

Replacement Cost Case Studies

Midwest Area

At Chubb, we know successful individuals and families work hard to turn their house into a home, and we want to make sure it always feels that way, even if they need to repair, replace, or rebuild. That's why we complete a home assessment on the properties we insure. This helps us make sure clients have enough insurance to rebuild their home—including its unique characteristics and finishes—in the event of a covered loss.

The following example demonstrates how a home assessment helps ensure that Chubb can restore all the details that make a house a home in the unfortunate event of a loss.

Reconstructing a Historic Midwest Home

While work was being completed on a portion of the rubber membrane roof, a fire started, resulting in damage to the majority of our clients' pre-1900's, 8,000-square foot home, sparing only the foundation, exterior framing, and part of the siding. The house featured exquisite Victorian-style architecture with historical significance and interior finishes such as plaster walls and ceilings, custom multi-step trim and moldings, and custom woodwork and decor on all levels.

Valuation History*:

- **2016:** \$6,853,000 — Replacement Cost established (\$890/sq. ft. for living area)
- **2018:** \$7,385,000 — Coverage at the time of the loss (\$957/sq. ft. for living area)
- **2018:** \$7,525,000 — Reconstruction Costs

* Construction Cost Adjustment Factor is applied annually.

Because it was built before the 1900's, the cost to repair the residence — including \$230,000 in upgrades to rebuild the home to current building codes — exceeded the home's policy limits, even with the annual adjustments to the value on the policy to keep pace with inflation. Fortunately for our clients, Chubb offers Extended Replacement Cost, so we were able to restore their home and its beautiful details to its pre-loss condition.

Market Value/Real Estate Indications:

2016: \$2,600,000 — purchase price

Replacement Cost and Market Value are different concepts. While Market Value is influenced by factors like the number of homes on the market, recent sales in the area, and location, Replacement Cost represents the actual cost to rebuild a home as is, with the same level of detail and finishes. That number is based on characteristics of the home, current and projected material and labor costs, architect and contractor fees, and building code upgrades.

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The claim scenarios described here are intended to show the types of situations that may result in claims. These scenarios should not be compared to any other claim. Whether or to what extent a particular loss is covered depends on the facts and circumstances of the loss, the terms and conditions of the policy as issued and applicable law. Chubb is the marketing name used to refer to subsidiaries of Chubb Limited providing insurance and related services. For a list of these subsidiaries, please visit our website at www.chubb.com. Insurance provided by ACE American Insurance Company and its U.S. based Chubb underwriting company affiliates. All products may not be available in all states. This communication contains product summaries only. Coverage is subject to the language of the policies as actually issued. Surplus lines insurance sold only through licensed surplus lines producers. Chubb, 202 Hall's Mill Road, Whitehouse Station, NJ 08889-1600. Form 02-01-0915 (Ed. 06/22)