

Replacement Cost Case Studies

New York/New Jersey

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.

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 of rebuilding 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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Embers spark roof fire leading to total loss

When a fireplace ember landed on a wood shingle roof, a fire started, resulting in a total loss of a 6,500-square-foot home with high-end features such as a custom kitchen with Viking & Sub-Zero appliances, built-in cabinetry, smart home technology, multiple stone fireplaces/chimneys, cedar shingle siding and roofing, and a finished basement.

Valuation History:

- 2011: \$4,262,000 – Replacement Cost established (\$529/sq. ft. for living area)
- 2019: \$5,951,000 – Coverage at the time of the loss as a result of our CCAF (\$800/sq. ft. for living area)

Our claims team assessed the damage and determined the cost to rebuild the home was in line with the policy’s dwelling value. The dwelling value was sufficient because we conducted a home assessment in 2011 and applied our annual CCAF factors each year to help keep pace with rising construction costs, which outpaced market value appreciation over subsequent years.

After a large loss like this, clients often want to make significant changes to their home. Instead of rebuilding with “like, kind, and quality”, our clients were able to purchase the home of their dreams at a different location. That’s because our policies offer clients choice, with a cash out option up to the policy’s dwelling value.



Garage fire causes extensive smoke damage

When a fire occurred in the clients' garage, smoke also damaged the entire interior of the home, requiring a total gut renovation to the inside of the home. The exterior and overall structure, including siding, framing, foundation, and windows, were largely unaffected.

Valuation History:

- 2013: \$2,400,000 – Replacement Cost established (\$416/sq. ft. living area)
- 2020: \$3,300,000 – Coverage at the time of the loss (\$588/sq. ft. for living area)
- 2020: \$2,900,000 – Actual reconstruction cost

Market Value Indications:

- 2020: \$1,499,000 (Redfin)

Even though this fire loss affected the interior finishes and garage only, reconstruction costs consumed 88% of the dwelling value limit. Partial losses like these, involving reconstruction versus new construction, can be costly, as they pose challenges such as matching materials, lack of economies of scale, and client urgency.

Condo kitchen fire highlights high rise costs

A fire broke out in a city high rise condo/co-op kitchen which featured stone countertops, custom cabinetry, and GE and Wolf appliances. As a result of the fire, the kitchen required a complete renovation as well as repairs to other interior areas due to smoke damage.

Valuation History:

- 2017: \$2,580,000 – Replacement Cost established (\$970/sq. ft. living area)
- 2018: \$2,733,000 – Coverage at the time of the loss
- 2018: \$800,000 – Actual reconstruction cost (\$1,300/sq. ft. for 200 sq. ft. kitchen area)

Market Value Indications:

Unavailable

While this was only a partial loss, this example underscores how reconstruction can be costly due to challenges such as matching materials and craftsmanship, lack of economies of scale in both purchasing materials and labor, limited work hours in condo/co-op buildings, and client urgency.

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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. Facts may have been changed to protect privacy of the parties involved.

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