

Keeping insurance values up-to-date

AGRIBUSINESS – WE INSURE YOUR GROWING BUSINESSSM

Many businesses are not adequately insured at current values

- According to recent studies, an estimated 75 percent of commercial businesses are underinsured by an average of 40 percent or more.*
- Underinsurance can greatly impair, or even bankrupt a business trying to recover from a major loss.

Replacing yesterday's buildings, machinery and equipment at today's prices can be a challenge

- Buildings constructed just two years ago cannot be rebuilt at anywhere near the same cost.
- In today's market, equipment cannot be fairly replaced if insured at prior year's values.

You and your agent or broker should make sure that your protection is keeping pace with today's rapidly escalating construction costs. Travelers will work with you on this important issue.

We'd like to take a few minutes to discuss the importance of protecting your farm, ranch or winery and employees by keeping your insurance coverage up-to-date.

A quick insurance review

Let's start with some basics about how property insurance works. Insurance protects people and companies against major financial losses that occur because of damage or loss of property. Insurance companies determine premiums by taking into account the risks associated with the property, the amount of coverage needed to be fully protected, their past history and statistics that predict what percentage of businesses will suffer a loss or file a claim. The amount of property insurance coverage for a particular house, barn or other structure is based on the cost to rebuild and restore that property, not market value. Due to recent economic trends the cost to rebuild is often significantly higher than market value.

The rising cost of rebuilding

Recent years have illustrated the devastating impact of weather events that have occurred domestically and worldwide. Annually, the U.S. experiences billions of dollars in insured property losses due to these unprecedented and unexpected events. Experts predict that severe weather will likely continue.

In addition to destructive weather events, costs associated with buildings, machinery and equipment are skyrocketing. As communities here and abroad rebuild, the demand for building materials and labor has intensified, driving up prices. The replacement cost of machinery and equipment is also on the rise. Custom-made equipment can have unique costs.



For example, some require specialized metals, such as stainless steel, which has steadily risen in value.

All too often the stated replacement value of a building includes the equipment inside. Knowing the true value of your buildings, machinery and equipment and having them properly insured is essential!

Insurance-to-value (ITV)

Insurance-to-value is a critical element of any well-constructed insurance program. If you and your agent or broker keep values up-to-date, this can protect you financially by providing you with the coverage you need should a major loss occur.

Travelers has easy-to-use tools that will help you and your agent or broker address this issue. For more information about cost estimating tools for ITV and Business Income worksheets talk to your agent or broker.