

# Replacement Cost Case Studies

## Mid-Atlantic 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.

### Historic home nearly destroyed when owner tries to melt ice buildup on roof

While attempting to remove roof ice with a torch, a fire started resulting in major damage to our clients' early 1900s, 5,000 square foot home including its ornate wood paneling and millwork, leaded and stained glass windows and custom kitchen and baths. Only the foundation and exterior brick walls were spared. Given the historic nature of the home, the cost to repair the residence used roughly 80% of the home's policy limits – including \$350,000 in upgrades to rebuild the home to current building codes. While you might think that reconstruction would be less costly than new construction, in cases like this, where the homeowner is faced with challenges such as matching materials, lack of economies of scale, and a sense of urgency, costs can skyrocket.

#### Valuation History\*:

- **2006:** \$2,728,000-Replacement Cost established (\$383/sq. ft. for living area)
- **2020:** \$5,086,000-Coverage at the time of the loss (\$710/sq. ft. for living area)
- **2021:** \$4,050,000-Reconstruction Costs

\*Construction Cost Adjustment Factor is applied annually

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.

Chubb. Insured.<sup>SM</sup>

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](http://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 02-01-0913 (Ed. 06/22)