

Manager/Supervisor Risk Management

#117– 1/8/13

A twice weekly e-mail training for YCPARMIA members

TOPIC: PROPERTY – VALUATION

YCPARMIA obtains excess coverage through our participation in the CSAC-EIA Property Program. Our members' premiums are generated, for the most part, by applying the excess carrier's insurance rate to our members' declared values on their covered property. Generally for property to be covered under our program the member must list the location and their estimated replacement value for that particular piece of property. Each October YCPARMIA provides our participating members with a list of their insured properties, and asks them to check for completeness while updating their values. The updates are due back to us before November.

In practice it has proven to be a difficult task. None of us are experts in replacement values. To aid in the process the excess pool provides appraisals on all buildings valued over \$1M. Additionally, YCPARMIA piggybacks additional appraisals on selected properties below that amount. Each year the excess pool provides inflation factors to be applied to the previous year's declared values, so as a general rule the building values are pretty accurate.

Contents of buildings are also covered under our property program. The excess broker has advised us that, absent unique contents, a reasonable value for contents would be about 10% of the buildings value. That amount can go up significantly if there is unusually expensive equipment or other machinery located in the building. Another unique class of property that would justify a higher value on contents located in buildings would be "fine arts."

A third classification of property is "property in the open;" this includes all property not contained in a building. YCPARMIA recently had appraisals on all property in the open that was included on our members' list of covered property.

Included on the property list are vehicles and mobile equipment. It is important to remember that this is replacement coverage. We are not talking about what was originally paid, or a depreciated value from that amount. The declared value should be the cost of replacing the unit with a new unit of like kind and quality. This particular coverage is subject to a \$20,000 deductible, so including units valued at or below that amount does not make sense.

While values on all types of property are largely subjective, inclusion on the list is essential. Recently a member had a fire in a small storage building that they had not listed, and coverage was denied. There is a short grace period following the purchase of new property, but to be safe, getting the needed information to YCPARMIA as quickly as possible guarantees protection.

Next topic: Auto Physical Damage