

Top 3 reasons to...



SUPPLEMENT YOUR INSURANCE CLAIM

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Do you have a repair or restoration project that has come about as a result of an insurance claim? Don't tie your hands and limit your future opportunities by not having a vision in place for the future of your building. This insurance project and how you handle it now could very well set the tone for all future renovation work.

You can supplement your insurance claim with money saved or with a loan to expand the project. This could dramatically improve on the renovation you're already planning. Here are 3 reasons why that might be a good idea:

1. Time is money: you are already going through the process of interviewing Architect, Engineers, and Contractors. It will be more efficient to spend that time once, for a proper and complete job, than to do it again in a few years when you decide to spruce things up, focus on curbside appeal, or getting ready for resale. Let those professionals know you might want to do a larger project, you will have the benefit of their talents in larger scale project planning.

This can deliver high value results by being more cost-effective in the long run.

2. Ease around construction: Say you need to move out during construction or need to modify your hours of operation for a period of time. Why not get the most value from the temporary move or change, and upgrade your interior—colors, lighting, cabinetry, fixtures—at the same time? You will add value to your space and will benefit from the refreshed interior when you return. Or, you can take this opportunity to add value to your space by boosting exterior curb appeal—façade recladding, reroofing, landscaping—by spending a little more on your renovation.

3. Master planning: you might not want to do the whole renovation now, but by planning it out ahead of time with a professional, you can anticipate what future costs might be. The work can often be phased over a period of months or years, in step with your desired

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spending. And you can be assured that the whole design is well-coordinated, because it will have been designed all at the same time and by the same architects and engineers.

Now you can be savvy by supplementing your own funds into an insurance claim repair and adding value to your space. Whether you are planning to move or to stay long-term, this added value will benefit you and others for years to come.

Instead of taking direction from your insurance company's recommended contractor and restoring the space back to its original form, you may want to consider your options. Seek out a professional who specializes in renovation work. This will allow you to maximize your claim and turn a negative into a positive by allowing you to take advantage of the opportunity to make upgrades that can save and make you money. This will also set the tone for future renovation work.

Rather than simply restoring to the minimum standards that insurance will pay out, take the opportunity to upgrade lighting fixtures, equipment and insulation, as well as to modernize your interior space. These small upgrades can also help to reduce the building's overall energy consumption and make it more attractive to residents or tenants resulting in greater income for the owner. These small upgrades can help to maximize your return on investment.

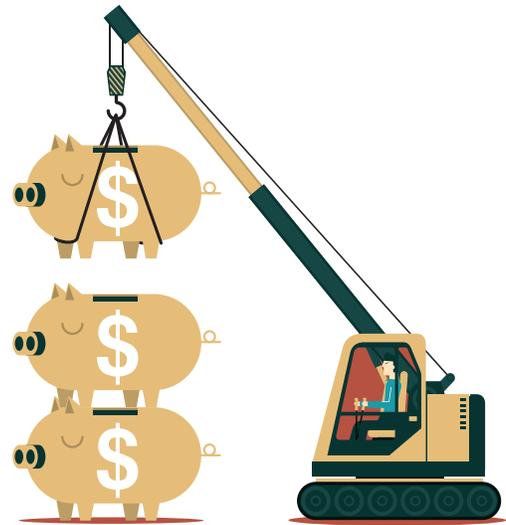
Where the Insurance Comes In

Depending on what type of insurance your community has in place will result in how much you are going to receive. For simplicity let's go with one of the most common coverages and assume that your property has "Single Entity" coverage. This means that the buildings including the units will be replaced back to the original plans and specifications at the time the buildings were initially constructed.

Now let's say that your community has suffered a loss and insurance is going to pay for the damage to be repaired. The insurance carrier is going to give you an allowance for the replacement of damaged portions of the building and units with "new for old, with like kind and quality"

For example, if the hallways in your building had hardwood floors, the insurance is going to pay to replace the damaged

hardwood floors with new hardwood floors. However, if there was carpeting in the hallways and you would like to upgrade to hardwood, the insurance is still only going to pay to replace the carpeting. The insurance money received to replace the carpeting can be supplemented with your own funds for the upgraded material (hardwood).



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Another example: There is a fire in the clubhouse and the kitchen area is destroyed. It was the original kitchen from 20 years ago. The community would prefer to take this opportunity to update with a better-quality cabinet and granite countertops. The insurance is still only going to pay you to replace the cabinets and countertops as they were. However, you can supplement the insurance money that you receive and upgrade to the newer items at your own expense.

Since some of the expenses are already being included in your claim payment from the insurance it may benefit you to consider upgrading now. It pays to think ahead and to involve the architecture and engineering professionals who can help you make high-value choices that will elevate your quality of living and return on investment. ■