

At Which Value Should I Insure Our Property?

Throughout the years, many commercial property owners have requested insurance on newly acquired properties. When we inquire how they determined the value of the property, we often hear responses like, “that is what the tax assessor says it is worth” or “that is what it cost us” or “that is what the real estate agent comps revealed”. Each of the aforementioned valuation methods are flawed from the standpoint of rebuilding a structure and do not take into account each building component and fixture replacement. Only Marshall Swift values are based on insurance rebuilding. Think of it this way: you may buy a used car for less than it cost to make; property insurance is based on the cost to rebuild the structure using materials similar to what was originally used.

Marshall Swift is the insurance industry standard tool recommended by HUD. It is zip code specific and is used for the purpose of valuing what a building would cost to rebuild with like kinds of material in case of fire, explosion or collapse. Each quarter, Marshall Swift analyzes price fluctuations of various building components by zip code and by type of structure. Marshall Swift is the best tool on the market and is widely used.

Unlike tax assessed values, which are based on comparable sales in the taxed jurisdiction, or real estate comparisons such as Zillow.com, Marshall Swift is based on: actual material, fixtures, stories, square footage, type of structure (i.e. duplex, warehouse or office, etc.) and narrows down to specifics such as HVAC and flooring types, to name a few. In 26 years of managing risk, I have yet to read of inadequacies within this industry wide tool.

Finally, each old structure should carry building code upgrade coverage. As stated earlier, insurance reconstruction is based on the type of material that was present before a loss occurred. It does not replace code required upgrades that were not present in the building before the loss. Only the purchase of building code upgrade through commercial insurance will provide coverage in that instance. HARRP and Affordable Housing Risk Pool (AHRP) will upgrade to code with our automatic gratuitous 25% add on to the reported value.