

Replacement Cost Case Study

New York

At Chubb, we know you've worked hard to turn your house into a home. That's why we complete a home assessment on properties we insure to help clients make sure they have enough coverage to repair, replace, or rebuild – including their homes' 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 and how replacement values can change over time.

City brownstone gutted by fire during renovation

In 2017, while undergoing an interior gut renovation, a brownstone already demolished down to the studs suffered a fire loss. This partial loss consisted of damage to four solid masonry walls (including the front and rear façades), structural framing (floor/roof joists), masonry fireplaces, windows, and roof.

It is important to note that this loss only impacted 25% of the structure's component materials.

Because the property was a historic city home, architect plans, engineer reports, and approval from local authorities were required before restorations could proceed. As the restoration commenced, costs of labor and material rose as they found masonry brick difficult to source, solid masonry required expert craftsmanship, and windows were landmarked. In cases like this, where materials need to be matched and expert labor is required, reconstruction can cost significantly more than new construction.

Costs to renovate after the fire:

- **2017:** At the time of the fire loss, the replacement cost of the home was determined to be \$9,000,000 (\$750/sq ft to restore 25% of the original building components), including architect, engineer, and other professional fees.
- **2023:** If a similar loss were to occur in 2023, with construction cost increases, the cost to renovate would rise to approximately \$1,100/sq ft to repair a portion of the home.

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. Replacement Cost is based on characteristics of the home, current and projected material and labor costs, architect, and contractor fees, and building code upgrades.