanship.

6

6

Valuation – what do we use

The article then said this regarding reconstruction costs ....

Because it might be impossible,

impractical or unacceptable to use the materials or methods used in the original construction,

"equal quality and utility" may be substituted where necessary for "like kind and quality."

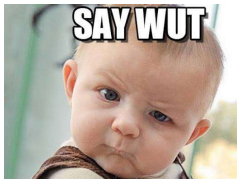
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Valuation – what do we use

Reconstruction Cost also includes site-specific and process-related costs and fees not included in Replacement Cost New valuations, such as:

current building codes



8

8

Valuation – what do we use

Reconstruction Cost also includes site-specific and process-related costs and fees not included in Replacement Cost New valuations, such as:

reuse of building components or mechanical systems below grade level

loss of economies of scale associated with new construction

9

9

Valuation – what do we use

Reconstruction Cost also includes site-specific and process-related costs and fees not included in Replacement Cost New valuations, such as:

extra costs due to site accessibility

costs of demolition or debris removal

higher labor costs and premium prices for materials



extraordinary fees and other contingencies

10

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Valuation – what do we use

Because Reconstruction Cost is more comprehensive than Replacement Cost New,

it is *a better representation of what a carrier may expect to pay following a loss,*

***and thus the most reliable valuation* method for determining Insurance to Value at policy inception or renewal.**

11

11

Valuation – what do we use

Theories are always….interesting

But problematic when NOT backed up by policy language!!!



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Valuation – what do we use

Many agents feel that the values of buildings have become "whacked" –

Which probably shows that the SWITCH to Reconstruction from replacement value …valuation



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Valuation – what do we use

Reconstruction costs could certainly make the insured "more accurately valued"





And provides the premium necessary for companies to have the dollars to pay claims.

Remember …most losses are PARTIAL … and we need a certain amount of premium to pay them …

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14

Valuation – what do we use

Interesting though …
How does Reconstruction cost deal with CURRENT building code issues …
hmmmmmmmm

Residential
MS/B's Residential Component Technology™ (RCT) home valuation application is a total component application. Based on the age of a home, RCT for mainstreet homes RCT's knowledge tables select building costs associated with materials and construction methods used when the home was built. (See "Vintage Differences.")

15

15

Valuation – what do we use

Does the software REALLY keep track of ALL building code changes …..

and …what does POLICY say about coverage?

Residential

Because the home must be built to today's codes,

other knowledge tables factor in costs associated with current building codes for glazing, electrical, plumbing, etc., all localized to the U.S. ZIP Code and the Canadian Postal Code.

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Valuation – what do we use

And …in another statement….and article

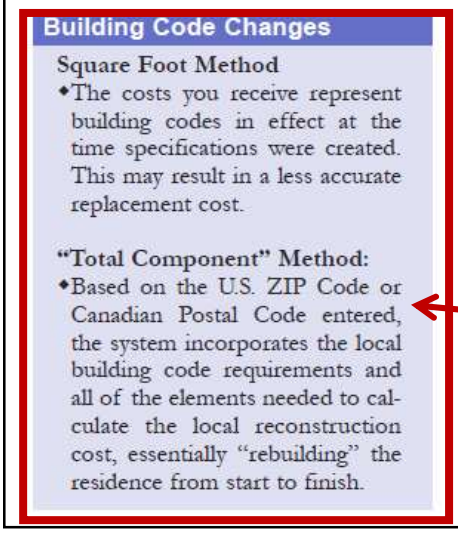
Today,
"total component" technology uses formulas and databases to analyze and select detailed component parts of buildings to assemble estimates in a risk-specific manner,
using localized building codes,
structural considerations and local labor and material costs.

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17

Valuation – what do we use

This article shows a comparison of RCT v. the antiquated R/V square foot method



Building Code Changes

Square Foot Method

- The costs you receive represent building codes in effect at the time specifications were created. This may result in a less accurate replacement cost.

"Total Component" Method:

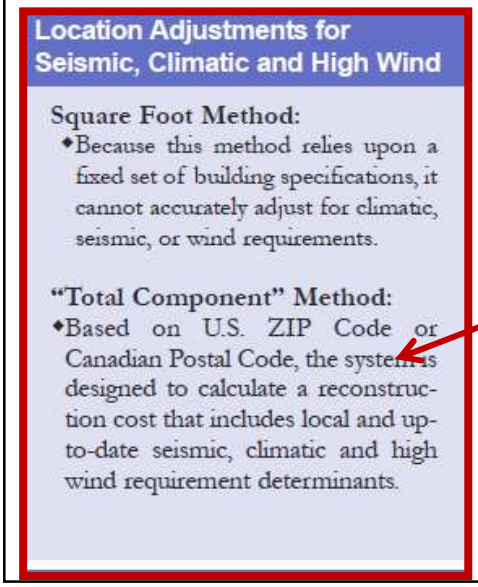
- Based on the U.S. ZIP Code or Canadian Postal Code entered, the system incorporates the local building code requirements and all of the elements needed to calculate the local reconstruction cost, essentially "rebuilding" the residence from start to finish.

If the valuation method assumes local building code requirements … perhaps the exclusion should be removed from the policy now that we value differently???

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Valuation – what do we use



Location Adjustments for Seismic, Climatic and High Wind

Square Foot Method:

- Because this method relies upon a fixed set of building specifications, it cannot accurately adjust for climatic, seismic, or wind requirements.

"Total Component" Method:

- Based on U.S. ZIP Code or Canadian Postal Code, the system is designed to calculate a reconstruction cost that includes local and up-to-date seismic, climatic and high wind requirement determinants.

If the valuation method assumes local building code requirements regarding earthquake and wind requirements …

should the ordinance or law exclusion apply to GENERIC ordinances???

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Valuation – what do we use

Various Age Groups

Square Foot Method:

- The nation's property stock is divided into three age groups: Post 1980, Pre-1980, and Pre-1940. These classifications are too broad to use for accurate valuations and do not adequately account for changes in building methods or practices used in each era.

"Total Component" Method:

- Instead of using age groups, the "total component" method utilizes the exact Year Built. The system needs to know when the structure was built before it can select the proper components.

If this process knows the exact year of building and therefore the construction methods of the time …

And then converts to current rebuilding codes "knowing" that the building inspectors will require …

should ordinance or law language change?

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20

Valuation – what do we use

Various Age Groups

Square Foot Method:

- The nation's property stock is divided into three age groups: Post 1980, Pre-1980, and Pre-1940. These classifications are too broad to use for accurate valuations and do not adequately account for changes in building methods or practices used in each era.

"Total Component" Method:

- Instead of using age groups, the "total component" method utilizes the exact Year Built. The system needs to know when the structure was built before it can select the proper components.

And …should building values be determined EVERY year to keep up with current construction costs, Methods And Building codes?????

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Valuation – what do we use

Let's look at the policy …and see

If we have a PROBLEM

Between

VALUATION …..



Policy limit….

And policy language

22

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Is replacement cost enough?

First … 

let's look at what the policies

- **cover…**
- **don't cover…**
- **could cover…**



and then

We'll look at how we arrive at the building value – and what THAT contemplates covering

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Is replacement cost enough?

When there is a building loss to a 1-4 family home what does the ISO HO and DP policy pay?

ISO HO-2000/2011/2022 and DP-2002/2014 (similar language earlier HO and DP forms) states if carry 80% R/C value at time of loss …we'll pay the least of:

(1) The limit of liability under this policy that applies to the building;

(2) The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or

(3) The necessary amount actually spent to repair or replace the damaged building.

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Is replacement cost enough? Personal Lines

The insurance "motto" is …if it ain't broke we don't fix it ….



And ….

Replacement cost …though not defined …is considered to be ….

what you had is what you get but "new"



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25

Is replacement cost enough? Personal Lines

We ONLY respond to

That part of the building ….DAMAGED

for LKQ ….



like kind and quality and use

But …in case you DON'T understand this …we also state….

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Is replacement cost enough? Personal Lines

HO-2000/2011/2022 and DP 2002/2014 forms start the loss settlement provision with a "reminder" that ordinance or law is excluded

C. Loss Settlement

In this Condition **C.**, the terms "cost to repair or replace" and "replacement cost" do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in **E.11.** Ordinance Or Law under Section I – Property Coverages. Covered property losses are settled as follows:

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Is replacement cost enough? Personal Lines

And …the HO and DP Forms have Section I or General Exclusion for ordinance or law

To the extent the Additional Or Other Coverage section does NOT apply

1. Ordinance Or Law

Ordinance Or Law means any ordinance or law:

a. Requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including removal of any resulting debris. This Exclusion **A.1.a.** does not apply to the amount of coverage that may be provided for in **E.11.** Ordinance Or Law under Section I – Property Coverages;

b. The requirements of which result in a loss in value to property; or

c. Requiring any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This Exclusion **A.1.** applies whether or not the property has been physically damaged.

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28

Is replacement cost enough? Personal Lines

ISO HO and DP forms provide 10% ADDITIONAL value in certain ordinance or law values (HO-91 adds to state amendatory endorsement

11. Ordinance Or Law

a. You may use up to 10% of the limit of liability that applies to Coverage **A** for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:

(1) The construction, demolition, remodeling, renovation or repair of that part of a covered building or other structure damaged by a Peril Insured Against;

(2) The demolition and reconstruction of the undamaged part of a covered building or other structure, when that building or other structure must be totally demolished because of damage by a Peril Insured Against to another part of that covered building or other structure; or

(3) The remodeling, removal or replacement of the portion of the undamaged part of a covered building or other structure necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril Insured Against.

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Is replacement cost enough? Personal Lines

It can be used to remove debris when you need to

1) upgrade/remodel and repair damaged portions

2) upgrade non-damaged portions

11. Ordinance Or Law

a. You may use up to 10% of the limit of liability that applies to Coverage **A** for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:

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(2) The demolition and reconstruction of the undamaged part of a covered building or other structure, when that building or other structure must be totally demolished because of damage by a Peril Insured Against to another part of that covered building or other structure; or

(3) The remodeling, removal or replacement of the portion of the undamaged part of a covered building or other structure necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril Insured Against.

30

30

Is replacement cost enough? Personal Lines

It can be used to remove debris when you need to

3) remove and pay for undamaged portions that had to be demolished

11. Ordinance Or Law

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(2) The demolition and reconstruction of the undamaged part of a covered building or other structure, when that building or other structure must be totally demolished because of damage by a Peril Insured Against to another part of that covered building or other structure; or

(3) The remodeling, removal or replacement of the portion of the undamaged part of a covered building or other structure necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril Insured Against.

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Is replacement cost enough? Personal Lines

This 10% can also be used for debris removal of these costs

b. You may use all or part of this ordinance or law coverage to pay for the increased costs you incur to remove debris resulting from the construction, demolition, remodeling, renovation, repair or replacement of property as stated in **a.** above.

c. We do not cover:

(1) The loss in value to any covered building or other structure due to the requirements of any ordinance or law; or

(2) The costs to comply with any ordinance or law which requires any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants in or on any covered building or other structure.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This coverage is additional insurance.

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Is replacement cost enough? Personal Lines

But …just a reminder from the Section I General Exclusions …it can NEVER be used for

1) loss in value

2) costs to comply with clean up of pollutants (when there was no otherwise covered loss)

b. You may use all or part of this ordinance or law coverage to pay for the increased costs you incur to remove debris resulting from the construction, demolition, remodeling, renovation, repair or replacement of property as stated in **a.** above.

c. We do not cover:

(1) The loss in value to any covered building or other structure due to the requirements of any ordinance or law; or

(2) The costs to comply with any ordinance or law which requires any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants in or on any covered building or other structure.

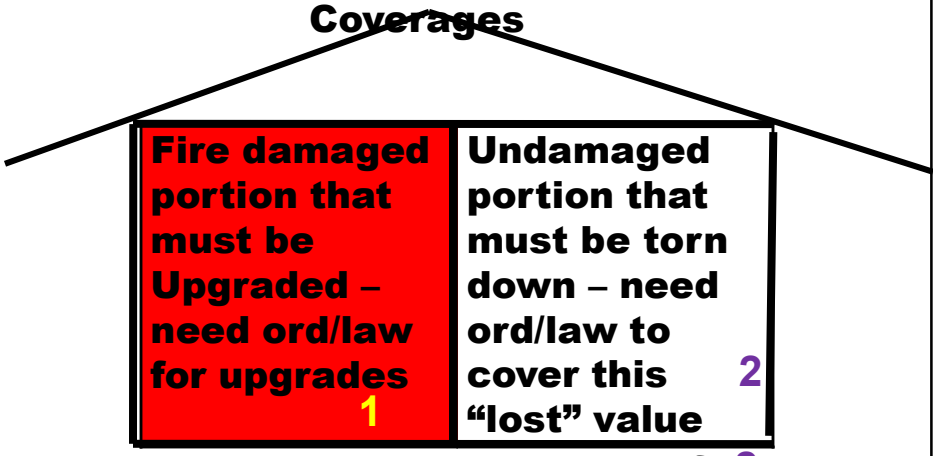
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This coverage is additional insurance.

33

33

SECTION I – Add'l Coverages or DP Other Coverages



2 Demolition of undamaged portion requires ord/law

3 Upgrades in undamaged portion requires ord/law

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Is replacement cost enough? Personal Lines

So … on a large loss … where the "free" 10% of ordinance or law is not sufficient to apply to that portion of the loss that does not fit "neatly" into the



Damaged property

Being repaired by LIKE construction

Having the original limit of insurance on Coverage A at replacement cost is immaterial ….

oh oh ….



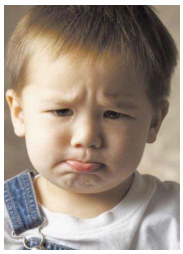
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Is replacement cost enough? Personal Lines

Interesting … "reconstruction costs" supposedly assume current building codes … And you're buying more insurance

That the policy won't let you USE!!!!



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Is replacement cost enough? Personal Lines

You MUST HAVE additional ordinance or law coverage

Which requires an endorsement…
and you have to pick how much "ordinance coverage" % you want …

So …where is YOUR crystal ball????



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Is replacement cost enough? Personal Lines

POLICY NUMBER:

HOMEOWNERS
HO 04 77 10 00

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ORDINANCE OR LAW
INCREASED AMOUNT OF COVERAGE

SCHEDULE*

New Total Percentage Amount:
*Entry may be left blank if shown elsewhere in this policy for this coverage.

SECTION I – PROPERTY COVERAGES
ADDITIONAL COVERAGES
11. Ordinance Or Law

The total limit of liability that applies:

a. To Coverage **A**, or

b. For Form **HO 00 04**, to Building Additions And Alterations;

is increased from 10% to the percentage amount shown in the Schedule above.

This is Additional Coverage **10.** in Form **HO 00 06.**

All other provisions of this policy apply.

DP 04 71 for Dwelling Fire similar

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Is replacement cost enough? Personal Lines

My feeling …if you're going to buy it …

why not 100% of Coverage A …



and more if you are subject to "unusual" and specific ordinances like

- **set back clauses**
- **or**
- **flood zoning ordinances**

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Is replacement cost enough? Personal Lines

Once you buy the HO endorsement the "free" 10% is gone …and gets "sucked into" the new percentage purchased

B. Increased Amount Of Coverage

2. Premium Determination

a. Forms HO 00 02, HO 00 03 And HO 00 05

Percentage Of Coverage A		
Increase In Amount	Total Amount	Factors
15%	25%	1.03
40%	50%	1.07
65%	75%	1.11
90%	100%	1.15
For each add'l 25% increment, add:		.04



At ISO rating …100% ordinance is a 15% base premium charge – less for most companies

40

40

Is replacement cost enough? Personal Lines

Once you buy the DP endorsement the "free" 10% is gone …and gets "sucked into" the new percentage purchased – DP rates higher than HO rates

Then multiply that result by .30.

(2) DP 00 02 Or DP 00 03 – Fire, Broad Or Special Forms

The premium is computed by multiplying the Base Premium by the appropriate factor selected from the following table:

Percentage Of Coverage A		
Increase In Amount	Total Amount	Factors
15%	25%	1.05
40%	50%	1.12
65%	75%	1.20
90%	100%	1.27
For each add'l 25% increment, add:		.08



At ISO rating …100% ordinance is a 27% base premium charge

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Is replacement cost enough? Personal Lines

When discussing ordinance or law … ordinance changes for dwellings include

wind resistive code for windows - depending on where the home is located will depend on the wind resistive requirement

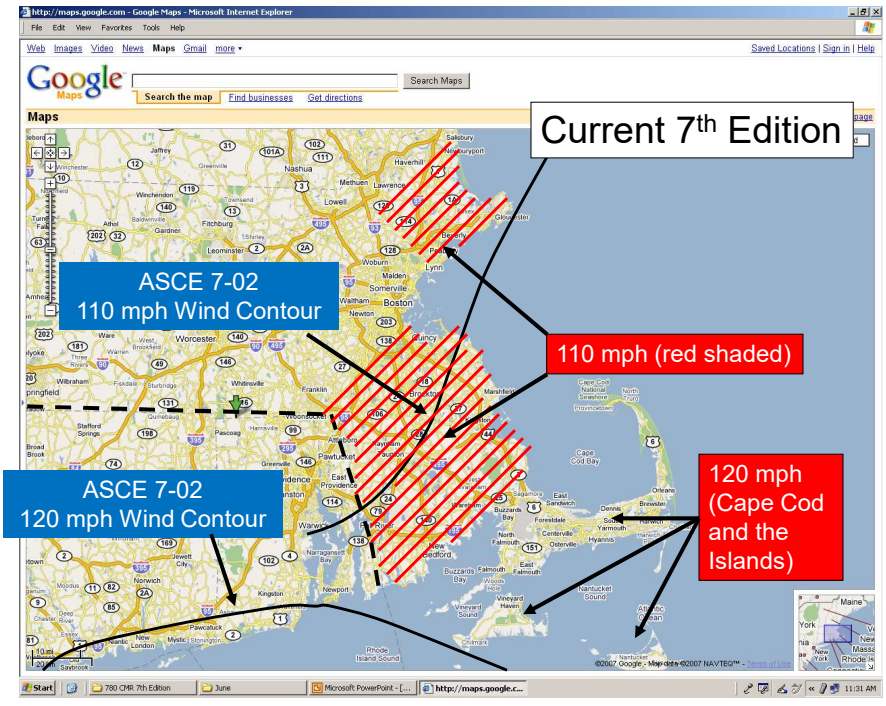


updated "snow load" requirements

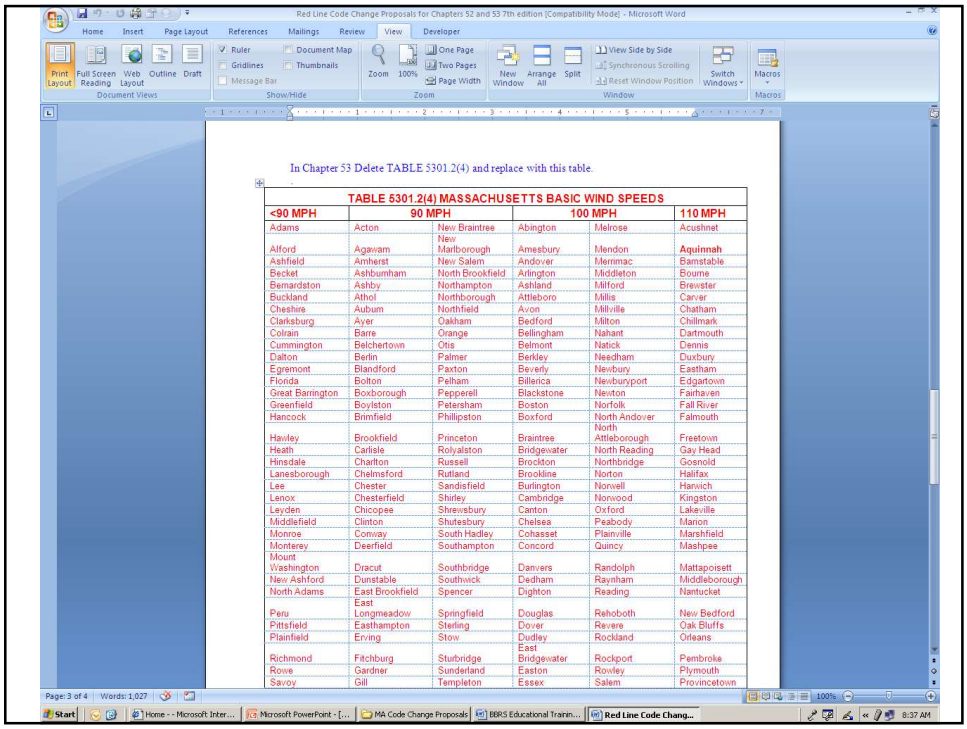


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In Chapter 53 Delete TABLE 5301.2(4) and replace with this table.

TABLE 5301.2(4) MASSACHUSETTS BASIC WIND SPEEDS

<90 MPH	90 MPH		100 MPH		110 MPH
Adams	Acton	New Braintree	Abington	Melrose	Acushnet
Alford	Agawam	New Marlborough	Amesbury	Mendon	**Aquinnah**
Ashfield	Amherst	New Salem	Andover	Merrimac	Barnstable
Becket	Ashburnham	North Brookfield	Arlington	Middleton	Bourne
Bernardston	Ashby	Northampton	Ashland	Milford	Brewster
Buckland	Athol	Northborough	Attleboro	Millis	Carver
Cheshire	Auburn	Northfield	Avon	Millville	Chatham
Clarksburg	Ayer	Oakham	Bedford	Milton	Chilmark
Colrain	Barre	Orange	Bellingham	Nahant	Dartmouth
Cummington	Belchertown	Otis	Belmont	Natick	Dennis
Dalton	Berlin	Palmer	Berkley	Needham	Duxbury
Egremont	Blandford	Paxton	Beverly	Newbury	Eastham
Florida	Bolton	Pelham	Billerica	Newburyport	Edgartown
Great Barrington	Boxborough	Pepperell	Blackstone	Newton	Fairhaven
Greenfield	Boylston	Petersham	Boston	Norfolk	Fall River
Hancock	Brimfield	Phillipston	Boxford	North Andover	Falmouth
Hawley	Brookfield	Princeton	Braintree	North Attleborough	Freetown
Heath	Carlisle	Rolyalston	Bridgewater	North Reading	Gay Head
Hinsdale	Charlton	Russell	Brockton	Northbridge	Gosnold
Lanesborough	Chelmsford	Rutland	Brookline	Norton	Halifax
Lee	Chester	Sandisfield	Burlington	Norwell	Harwich
Lenox	Chesterfield	Shirley	Cambridge	Norwood	Kingston
Leyden	Chicopee	Shrewsbury	Canton	Oxford	Lakeville
Middlefield	Clinton	Shutesbury	Chelsea	Peabody	Marion
Monroe	Conway	South Hadley	Cohasset	Plainville	Marshfield
Monterey	Deerfield	Southampton	Concord	Quincy	Mashpee
Mount Washington	Dracut	Southbridge	Danvers	Randolph	Mattapoisett
New Ashford	Dunstable	Southwick	Dedham	Raynham	Middleborough
North Adams	East Brookfield	Spencer	Dighton	Reading	Nantucket
Peru	East Longmeadow	Springfield	Douglas	Rehoboth	New Bedford
Pittsfield	Easthampton	Sterling	Dover	Revere	Oak Bluffs
Plainfield	Erving	Stow	Dudley	Rockland	Orleans
Richmond	Fitchburg	Sturbridge	East Bridgewater	Rockport	Pembroke
Rowe	Gardner	Sunderland	Easton	Rowley	Plymouth
Savoy	Gill	Templeton	Essex	Salem	Provincetown

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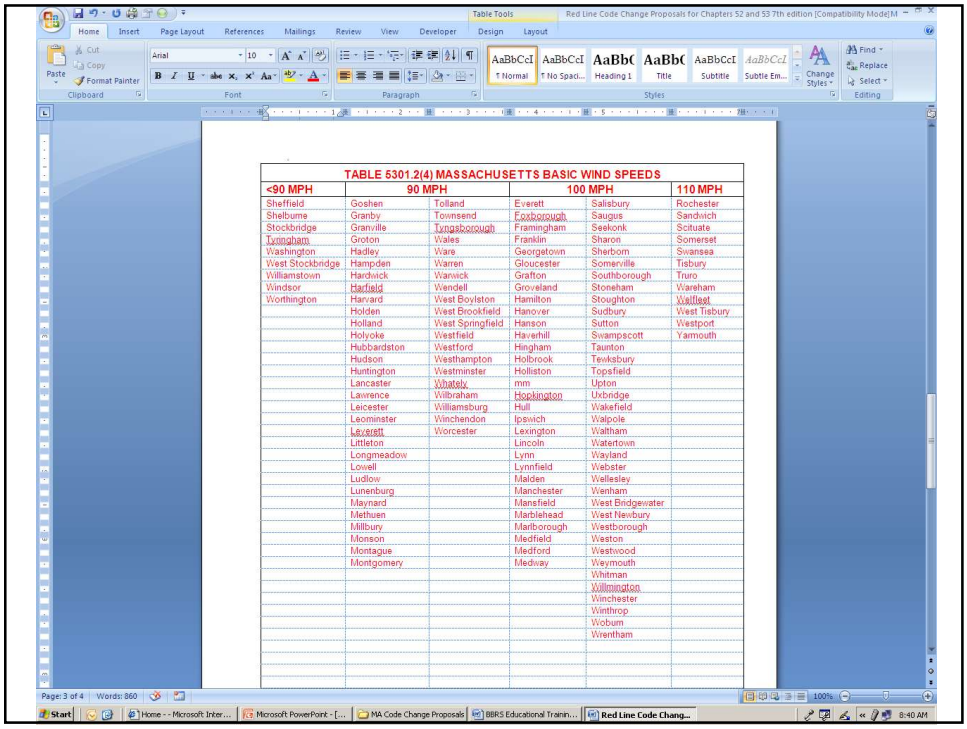


TABLE 5301.2(4) MASSACHUSETTS BASIC WIND SPEEDS

<90 MPH	90 MPH		100 MPH		110 MPH
Sheffield	Goshen	Tolland	Everett	Salisbury	Rochester
Shelburne	Granby	Townsend	Foxborough	Saugus	Sandwich
Stockbridge	Granville	Tyngsborough	Framingham	Seekonk	Scituate
Tyringham	Groton	Wales	Franklin	Sharon	Somerset
Washington	Hadley	Ware	Georgetown	Sherborn	Swansea
West Stockbridge	Hampden	Warren	Gloucester	Somerville	Tisbury
Williamstown	Hardwick	Warwick	Grafton	Southborough	Truro
Windsor	Harfield	Wendell	Groveland	Stoneham	Wareham
Worthington	Harvard	West Boylston	Hamilton	Stoughton	Wellfleet
	Holden	West Brookfield	Hanover	Sudbury	West Tisbury
	Holland	West Springfield	Hanson	Sutton	Westport
	Holyoke	Westfield	Haverhill	Swampscott	Yarmouth
	Hubbardston	Westford	Hingham	Taunton	
	Hudson	Westhampton	Holbrook	Tewksbury	
	Huntington	Westminster	Holliston	Topsfield	
	Lancaster	Whately	mm	Upton	
	Lawrence	Wilbraham	Hopkington	Uxbridge	
	Leicester	Williamsburg	Hull	Wakefield	
	Leominster	Winchendon	Ipswich	Walpole	
	Leverett	Worcester	Lexington	Waltham	
	Littleton		Lincoln	Watertown	
	Longmeadow		Lynn	Wayland	
	Lowell		Lynnfield	Webster	
	Ludlow		Malden	Wellesley	
	Lunenburg		Manchester	Wenham	
	Maynard		Mansfield	West Bridgewater	
	Methuen		Marblehead	West Newbury	
	Millbury		Marlborough	Westborough	
	Monson		Medfield	Weston	
	Montague		Medford	Westwood	
	Montgomery		Medway	Weymouth	
				Whitman	
				Willmington	
				Winchester	
				Winthrop	
				Woburn	
				Wrentham	

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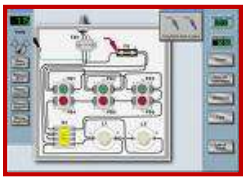
Is replacement cost enough? Personal Lines

And …the older the home …you run into general

framing issues



electrical issues



46

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Is replacement cost enough? Personal Lines

And …the older the home …you run into general

plumbing issues



roofing issues



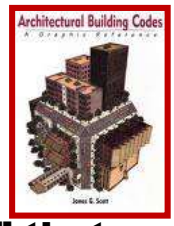
For any loss size loss

47

47

Is replacement cost enough? Personal Lines

Now ..what if it is a BRAND new home ...and a TOTAL loss ...where ordinance or law is NOT an issue....



there are NO code changes

there is no "undamaged value" that must be torn down



Is insuring to replacement cost ... sufficient???

48

48

Is replacement cost enough? Personal Lines

Well ...what about Debris removal ....

How does the loss settlement clause apply?

It only talks about DAMAGED property and repairing DAMAGED property ... not cleaning up to do repairs

a. If, at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, after application of any deductible and without deduction for depreciation, but not more than the least of the following amounts:

(1) The limit of liability under this policy that applies to the building;

(2) The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or

Watch out ... the limit of insurance on policy is MOST will pay (in the beginning of the coverage statement)

49

49

Is replacement cost enough? Personal Lines

What about the definition of building ....

SECTION I – PROPERTY COVERAGES

A. Coverage A – Dwelling

1. We cover:
   - a. The dwelling on the "residence premises" shown in the Declarations, including structures attached to the dwelling; and
   - b. Materials and supplies located on or next to the "residence premises" used to construct, alter or repair the dwelling or other structures on the "residence premises".
2. We do not cover land, including land on which the dwelling is located.

Well ...not really specify about "debris" ... and that is NEVER good when ambiguity exists ...

50

50

Is replacement cost enough? Personal Lines

Can a total loss ...still leave a "lot"...left debris removal issues







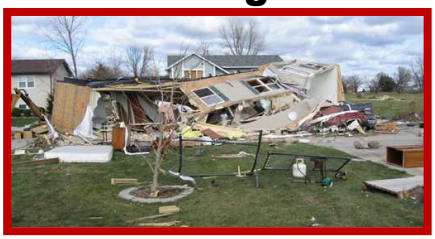
51

51

Is replacement cost enough? Personal Lines

Debris removal is discussed in the additional or other coverages section –

often this is done to LIMIT coverage …



and "clarify" what we want to do without lawyers involved.

This is where the DP and the HO are VASTLY different!!!

52

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Is replacement cost enough? Personal Lines

If you need the limit of insurance to rebuild … what about the costs to clean up …before rebuilding …

which can depend upon



1) **how much left**

2) **landfill/dump costs**

3) **proximity of other structures for ease of clean up**

4) **Materials … requiring pecialized removal and disposal**

53

53

Is replacement cost enough? Personal Lines

Sometimes issues are discussed in the additional coverages section – often this is done to LIMIT coverage … and "clarify" what we want to do without lawyers involved.

The ISO HO policy ONLY provides 5% -

Wow …consider older home with asbestos ….

E. Additional Coverages

1. Debris Removal

a. We will pay your reasonable expense for the removal of:

(1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or

(2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit is available for such expense.

54

Is replacement cost enough? Personal Lines

We want the HO building limit to pay for BOTH 1) damage to covered property and 2) debris removal of covered property

Coverage A	$200,000
If $10,000 fire loss	-10,000
Leaves	$190,000
Of limit For debris removal	

Coverage A	$200,000
If total fire loss	-200,000
Leaves	0
No limit left For debris Removal	

Then the 5% of building limit comes into play …or a possible $10,000 in this case

55

55

Is replacement cost enough? Personal Lines

And …if you have the DP policy …you are REALLY up the creek….

There IS no additional coverage … if the limit is not enough to remove debris and pay loss … too bad!

2. Debris Removal

We will pay your reasonable expense for the removal of:

a. Debris of covered property if a Peril Insured Against causes the loss; or

b. Ash, dust or [illegible] from a volcanic eruption that has [illegible] loss to a building or property [illegible] building.

This expense [illegible] limit of liability that applies to [illegible] property.



56

56

Is replacement cost enough? Personal Lines

Under the DP we want the building limit to pay for BOTH

1) damage to covered property
and
2) debris removal of covered property

Coverage A	$200,000
If $10,000	
fire loss	-10,000
Leaves	$190,000
Of limit	
For debris	
removal	

Coverage A	$200,000
If total	
fire loss	-200,000
Leaves	0
No limit left	
For debris	
Removal	

Unlike the HO policy there is NO additional amount for debris removal

57

57

Is replacement cost enough? Personal Lines

Whether the HO or the DP …

but CERTAINLY the DP … since there is NO additional limit …..



There is NO HO or DP endorsement to buy more debris removal …
you can only buy more …buy buy[illegible]E building limit!!!



58

58

Is replacement cost enough? Personal lines

In addition to the extra expense required that is excluded….

consider the increased time to rebuild



Should we consider increasing Coverage D…Loss of Use???????

Can buy more for a few $ per 1,000 of coverage …but ..how much extra time would be needed …and how much coverage???

59

59

Is replacement cost enough? Commercial lines

CP 00 10 is an ACV form unless R/C is opted … which it should be …

Then when R/C is opted

60

60

Is replacement cost enough? Commercial lines

CP 00 10 - the R/C option then states

f. The cost of repair or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

R/C does NOT include ordinance or law costs



61

61

Is replacement cost enough? Commercial lines

The cause of loss forms exclude: (this from CP 10 30 Special form cause of loss)

Ordinance or law – similar to personal lines

B. Exclusions

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

   a. Ordinance Or Law

   The enforcement of any ordinance or law:

   (1) Regulating the construction, use or repair of any property; or

   (2) Requiring the tearing down of any property, including the cost of removing its debris.

   This exclusion, Ordinance Or Law, applies whether the loss results from:

   (a) An ordinance or law that is enforced even if the property has not been damaged; or

   (b) The increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property, or removal of its debris, following a physical loss to that property.

62

Is replacement cost enough? Commercial lines

Like personal lines …

there is some coverage under the Additional coverage section …

but unlike personal lines …

the coverage is NOT as broad



63

63

Is replacement cost enough? Commercial lines

e. Increased Cost Of Construction

(1) This Additional Coverage applies only to buildings to which the Replacement Cost Optional Coverage applies.

(2) In the event of damage by a Covered Cause of Loss to a building that is Covered Property, we will pay the increased costs incurred to comply with enforcement of an ordinance or law in the course of repair, rebuilding or replacement of damaged parts of that property, subject to the limitations stated in **e.(3)** through **e.(9)** of this Additional Coverage.

(3) The ordinance or law referred to in **e.(2)** of this Additional Coverage is an ordinance or law that regulates the construction or repair of buildings or establishes zoning or land use requirements at the described premises, and is in force at the time of loss.

Only covers "increased costs" for repair/rebuilding of DAMAGED covered property

64

64

Is replacement cost enough? Commercial lines

The most that is paid is the LESSER of

$10,000
or
5% building limit

Which is FAR less than the HO and DP forms in Limit and extent of coverage

(6) The most we will pay under this Additional Coverage, for each described building insured under this Coverage Form, is $10,000 or 5% of the Limit of Insurance applicable to that building, whichever is less. If a damaged building is covered under a blanket Limit of Insurance which applies to more than one building or item of property, then the most we will pay under this Additional Coverage, for that damaged building, is the lesser of: $10,000 or 5% times the value of the damaged building as of the time of loss times the applicable Coinsurance percentage.

The amount payable under this Additional Coverage is additional insurance.

65

65

Is replacement cost enough? Commercial lines

CP 00 10 does NOT cover

1) **increased costs due to ordinance for repair applicable to undamaged property**



2) **does not cover the value of property undamaged property that must be demolished**

3) **does not cover the costs to demolish or debris of undamaged property**

66

66

Is replacement cost enough? Commercial lines

The 2002/2006/2010/2013/2024 ISO BOP is similar in WHAT it does –

only responds to –

increased costs of DAMAGED property

(2) In the event of damage by a Covered Cause of Loss to a building that is Covered Property, we will pay the increased costs incurred to comply with enforcement of an ordinance or law in the course of repair, rebuilding or replacement of damaged parts of that property, subject to the limitations stated in Paragraphs (3) through (9) of this Additional Coverage.

67

67

Is replacement cost enough? Commercial lines

The 2002/2006/2010/2013/2024 ISO BOP has a similar limit to the CP … the $10,000 …period

it doesn't say …

the "lesser of $10,000 or 5% of the building limit"

(6) The most we will pay under this Additional Coverage, for each described building insured under Section I – Property, is $10,000. If a damaged building(s) is covered under a blanket Limit of Insurance which applies to more than one building or item of property, then the most we will pay under this Additional Coverage, for each damaged building, is $10,000.

The amount payable under this Additional Coverage is additional insurance.

68

68

Is replacement cost enough? Commercial lines

Like the CP 00 10 - the ISO 2002/2006/2010/2013/2024 BOP does not cover



1) increased costs due to ordinance for repair applicable to undamaged property

2) does not cover the value of property undamaged property that must be demolished

3) does not cover the costs to demolish or debris of undamaged property

69

69

Is replacement cost enough? Commercial lines

A business client might face the possibility of having to

add sprinkler systems;



add enhanced lighting;



rebuild brick or wood joist construction with fire resistant construction;



70

70

Is replacement cost enough? Commercial lines

A business client might face the possibility of having to

redesign the structure to meet earthquake or hurricane resistant standards.



71

71

Is replacement cost enough? Commercial lines

If remodeling to code is required….

the insured must also absorb the architects' and engineers' fees necessary to determine what will be required to meet current code.



72

72

Is replacement cost enough? Commercial lines

Depending on how old the building is …
in the 90's the ADA law came into play …

there was a certain amount of immediate accommodation required …
but much was also grandfathered until …

substantial damage or alteration removes "grandfather" status.



73

73

Is replacement cost enough? Commercial lines

The Federal ADA law may require enhanced public access such as:

wheelchair ramps,



installation of elevators



modified restrooms to accommodate the handicapped.



74

74

Is replacement cost enough? Commercial lines

In addition to the extra expense required that is excluded….

consider the increased time to rebuild



that is ALSO not covered under an unendorsed the CP Business Income Coverage Form – and the cause of loss exclusion applies

or

BOP policy per ordinance or law exclusion

75

75

Is replacement cost enough? Commercial lines

There is a CP time element Ordinance or Law endorsement CP 15 31 to add to CP Business Income Coverage

and



the BOP Ordinance or law endorsement has a time element option (2006 or later editions)

To cover additional time required to repair to code

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76

POLICY NUMBER:

COMMERCIAL PROPERTY
CP 04 05 10 12

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ORDINANCE OR LAW COVERAGE

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
STANDARD PROPERTY POLICY

SCHEDULE

Building Number/ Premises Number	Coverage A	Coverage B Limit Of Insurance	Coverage C Limit Of Insurance	Coverage B And C Combined Limit Of Insurance
/	☐	$	$	$ *
/	☐	$	$	$ *
/	☐	$	$	$ *

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.
*Do **not** enter a Blanket Limit of Insurance if individual Limits of Insurance are selected for Coverages **B** and **C**, or if one of these Coverages is not applicable.

A. Each Coverage – Coverage **A**, Coverage **B** and Coverage **C** – is provided under this endorsement only if that Coverage(s) is chosen by entry in the above Schedule and then only with respect to the building identified for that Coverage(s) in the Schedule.

B. Application Of Coverage(s)

The Coverage(s) provided by this endorsement applies only if both **B.1.** and **B.2.** are satisfied and are then subject to the qualifications set forth in **B.3.**

1. The ordinance or law:

a. Regulates the demolition, construction or repair of buildings, or establishes zoning or land use requirements at the described premises; and

b. Is in force at the time of loss.

But coverage under this endorsement applies only in response to the minimum requirements of the ordinance or law. Losses and costs incurred in complying with recommended actions or standards that exceed actual requirements are not covered under this endorsement.

2.a. The building sustains direct physical damage that is covered under this policy and as a result of such damage, you are required to comply with the ordinance or law; or

b. The building sustains both direct physical damage that is covered under this policy and direct physical damage that is not covered under this policy, and as a result of the building damage in its entirety, you are required to comply with the ordinance or law.

c. But if the building sustains direct physical damage that is not covered under this policy, and such damage is the subject of the ordinance or law, then there is no coverage under this endorsement even if the building has also sustained covered direct physical damage.

CP 04 05 Ordinance or Law Coverage

PROPERTY coverage only

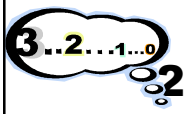
77

77

Is replacement cost enough? Commercial lines

Unlike personal lines we don't buy % of the building limit …we have to buy the coverage separately …for

1) upgrade damaged property



2) demolish undamaged property and get value of such

3) upgrade undamaged property

78

78

Is replacement cost enough? Commercial lines

Bldg. No./ Prem. No.	Cov. A	Cov. B Limit Of Insur.	Cov. C Limit Of Insur.	Cov. B And C Combined Limit Of Insur.
/	☐	$	$	$ **
/	☐	$	$	$ **
/	☐	$	$	$ **

*Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.

Do **not enter a Combined Limit of Insurance if individual Limits of Insurance are selected for Coverages **B** and **C**, or if one of these Coverages is not applicable.

We need to FIRST check the "A" box

This gives us the ability to USE the building limit for damaged or undamaged loss

79

79

Is replacement cost enough? Commercial lines

D. Coverage

1. **Coverage A – Coverage For Loss To The Undamaged Portion Of The Building**

With respect to the building that has sustained covered direct physical damage, we will pay under Coverage **A** for the loss in value of the undamaged portion of the building as a consequence of enforcement of an ordinance or law that requires demolition of undamaged parts of the same building.

Coverage **A** is included within the Limit of Insurance shown in the Declarations as applicable to the covered building. Coverage **A** does not increase the Limit of Insurance.

80

80

Is replacement cost enough? Commercial lines

Bldg. No./ Prem. No.	Cov. A	Cov. B Limit Of Insur.	Cov. C Limit Of Insur.	Cov. B And C Combined Limit Of Insur.
/	☐	$	$	$ **
/	☐	$	$	$ **
/	☐	$	$	$ **

*Information required to complete the Schedule, if not shown on this endorsement, will be shown in the Declarations.

Do **not enter a Combined Limit of Insurance if individual Limits of Insurance are selected for Coverages **B** and **C**, or if one of these Coverages is not applicable.

Coverage B…
Is for Demolition of this undamaged value

81

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Is replacement cost enough? Commercial lines

2. Coverage B – Demolition Cost Coverage

With respect to the building that has sustained covered direct physical damage, we will pay the cost to demolish and clear the site of undamaged parts of the same building, as a consequence of enforcement of an ordinance or law that requires demolition of such undamaged property.

The Coinsurance Additional Condition does not apply to Demolition Cost Coverage.

82

82

Is replacement cost enough? Commercial lines

Bldg. No./ Prem. No.	Cov. A	Cov. B Limit Of Insur.	Cov. C Limit Of Insur.	Cov. B And C Combined Limit Of Insur.
/	☐	$	$	$ **
/	☐	$	$	$ **
/	☐	$	$	$ **

*Information required to complete the Schedule, if not shown on this endorsement, will be shown in the Declarations.

Do **not enter a Combined Limit of Insurance if individual Limits of Insurance are selected for Coverages **B** and **C**, or if one of these Coverages is not applicable.

Coverage C…
Is upgrading both damaged and undamaged property

83

83

Is replacement cost enough? Commercial lines

3. Coverage C – Increased Cost Of Construction Coverage

a. With respect to the building that has sustained covered direct physical damage, we will pay the increased cost to:

(1) Repair or reconstruct damaged portions of that building; and/or

(2) Reconstruct or remodel undamaged portions of that building, whether or not demolition is required;

when the increased cost is a consequence of a requirement to comply with the minimum standards of the ordinance or law.

However:

(1) This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property, unless such occupancy is not permitted by zoning or land use ordinance or law.

(2) We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.

The Coinsurance Additional Condition does not apply to Increased Cost of Construction Coverage.

84

84

Is replacement cost enough? Commercial lines

Bldg. No./ Prem. No.	Cov. A	Cov. B Limit Of Insur.	Cov. C Limit Of Insur.	Cov. B And C Combined Limit Of Insur.
/	☐	$	$	**
/	☐	$	$	**
/	☐	$	$	**

*Information required to complete the Schedule, if not shown on this endorsement, will be shown in the Declarations.

Do **not enter a Combined Limit of Insurance if individual Limits of Insurance are selected for Coverages **B** and **C**, or if one of these Coverages is not applicable.

But … instead of having TWO limits where you could be wrong …
it is probably best to use the blanket approach for option B/C together

85

85

Is replacement cost enough? Commercial lines

5. If a **Combined** Limit of Insurance is shown for Coverages **B** and **C** in the Schedule above, Paragraphs **E.3.** and **E.4.** of this endorsement do not apply with respect to the building that is subject to the Combined Limit, and the following loss payment provisions apply instead:

The most we will pay, for the total of all covered losses for Demolition Cost and Increased Cost of Construction, is the Combined Limit of Insurance shown for Coverages **B** and **C** in the Schedule above. Subject to this Combined Limit of Insurance, the following loss payment provisions apply:

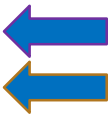
a. For Demolition Cost, we will not pay more than the amount you actually spend to demolish and clear the site of the described premises.

b. With respect to the Increased Cost of Construction:

(1) We will not pay for the increased cost of construction:

(a) Until the property is actually repaired or replaced, at the same or another premises; and

(b) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.



Is replacement cost enough? Commercial lines

POLICY NUMBER: COMMERCIAL PROPERTY CP 04 05 09 17

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ORDINANCE OR LAW COVERAGE

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
STANDARD PROPERTY POLICY

SCHEDULE

Building Number/ Premises Number	Coverage A	Coverage B Limit Of Insurance	Coverage C Limit Of Insurance	Coverages B And C Combined Limit Of Insurance
/	☐	$	$	$
/	☐	$	$	$
/	☐	$	$	$

Post-Loss Ordinance Or Law Option: Yes ☐ No ☐

*Do **not** enter a Combined Limit of Insurance if individual Limits of Insurance are selected for Coverages **B** and **C**, or if one of these Coverages is not applicable.

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Each Coverage – Coverage **A**, Coverage **B** and Coverage **C** – is provided under this endorsement only if that Coverage(s) is chosen by entry in the above Schedule and then only with respect to the building identified for that Coverage(s) in the Schedule.

B. Application Of Coverage(s)

The Coverage(s) provided by this endorsement applies with respect to an ordinance or law that regulates the demolition, construction or repair of buildings, or establishes zoning or land use requirements at the described premises, subject to the following:

1. The requirements of the ordinance or law are in force at the time of loss. But if the Post-Loss Ordinance Or Law Option is indicated in the Schedule as being applicable, then Paragraph **B.2.** applies instead of this Paragraph **B.1.**
2. The requirements of the ordinance or law are in force at the time of loss; or the ordinance or law is promulgated or revised after the loss but prior to commencement of reconstruction or repair and provided that such ordinance or law requires compliance as a condition precedent to obtaining a building permit or certificate of occupancy.
3. Coverage under this endorsement applies only in response to the minimum requirements of the ordinance or law. Losses and costs incurred in complying with recommended actions or standards that exceed actual requirements are not covered under this endorsement.

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2017 version that discusses "post-loss ordinance or law" options… Otherwise the same

Is replacement cost enough? Commercial lines

POLICY NUMBER: COMMERCIAL PROPERTY CP 15 31 09 17

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ORDINANCE OR LAW – INCREASED PERIOD OF RESTORATION

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM
EXTRA EXPENSE COVERAGE FORM

SCHEDULE

Described Premises:
Post-Loss Ordinance Or Law Option: Yes ☐ No ☐
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. If a Covered Cause of Loss occurs to a building(s) at the premises described in the Schedule, resulting in a "suspension" of "operations" covered under this policy, the "period of restoration" is extended to include the increased period required to comply with the minimum standards of an ordinance or law, provided that:

1. The ordinance or law regulates the demolition, construction or repair of buildings, or establishes zoning or land use requirements at the described premises; and
2. The requirements of the ordinance or law are in force at the time of loss. But if the Post-Loss Ordinance Or Law Option is indicated in the Schedule as being applicable, then Paragraph **A.3.** applies instead of this Paragraph **A.2.**
3. The requirements of the ordinance or law are in force at the time of loss; or the ordinance or law is promulgated or revised after the loss but prior to commencement of reconstruction or repair and provided that such ordinance or law requires compliance as a condition precedent to obtaining a building permit or certificate of occupancy.

However, coverage is not extended under this endorsement to include loss caused by or resulting from the enforcement of or compliance with any ordinance or law which requires:

1. The demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or
2. Any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants", "fungus", wet or dry rot or bacteria.

B. The following definition is added:

"Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.

BII coverage form CP 00 30 needs its OWN ordinance or law endorsement to allow BII limit to apply to extra time as "period of restoration" not include time necessary

CP 15 31

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POLICY NUMBER: **BOP** BUSINESSOWNERS BP 04 46 07 13

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ORDINANCE OR LAW COVERAGE

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Coverage 1 (Check if applies)	Coverage 2 Limit Of Insurance	Coverage 3 Limit Of Insurance	Coverages 2 And 3 Combined Limit Of Insurance*
		☐	$	$	$
		☐	$	$	$
		☐	$	$	$

Business Income And Extra Expense Optional Coverage (Enter Yes or No):
Number Of Hours' Waiting Period For Period Of Restoration Applicable To Business Income And Extra Expense Optional Coverage:
*Do **not** enter a Combined Limit of Insurance if individual Limits of Insurance are selected for Coverages **2** and **3**, or if one of these Coverages is not applicable.
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

Section I – Property is amended as follows:

A. Each Coverage – Coverage **1**, Coverage **2** and Coverage **3** – is provided under this endorsement only if that Coverage(s) is chosen by entry in the above Schedule and then only with respect to the building identified for the Coverage(s) in the Schedule.

B. Application Of Coverage(s)

The Coverage(s) provided by this endorsement applies only if both **B.1.** and **B.2.** are satisfied and are then subject to the qualifications set forth in **B.3.**

1. The ordinance or law:
   a. Regulates the demolition, construction or repair of buildings, or establishes zoning or land use requirements at the described premises; and
   b. Is in force at the time of loss.

But coverage under this endorsement applies only in response to the minimum requirements of the ordinance or law. Losses and costs incurred in complying with recommended actions or standards that exceed actual requirements are not covered under this endorsement.

2. The building sustains direct physical damage:
   a. That is covered under this policy and as a result of such damage, you are required to comply with the ordinance or law; or
   b. That is covered under this policy and direct physical damage that is not covered under this policy, and as a result of the building damage in its entirety, you are required to comply with the ordinance or law.
   c. But if the damage is not covered under this policy, and such damage is the subject of the ordinance or law, then there is no coverage under this endorsement even if the building has also sustained covered direct physical damage.

Check Cov 1 for undamaged value

Coverage 2 is Demolition of such

Coverage 3 is increased cost of construction damaged or undamaged value

Can combine Cov 2 and 3 as in CP endorsement

89

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Is replacement cost enough? Commercial lines

Prem. No.	Bldg. No.	Coverage 1 (Check If Applies)	Coverage 2 Limit Of Insurance	Coverage 3 Limit Of Insurance	Coverages 2 And 3 Combined Limit Of Insurance*
			$	$	$
			$	$	$
			$	$	$
Business Income And Extra Expense Optional Coverage Enter Yes Or No:					
Number Of Hours Waiting Period For Period Of Restoration Applicable To Business Income And Extra Expense Optional Coverage:					
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.					
*Do **not** enter a Combined Limit of Insurance if individual Limits of Insurance are selected for Coverages **2** and **3**, or if one of these Coverages is not applicable.					

One requests the business income coverage to apply by saying …yes or no

And …the time period deductible can be removed

90

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Is replacement cost enough? Commercial lines

So …



commercial lines and personal lines "replacement cost" coverage is not sufficient when building codes or zoning ordinances require a difference in construction ….



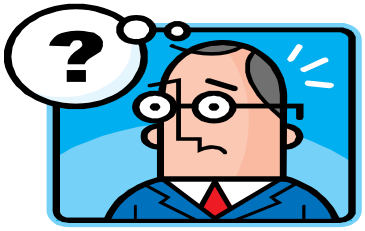
Endorsements are necessary to meet this need or additional costs NOT contemplated in the replacement cost loss settlement provisions

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Is replacement cost enough? Commercial lines

What about debris removal and the commercial policy???



Again, very different from the personal lines policies

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Is replacement cost enough? Commercial lines

CP 00 10 10 12 states: BOP same language

4. Additional Coverages

a. Debris Removal

(1) Subject to Paragraphs **(2)**, **(3)** and **(4)**, we will pay your expense to remove debris of Covered Property and other debris that is on the described premises, when such debris is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date of direct physical loss or damage.

(2) Debris Removal does not apply to costs to:

(a) Remove debris of property of yours that is not insured under this policy, or property in your possession that is not Covered Property;

(b) Remove debris of property owned by or leased to the landlord of the building where your described premises are located, unless you have a contractual responsibility to insure such property and it is insured under this policy;

(c) Remove any property that is Property Not Covered, including property addressed under the Outdoor Property Coverage Extension;

Like personal lines we need a covered cause of loss (peril) damaging covered property

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Is replacement cost enough? Commercial lines

CP 00 10 10 12 states: BOP same language

(3) Subject to the exceptions in Paragraph (4), the following provisions apply:

(a) The most we will pay for the total of direct physical loss or damage plus debris removal expense is the Limit of Insurance applicable to the Covered Property that has sustained loss or damage.

(b) Subject to (a) above, the amount we will pay for debris removal expense is limited to 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage. However, if no Covered Property has sustained direct physical loss or damage, the most we will pay for removal of debris of other property (if such removal is covered under this Additional Coverage) is $5,000 at each location.

(4) We will pay up to an additional $25,000 for debris removal expense, for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:

Like personal lines we want the loss AND the debris removal paid within the limit of insurance …

however, it is subject to a "formula"

And if formula or limit not sufficient have add'l $25,000 (prior editions $10,000)

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Is replacement cost enough? Commercial Lines

BOP and CP have a "funky formula" limitation

(b) Subject to (a) above, the amount we will pay for debris removal expense is limited to 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

Pays 25% of LOSS payment + deductible – assuming there is limit left

If building limit	**$1,000,000**
Loss payment	**100,000**
Policy deductible	**1,000**

($100,000 + $1,000) x 25% = 25,250

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Is replacement cost enough? Commercial Lines

BOP and CP have a "funky formula" limitation

Pays 25% of LOSS payment + deductible – assuming there is limit left

If building limit $1,000,000
Loss payment 100,000
Policy deductible 1,000

(4) We will pay up to an additional $25,000 for debris removal expense, for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:

($100,000 + $1,000) x 25% = $25,250

If this $25,250 is not sufficient …can add an additional $25,000 for a total of $35,250.
(Prior edition of BOP/CP only gave extra $10,000

The HO policy could have paid a total of $1,050,000
The DP policy could have paid a total of $1,000,000

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Is replacement cost enough? Commercial lines

CP and BOP debris removal payment using previous personal lines examples:

Building cov $200,000
If $10,000 fire loss -10,000
With $1,000 ded

($10,000 + $1,000) x .25 =

$2750 for debris removal + $25,000 if necessary for total of $27,750

Building limit $200,000
If total fire loss -200,000
Leaves 0

No limit left For debris Removal

So ..only receive the additional $10,000 for debris removal

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Is replacement cost enough? Commercial lines

Under the BOP policy prior to 2010 there is NO endorsement to buy more debris removal …





And it's NOT like the HO or DP policy where buying more building coverage directly provides more debris removal.

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Is replacement cost enough? Commercial lines

Debris removal under the BOP prior to 2010…

1) you'd need MORE Building coverage AND
2) a bigger claim …

which …

could use up TOO much building coverage unless you were WICKED o sured!!!!



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Is replacement cost enough? Commercial lines



Under CP and 2010/2013/2024 BOP coverage …

there IS an endorsement to buy ….

But …

HOW MUCH DO YOU NEED ….



You have to figure that out … BEFORE the loss!

100

100

CP

POLICY NUMBER: COMMERCIAL PROPERTY CP 04 15 10 12

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DEBRIS REMOVAL ADDITIONAL INSURANCE

This endorsement modifies insurance provided under the following:

BUILDERS RISK COVERAGE FORM
BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY
TOBACCO SALES WAREHOUSES COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Debris Removal Amount	Additional Premium
			$
			$
			$

Information required to complete this Sche… shown in the Declarations.

The additional amount of $25,000 for debris removal in the **Debris Removal** Additional Coverages section is replaced by the higher amount shown in the Schedule.

How much do you need?

What is your building made out of …
How close to other buildings, etc.

Some is better than NONE!

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BOP

POLICY NUMBER: BUSINESSOWNERS BP 14 09 07 13

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DEBRIS REMOVAL ADDITIONAL INSURANCE

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Debris Removal Amount
		$
		$
		$

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

The **Debris Removal** Additional Coverage in Paragraph **A.5.a.** of **Section I – Property** is amended as follows:

The additional amount of $25,000 for debris removal expense is replaced by the higher amount shown in the Schedule of this endorsement.

How much do you need?

What is your building made out of …
How close to other buildings, etc.

Some is better than NONE!

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Is replacement cost enough? Commercial lines



While researching this webinar …I found the following examples

Total fire loss to a bowling alley produced a $200,000 debris removal loss because of the asbestos in the building

A condo association building suffered $250,000 damage to an asbestos roof and spent approximately $1 million to dispose of the damaged asbestos …

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Is replacement cost enough? Commercial lines

While researching this webinar …I found the following examples

Fire loss to a ski lodge – replacement cost more than limit also suffered substantial debris removal loss (also not covered sufficiently)



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Valuation – what do we use

So …going back to the beginning …

According to discussion by software provider for valuation ..

The coverage limit …

Includes values ….

That the policy language



WON'T PAY???????

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Valuation – what do we use

So …you might ask your company just what valuation method it uses …



And … regarding reconstruction values … which building codes are "assumed" in the valuation

Are included in the limit …

Yet seemingly excluded or restricted in the policy.

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Valuation – what do we use

Should the adjusters be made aware of what the valuation process includes?



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Valuation – what do we use

Should the ordinance or law language be restricted to just "building specific" codes such as

new zoning issues
Setback requirements

Just food for thought!



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Thank you for attending…



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