Insurance to Value

Insurance to Value is a key condition when settling a claim with an insurance company. Failure to insure to the Replacement Cost Value can make you a co-insurer.

Today all blanket Property insurance policies are not equal. We are seeing:

1. Blanket by building

2. Blanket by location (what is the definition of a location)

3. Blanket by entire schedule

Complete property appraisals, including diagrams of all buildings and additions, must be done on a regular basis. Accurate replacement values are important for many reasons:

1. Obviously, the most important reason to have appraisals is to be sure that the District has adequate insurance in the event of a loss

2. Insurance companies are sometimes willing to eliminate co-insurance requirements and offer provisions agreeing that no penalties will be incurred because of failure to insure to the replacement cost.

3. Insurance company confidence in accurate values can definitely generate lower rates. It is also an indication that the District is a good manager, which is an important underwriting consideration. In one district a 27% increase in listed valued reduced the premium by 50%.

4. Appraisals provide a checklist to be certain that all buildings and additions are included.

5. Appraisals also eliminate over-insurance by excluding land values, which can be erroneously included in the cost of new buildings.

6. Unusual items such as light poles, outbuildings and agricultural property are often not included within inventory or asset lists.

7. Appraisal worksheets assist in the preparation of GASB 34 documents.