



## **Now is the Time to Reassess Your Property Values**

Insurance renewal season for the Fund is coming fast. As you can likely tell from your previous business and personal insurance renewals, the market for property insurance has seen significant increases in the past several years. The property market has experienced the result of inflation, supply shortages, increased construction costs, labor shortages, higher wages, more demand for construction/renovation, local weather related, worldwide storm devastation and other contributing factors. The result is higher contributions over the previous year.

According to the Bureau of Labor Statistics, over the past two years, construction material prices alone have increased over 25%. While there are some promising indications the rate of increase will slow in 2023, there also are signs this could also continue through 2023 and into 2024. How does this affect your center?

The impact of increasing costs may leave you underinsured. This means if you experience a fire, flood, tornado, hailstorm or other disaster, your cost to rebuild may be greater than the amount you are insured for. The result is your center may be responsible for costs which exceed your disclosed property values. Imagine having to pay cash from center reserves just to get your building reconstructed, for costs over the currently insured amount.

This past property renewal involved extensive negotiation around the Fund's insured property values and whether they are truly replacement costs. The TCRMF staff was able to push through the renewal without additional increases the reinsurers were pursuing. They were requesting a 21 percent increase for all their clients' property values, not just the Fund's.

During its last meeting in November, the TCRMF Board voted to contract with HCA to handle the annual building appraisal process. This decision was made to address the growing pressures stemming from the property insurance market. HCA has over forty years of industry experience throughout the United States. Their property valuations will provide TCRMF members with reliable and accurate insurable values of their respective assets. HCA's staff utilizes CoreLogic's M&S/B Suite of cost estimating tools and several other "units-in-place" cost estimating services to appraise property. The appraisal process will involve performing appraisals for those buildings with values greater than or equal to \$50,000 as well as provide content estimates for these buildings. While in the field, the HCA appraisers will ask questions to obtain answers for a vacant building questionnaire that the Fund's reinsurers required this year.

The timeline of the process will continue with a three-year rolling schedule for physical (on-site) appraisals. However, the order may be changed up a bit to create a more regional schedule each year. Appropriate trend factors will continue to be applied to values in years when physical appraisals are not performed by HCA. Please contact your

TCRMF Loss Control Consultant or Jeremy Wade ([jeremy.wade@sedgwick.com](mailto:jeremy.wade@sedgwick.com)) if you have any questions regarding the changes in the appraisal process.

Questions asked by Members regarding valuations include:

1. **Will my contributions increase if I revalue my property?** *Maybe. It depends on the difference between the existing and reassessed value. The cost difference would be much more if you needed to replace or repair a damaged building and were underinsured.*
2. **Who should I contact if we add or subtract buildings or land?** *You should let your Fund MGA team member know when you have a change in property. You can also email changes to [TCRMF-Underwriting@sedgwick.com](mailto:TCRMF-Underwriting@sedgwick.com).*
3. **I think I am insured correctly. How will I know?** *You should have a conversation with your Loss Control representative to discuss the previous valuation and whether to get updated values. Contact Timm Johnson ([tim.johnson@sedgwick.com](mailto:tim.johnson@sedgwick.com)) at the Fund if you don't know who your representative is.*

Having current and accurate property values will ensure you are correctly covered and avoid surprises in the event of an emergency. Given the challenge of the complicated economic environment, frequency of weather-related events and the cost of replacement building materials, having an up-to-date replacement cost valuation will help you feel comfortable that you are adequately protected.