



Data-Driven Decisions for Asset and Risk Management

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MUNICIPAL INSURANCE ASSOCIATION
OF BRITISH COLUMBIA



SUNCORP
VALUATIONS



What are the Insurance Considerations around Capital Asset Planning?



Insurance for Capital Assets

What are the considerations that need to be made for insuring capital assets?

1. It Impacts Premiums You Pay.
2. Re-Insurance is a consideration.
3. Claims Settlement.



WHAT IS THE RISK OF UNDERINSURANCE?

Co-insurance Example:

Building Value: \$1,000,000

Co-insurance Requirement: 90%

Required Amount of Insurance: \$900,000

Actual Amount of Insurance: \$600,000

Amount of Loss: \$300,000

Amount of Insurance (\$600,000) / Required Insurance (\$900,000) = 66%

66% x Amount of Loss (\$300,000) = \$200,000

Total Payout for a \$300,000 Loss is \$200,000: Coinsurance Penalty = \$100,000



Role of Appraisals in Managing Risk



Role of Insurance Appraisal

- 1) Financial Component- Capital Planning/Insurable Value
- 2) Eyes on the Prize
- 3) Considers Inherited Assets
- 4) Includes Details on the Property



WHAT IS AN INSURANCE VALUATION?



WHAT IS IMPORTANT?

- A valuation can include **many types of property** (buildings, machinery & equipment, site improvements, rolling stock, inventory)
- Performed by **Qualified Accredited Valuers**
- It complies to strict standards set and regulated by **National or International Appraisal Societies**



WHY HAVE AN INSURANCE VALUATION?

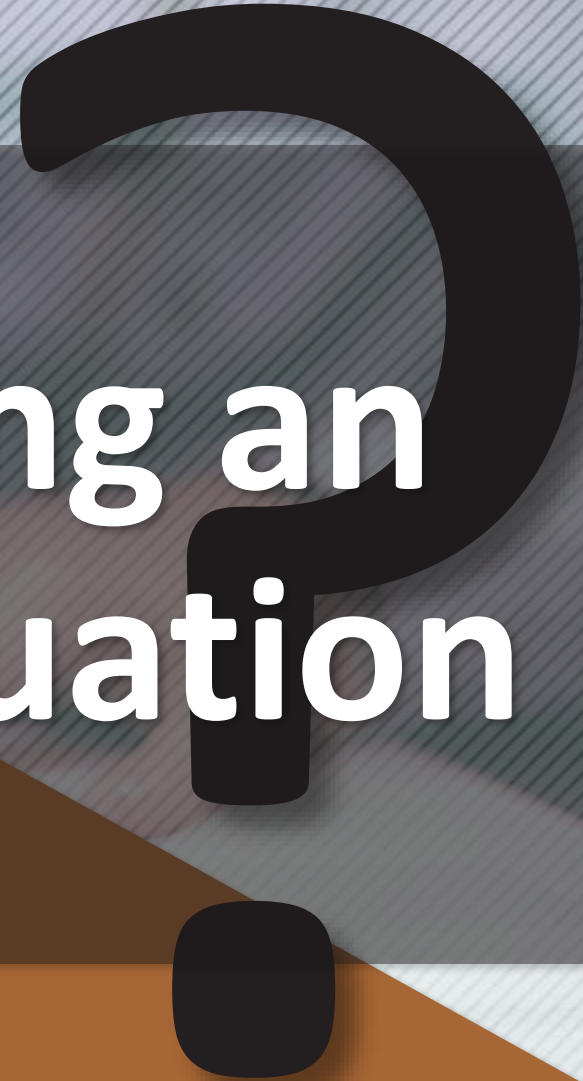


WHY HAVE AN INSURANCE VALUATION?

- Potential insurer requirement
- May adjust terms of insurance: Margin Clauses or Sublimits
- Credible underwriting information
- Potential legislative requirement
- Ease of Claim Settlement
- **Peace of mind for the Client on accuracy of numbers**

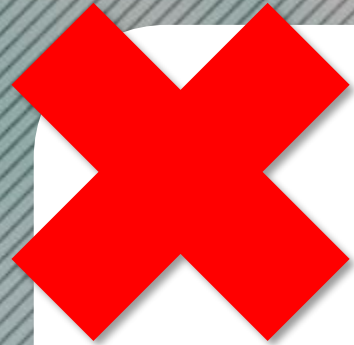


Understanding an Insurance Valuation



1.

ESTABLISH CORRECT PREMISE OF VALUE



- Historical Cost
- Net Book Value
- Market Value
- Allocated Purchase Price
- Liquidation Value



- Replacement Cost New
- Cost of Reproduction New
- Cost of Reproduction New Less Depreciation (Actual Cash Value)



1.

ESTABLISH CORRECT PREMISE OF VALUE

Assume we have a 10-year-old riding forklift truck
5,000 lb. capacity in good condition...



Original Cost:	\$25,000
Net Book Value:	\$8,300
Fair Market Value:	\$10,000
Orderly Liquidation:	\$5,000
Replacement Cost:	\$32,000
Actual Cash Value:	\$15,000
Scrap Value:	\$800



2.

DETERMINE APPRAISAL INCLUSIONS



Buildings



**Site
Improvements**



**Other
Infrastructure**



**Improvements &
Betterments**

2.

DETERMINE APPRAISAL INCLUSIONS



**Machinery
& Equipment**



**Furnishings
& Equipment**



**Mobile
Equipment**



**Computer
Hardware**

2.

DETERMINE APPRAISAL INCLUSIONS



**Raw
Materials**



**Goods in
Progress**



**Finished
Goods**



**Supplies &
Consumables**

3.

SITE INSPECTION

For Buildings & Infrastructure

- Health & Safety Requirements
- Obtain & Review “As-Built” architectural drawings
- Record pertinent architectural features of building construction
- Determine specifications of building systems
- Assess age and condition for ACV
- Photograph buildings (if authorization received)
- Review Site Improvements



3.

SITE INSPECTION

For Machinery & Equipment

- Inventory assets by location, building and cost center and/or dollar cut off, \$25K, \$50K, \$100K
- Record Manufacturer, Model Number, Capacity and Specialty Features
- Note age and condition (for ACV)
- Review Property Records



4.

DEVELOP INSURABLE VALUES

Buildings & Infrastructure

- Develop CRN or ACV using reliable costing sources:



- Employ valuation approach to suit the building under appraisal:
 - Segregated Cost Method
 - Model-Based Method



4.

DEVELOP INSURABLE VALUES

Insurance Valuations May Include Items Such as:

- Demolition and Debris Allowances
- Building Codes and Bylaws



4.

DEVELOP INSURABLE VALUES

Machinery & Equipment

- Give consideration to other applicable costs:
 - Freight
 - Engineering/Design
 - Installation including foundations, controls, piping and electrical connections
 - Start-up and Testing
 - Taxes



5.

REPORT REVIEW



Appraisal Institute of Canada
Institut canadien des évaluateurs



6. REPORT DELIVERY

- Report complies to the Uniform Standards of Professional Appraisal Practice (USPAP) or Canadian Uniform Standard of Professional Appraisal Practice (CUSPAP)
- Deliverables provided to client in electronic format
- Support data for appraisal is retained on file up to seven years
- **Supplemental information can be provided to client, upon request**



QUESTIONS?



THANK YOU!



Contact Us

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