

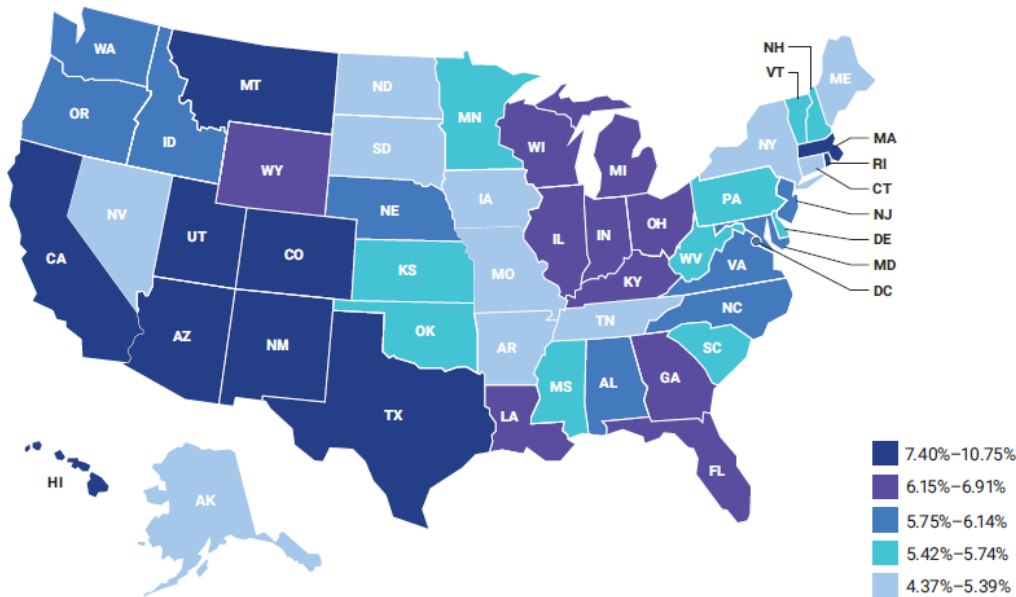
Insurance-to-Value

4 reasons why it's important to review values today!

Supply chain issues, construction labor shortages, and record-high inflation... these are the themes we have seen in the last few years. The cost of repairing and rebuilding property has increased substantially from 2020 to today.

Commercial Reconstruction Costs

The recent Q4 2023 Verisk 360Value Quarterly Reconstruction Cost Analysis report notes that every state saw higher commercial reconstruction costs. Utah had the largest increase at 10.8% followed by Rhode Island at 9.8%. South Carolina had the largest shift in rank, down from the sixth-highest cost increase in July 2023 to 36th highest in October 2023, with prices rising 5.6% year-over-year. Iowa moved to last, with costs increasing 4.4%. In some of Velocity's peak states, California and Texas both saw increases between 7.4 to 10.75%, while Florida has seen increases of just under 7% and New York increased between 4.37 to 5.39%. Commercial costs in total increased 6.3% from October 2022 to October 2023 and 1.6% from July 2023 to October 2023.



Changes in reconstruction costs by state

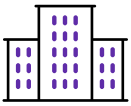
States are grouped in quintiles; each range/color in the legend includes 20% of the total number of states.

*All rates, percentages, increases, decreases, etc., are calculated as percentage changes from October 2022 to October 2023 unless otherwise noted.

Source: Verisk 360Value Quarterly Reconstruction Cost Analysis Q4 2023 United States report

Our underwriters are here to help, please contact us at 844-878-1267 or smb.underwriting@velocityrisk.com for assistance.





Replacement Cost vs Market Value

A confusing concept for most insureds. Simply put replacement cost is the amount approximating the cost to reconstruct the building in the event of a loss. Market value is the price of selling the property in the marketplace. After many years of increases, the market value of property is now remaining flat or decreasing in many areas, while the replacement value continues to increase. Current data shows the average replacement value of properties across the U.S. is close to 13% higher than average market value.



Business Interruption - The Hidden Factor

When thinking about insuring a property to value, most think mainly of the physical property – (building and contents), but most do not think about the value of business interruption. This must be factored in to fully protect the insured and their business. Underwriters are asking questions to determine the correct value for an interruption of business which may increase the value of the risk. Interruption, specifically after catastrophes, continue to be extended due to supply chain issues for construction materials and shortages of skilled laborers.



Labor Inflation & Construction Materials

Current inflation rates have been at 8% or more (2% to 4% historically) and construction materials have seen even higher increases, which increases the cost to rebuild and the replacement cost value to rise. The supply chain has changed due to halted production around the Covid-19 pandemic and the increasing need for building supplies in growing economies outside the U.S. The demand is there, but the supply is not, which has continued to increase costs. The lack of skilled workers in the construction industry has also led to an increasing trend in construction as the skilled laborers that are available are in high demand and can demand high wages.



Frequency and Severity of Large Catastrophes

Across the globe the frequency and severity of catastrophes has continued to increase. Whether it be typhoons in Asia, earthquakes in Europe, or wildfires in California, these large-scale catastrophes require enormous amounts of materials and labor resources to recover from, which puts a continued strain on the construction world and continues to increase prices more than average market value.

If a building is underinsured, there could be financial consequences to the insured. Accurate insurance to value is an important part of the review process to ensure your customer is properly protected.