How is reconstruction cost determined and why is it important to me (the customer)?

- In the event of a loss, wouldn’t you want the comfort of knowing that you have enough insurance to cover the rebuild costs?
- The cost to rebuild a home not only includes material and equipment costs, but also labor. Labor estimates take into consideration wages, fringe benefits and overhead for workers, such as medical costs, workers compensation, and federal and state taxes.
- Unforeseen costs (not in original plan) on the job site can quickly vary from the value you were quoted; reconstruction cost estimates take into consideration these average cost adjustments.

What are some differences between reconstruction and new construction?

- Labor skill levels
- Difference in economies of scale
- Access to the work sites
- Homeowner involvement
- Architect fees
- Demolition and debris removal
- Code compliance; building permit

What are some differences between reconstruction and market value?

- Insuring to market value/purchase price may not be enough to cover the expenses to rebuild your home, remove destroyed parts of your home, and preserve parts of your home that remain and/or discard debris.
- Reconstruction cost is not influenced by the selling price of a home, cost of land, desirability of location or number of homes for sale in an area.

How do I make insuring a home to value a personal experience for my customer?

To make it a personal experience for your customer(s), use examples such as:

- Recent CAT events
- Current and/or local news stories
- Claim scenarios

What value proposition does Travelers offer to our customers?

- Trusted insurance company
- Financially stable
- Assist in developing appropriate coverage
- Team of industry experts servicing your needs
- Exterior and/or interior assessments

Why is Marshall & Swift/Boeckh (MSB) a trusted source in determining reconstruction cost estimates?

- 70+ years in construction cost data analysis
- Monitors costs in 2,629 ZIP codes and updates tool quarterly
- Data includes over 100,000 line items of construction and over 90 labor trades
- Research independently collected by MSB staff from at least three data sources each month
- Costs are localized to 5-digit ZIP code level
How do I explain the influence of economic factors on reconstruction cost to my customer?

- Many of the economic factors impacting common goods (i.e., gas prices, supply and demand, medical benefits, etc.) also play a role in construction costs. Over the years these costs have steadily increased.
- Oil and petroleum costs have risen and many building materials like roofing shingles, plastics and even paints are made of these products.
- Common material cost increases (2013 statistics)
  - Drywall up 15.3%  - Insulation up 13.5%  - Plywood up 5.9%
  - Asphalt shingle up 2.2%  - Lumber up 8.3%

Reasons reconstruction cost estimates may vary.

- Total living area/square footage for insurance purposes is based on exterior perimeter measurements of the home and takes into consideration space for closets, stairwells, etc.
- Estimates may be calculated using different valuation tools.
- Different preference settings may be turned on or off (i.e., debris removal).
- Some tools derive input variables using differing methodologies (e.g., total living area, gross living area, finished floor area, etc.), which would naturally cause different outputs if the same property was entered into both systems.

Tips for discussing inspections.

- Remember to let clients know when an inspection will be ordered on their homes.
- Inspections may be ordered to confirm home characteristics, including other structures, estimate coverage amounts, identify potential hazards and recommend ways to mitigate possible loss.
- Customers will be contacted by a representative to set an appointment for interior inspections.
- Inspection companies use the MSB tool to calculate estimated reconstruction cost.

Why did the inspection return a different reconstruction cost?

- Did you use the Travelers MSB tool? Our inspectors use this tool to calculate replacement cost.
- Check total living area for accuracy; inspectors measure the exterior of the home.
- Compare the quality of kitchens and baths.
- Did you include all attached structures such as decks and porches?
- Is the garage(s) entered correctly?

When should I use “wings”?

- When there is an addition to the home that was built in a different year than the main structure.
- When a home has a truly unique floor plan or sections with significantly different styles of construction.