

# Keeping insurance values up to date

## TRAVELERS COMMERCIAL PROPERTY

**Underinsurance can greatly impair, or even bankrupt, a business trying to recover from a major loss.**

According to recent studies, an estimated **75%** of commercial businesses are underinsured by an average of **40%** or more.<sup>1</sup>

### Insurance to value

Insurance to value (ITV) is a critical element of any well-constructed property insurance program.

It's essential that property values be **updated** regularly to keep pace with rising repair and replacement costs.

Keeping values current can greatly assist commercial clients toward ensuring that they have the appropriate amount of coverage should a major loss occur.

*"Each year disasters such as floods, hurricanes, tornadoes and wildfires force thousands of businesses to close.*

*But even more common events, such as building fires, cause the same result. Our research shows that at least **25%** of those businesses that close following events such as these **do not reopen.**"<sup>2</sup>*

### Building materials demand – going global

Soaring demand from rapidly-expanding nations such as China, India, and others has greatly impacted the cost and availability of building materials worldwide.

Building materials that were once manufactured domestically are now frequently made overseas. And they're shipped everywhere. Demand for materials is now a global competition. Your neighborhood lumber yard is, indeed, competing with global forces that wish to utilize the same materials.

For this reason, price increases for building materials may more closely parallel the inflation rates of rapidly-expanding nations rather than our own.

### Rebuilding yesterday's buildings at today's prices

Because the cost of building materials **and labor** have escalated so steeply in recent years, many commercial properties cannot possibly be reconstructed for the values stated on their insurance policies.

### The rising cost of rebuilding

The U.S. Bureau of Labor Statistics reports that the All Items Consumer Price Index (CPI) increased **2.2%** between November 2017 and November 2018. **As noted to the right, builder construction and material prices have escalated faster than the CPI.**

### Tools for updating values

Travelers has easy-to-use tools to help determine current values for property exposures. For more information about ITV, as well as Business Income Worksheets, talk to your Travelers account executive.

<sup>1</sup>Insurance Journal – Marshall and Swift/Boeckh

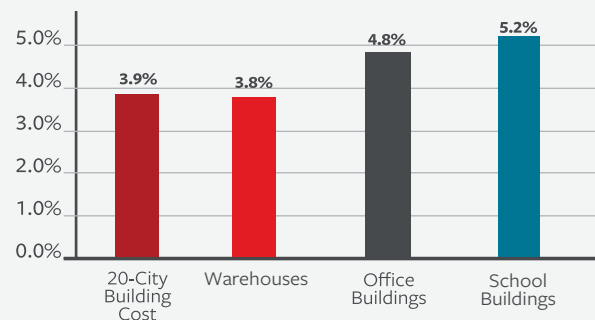
<sup>2</sup>Institute for Business & Home Safety (IBHS)

<sup>3</sup>ENR.com and BLS 12/2018

## YEAR-OVER-YEAR PRICE CHANGE<sup>3</sup>

NOVEMBER 2017 – NOVEMBER 2018

### ENR Builders' Construction Cost Indexes:



### Construction Materials Price Movement 2018:

