

Make Sure Your Chapter House is Properly Insured

House Corporations should make sure their properties are insured to a level which provides adequate funds to rebuild. There are typically two options:

Agreed Amount Coverage: The insurance company and the insured agree upon the stated value of the building. The policy will pay up to the agreed amount declared on the policy.

Blanket Coverage or Guaranteed Replacement Cost Coverage: This option pays the actual cost to rebuild a facility regardless of the building limit declared on the policy.

Guaranteed Replacement Coverage is rarely offered by insurance companies. The Fraternal Property Management Association's (FPMA) property insurance program, however, does offer Guaranteed Replacement Cost Coverage (GRC). A building location is provided Guaranteed Replacement Cost coverage if the building's limit is the greater of:

- \$175.00 per square foot, including basement square footage, or
- The current CoreLogic Building Valuation System* Reconstruction Cost on file at renewal.

**CoreLogic Building Valuation System is a software program designed to calculate estimated reconstruction costs based upon the location of a risk, the method of construction and quality of construction."*

Why is insuring with a program that offers blanket or Guaranteed Replacement Cost coverage critical?

EXAMPLE:

A chapter house was damaged by a tornado, requiring the house to be demolished and rebuilt. A recent replacement cost appraisal estimated the replacement cost to be \$1,305,400, but the actual cost to rebuild the facility approached \$3,000,000. Fortunately for the chapter, they participated in a program that offered them the peace of mind only a blanket policy or Guaranteed Replacement Cost protection can provide.

In another case, a chapter house was insured to a level meeting the agreed amount coverage, \$85/square foot of the CoreLogic Valuation. Unfortunately, the cost of replacing the building after a fire destroyed it was \$140/square foot. The chapter faced considerable debt or a significant capital campaign to rebuild. FPMA offers a solution to this problem by offering Guaranteed Replacement Cost coverage.

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