

Replacement Cost Case Studies

Pacific 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.

Floor Staining Results in a Total Loss

A small renovation involved new stain on wood trim. When the stain materials were improperly disposed of, they caused a fire to ignite, resulting in a total loss to a 7,000 sq ft waterfront home with high-end finishes such as cathedral ceilings, cedar clad interior walls, custom fir flooring and floor-to-ceiling stone fireplaces.

Because we had conducted a home assessment in 2015 and applied our annual Construction Cost factors each year, the insurance coverage for the home kept pace with inflating construction costs. That meant that when the client experienced a loss, their Chubb insurance was there to cover their costs, providing the protection and peace of mind the client needed.

Valuation History*:

- **2015:** \$5,639,000— Replacement Cost established (\$900/sq. ft. for living area)
- **2020:** \$6,954,000— Coverage at the time of the loss (\$1,110/sq ft. for living area)
- **2020:** \$6,993,000— 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 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 02-01-0917 (Ed. 06/22)