



Property Values – The Importance of Building Appraisals

The Fund has now completed the annual renewal process with members. 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, severe weather-related events, worldwide storm devastation, and other contributing factors. The result is higher property contributions over the previous year.

According to the Bureau of Labor Statistics, over the past three years, construction material prices alone have increased over 25%. While there are some promising indications the rate of increase will slow in 2024, there also are signs this could also continue for a few more years. How does this affect your organization?

TWCARMF Board has contracted HCA to handle the annual building appraisal process for the past several years. This decision was made to address the growing pressures stemming from the property insurance market. HCA has over forty years of property appraisal experience throughout the United States that includes water treatment facilities and equipment. Their property valuations will provide TWCARMF 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.

Earlier this year, HCA visited nineteen TWCARMF members. Most building values increased consistent with the industry. However, a few buildings saw significant increases compared to their current values. This illustrates where the building was most likely undervalued.

The timeline of the appraisal process will continue with a five-year rolling schedule. To align with a more regional approach for each year, the order the Fund has used in the past may be reconfigured. Your Loss Control Consultant will contact you prior to the field appraisals to coordinate with HCA's schedule. Please contact your TWCARMF Loss Control Consultant or Jeremy Wade (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.*
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 TWCARMF-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) or Jeremy Wade (jeremy.wade@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 building damage. 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.