



Is Your Insurance Keeping Up With Rising Construction Costs?

An Affiliated FM client was surprised to learn, after a recent appraisal, the estimate to reconstruct a building was much higher than the original cost to build the facility less than three years ago. That client is not alone. In fact, it is estimated nearly three-quarters of commercial policyholders are under-insured by nearly 40 percent.

This statistic takes on particular significance when you consider the potential impact to your business. Does your organization have adequate insurance protection in the event of a total or partial loss to one of your properties?

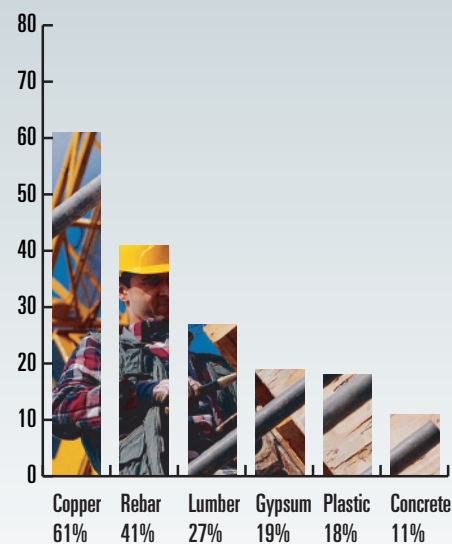
It costs more to build today than it did a year ago

The woes plaguing the construction industry have been well-documented in the media, including recently published articles in *The Wall Street Journal* and *The New York Times*. According to a recent survey published in *Engineering News-Record*, the price of steel has doubled since June 2003.

In fact, the cost of other materials also has increased dramatically in the past two years.

The chart below illustrates the annual increases in building materials:

Materials Cost Increases



Ensuring accurate values

These construction cost increases naturally drive up replacement-cost values, so it is important to understand the true replacement value of your facilities in the event you sustain a loss. To help you assess your values, our guidebook, *Ensuring Proper Protection of Your Company's Assets and Exposures*, is available at www.affiliatedfm.com/products_forms.asp. While there, also be sure to refer to the various reporting value worksheets available to assist you in establishing physical and business interruption values at each of your facilities.

We're here to help

Your broker/agent is available to work with you in answering your valuation questions and to assist you in obtaining an appraisal of your facilities if needed. Cost trending also is available each year to keep your reported real and personal property values at current replacement cost levels.

For more information about any of the tools available to help you ensure proper protection of your company's assets and exposures, contact your broker/agent or visit www.affiliatedfm.com.

