

Replacement Cost Case Studies

Southeast 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.

Electrical cord sparks fire that destroys home's interior

When an electrical cord powering an appliance in a garage burst into flames, the fire consumed the whole garage and caused smoke and water damage throughout the house. The home's HVAC, electrical systems, part of the roof and exterior, and the entire interior were damaged, including custom built-in cabinetry, marble and terrazzo floors, and a custom kitchen with high-end appliances.

Even though the fire didn't affect the entire structure, reconstruction costs used 73% of the dwelling limit value. 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.

Valuation History:

- **2021:** \$1,430,000-Replacement Cost established (\$410/sq. ft. for living area)
- **2021:** \$1,040,000-Reconstruction Costs

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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