

RISK MANAGEMENT BULLETIN

No. 94

November 11, 2003

Are Your Property Values Accurate?????

This year we have had an unusual amount of poor weather conditions, including two “100 Year Storms”. The 100 Year Snow Storm in February, 2003 and 100 Year Hurricane “Isabel” in September, 2003 and the substantial resulting claims have lead our reinsurers to question the accuracy and reliability of Member property (both real and personal) scheduled location values. An outcome of this is that it now becomes increasingly important to examine all locations listed on your property schedule with special attention given to verify the values that have been reported, including personal property and contents.

It is very important to keep your property schedules up to date and conduct a comprehensive periodic review of each item on your schedule. Whenever a purchase or sale of a building is made, a building is demolished, added to, or renovated, the schedule should be updated and LGIT notified. LGIT’s Underwriting Department, insurance consultant, outside property appraisal firms, etc., can be of assistance in determining actual construction costs as accurately as possible.

A system should be in place where those responsible for recording accurate property information are contacted when an acquisition or disposal of a property occurs to help minimize the chance of any omission. These measures should help keep property values current.

Some of the more essential pieces of information regarding each property that is scheduled with LGIT should include: Year built; gross square footage; type of construction (i.e., frame, masonry, non-combustible, or fire resistive); building height/in number of stories; and condition of the structure.

Various Property Valuation Methods:

The following are brief descriptions of the type valuation methods frequently used:

Replacement Cost – Amount required to replace a lost, damaged, or destroyed item with a comparable item or property. *Replacement is LGIT’s preferred method.* From a risk management point of view, replacement cost is one of the most useful measures of a property loss’s financial effect. It will provide us a more precise detail of how the property is to be replaced in “like new” condition.

Sponsoring Organizations



Actual Cash Value (Depreciated Replacement Cost) – Replacement cost reduced by depreciation.

Historical Reproduction Cost – Cost of duplicating a building exactly by using materials, artistry, and other expertise comparable to those originally used when constructed.

Members should keep files on each item of real and personal property in their inventory including photos, cost (new, upgrades, additions) for such items as piers, bulkheads, towers (water/911, etc.), historical features and other unusual types of construction (i.e., one of a kind and difficult to obtain items, etc.) should also be listed.

COPE (Construction, Occupancy, Protection and Exposures)

LGIT Underwriters are provided with basic information from Members that describes the property to be covered. The “Property Profile” form is a structured method you can use to obtain and store information unique to locations/buildings on your property schedule. We plan to assist Members by writing an appendix in Light’s Risk Management Manual – Module 9 – Property that will in detail explain each item on the Property Profile/COPE form. (Sample attached).

We use an acronym called “COPE” to provide LGIT Underwriters with the main elements of a property they will need to help rate that location and arrive at a fee that is fair to the Member for the coverage.

Here’s a brief example of each of these elements:

Construction – The four classes LGIT uses to describe the type of construction are Fire Resistive, Non-combustible, Masonry and Frame.

Occupancy – LGIT uses 10 types of occupancy which include: Assembly, Detention, Educational, Office, Parks and Recreation Facility, Industrial, Public Safety, Residential, Shop, and Water/Waste Water Treatment Plants, etc.

Protection – There are 2 types of protection that include: Private (self extinguishing systems, fire extinguishers, flammable storage cabinets, etc.) and Public (fire departments, fire hydrants, etc.).

Exposures – Distances to other buildings should be noted. Also, note any extra hazardous exposures (i.e., vacant buildings, lumber yard, etc.).

Unique Identifiers (U.I.)

A Unique Identifier can be the street address, building number, index number, etc. that helps distinguish one location from another. Unique Identifiers (U.I.) can be used and shared with LGIT to help ensure that we are talking about the same facility and/or structure.

LGIT Workshops and Seminars

LGIT holds Renewal Workshops each year that provide a great opportunity to obtain new information on the Property and Liability coverages. These workshops are an opportunity to review property and/or vehicle schedules. They also provide a venue to ask coverage and related Underwriting and Loss Control questions. For more training information, contact Mr. Patrick Hancock at the number below or at phancock@lgit.org.

For additional information please contact Scott E. Soderstrom, CPCU, ARM-P, Underwriting Manager, or Richard A. Furst, Senior Loss Control Manager at 1-800-673-8231.

This bulletin is intended to be merely informational and is not intended to be used as the basis for any compliance with federal, state or local laws, regulations or rules, nor is it intended to substitute for the advice of legal counsel.

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