

Do you know if your company is properly insured and your premiums are adequate to cover your risk?

Considering the fact that premiums on some real and personal property insurance policies have increased, on average, between 20% and 100% in the past few years, this is a question which is very relevant and critical today.

Despite charging higher premiums, some companies are also reducing certain coverages and increasing deductibles.

Additionally, many policies are now specifying or enforcing specific location limits, regardless of their overall blanket coverage.

As a result of these recent changes in the insurance industry, it is important to make certain that the insurable values stated in your real and personal property insurance policies are accurate and well documented for each major location.

If a location is over insured, you may be paying excessive premiums. On the other hand, if the location is under insured, you may be taking the risk of not recovering sufficient capital to rebuild in the event of a loss.



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Valuation and Asset
Management
Professionals

PROPERTY INSURANCE

RISK OR REWARD



Who is Valcon Partners, Ltd?



Valcon Partners Ltd. is a valuation and consulting firm based in the Chicago area. Valcon Partners' founder, Douglas R. Krieser, ASA has over 17 years of valuation and asset consulting experience including over four years at

a "Big Five" accounting firm

where he managed their Central Region Machinery and Equipment Practice and over two years at a full service valuation firm where he was the Director in Charge of the Machinery and Equipment Consulting Practice.

Whether the project requires the valuation of a single machine, the worldwide holdings of your corporation, or tagging and reconciling thousands of assets, Valcon Partners, Ltd. has the expertise and resources to complete the project in a timely and efficient manner.

Our goal is to be more than simply a provider of appraisal services. We want to become a trusted adviser who can be called upon to consult on a variety of valuation and asset-related issues. A trusted advisor communicates on a regular basis to eliminate surprises and works closely with you to come up with a variety of potential solutions to any given issue.

If you have any questions about the subject matter in this brochure, or would like to discuss a particular situation, please call Douglas directly at (815) 337-8060 or e-mail him at dougk@valconpartners.com.

What Caused the Increase in Premiums and Costs?

Many believe the terrorist attacks of September 11 are at the root of the increasing insurance premiums and costs. The combined events of that day are one of the largest insurance disasters in U.S. history and their effects are still being felt years later.

According to the Insurance Information Institute and other sources, insurance companies' total losses were just under \$30 billion. Another large disaster in recent history was Hurricane Andrew in 1992, which resulted in a loss of \$19.6 billion.

Most recently, the insurance losses attributable to Hurricane Katrina are estimated to be in excess of \$30 Billion.

These losses drained the reserves of most of the major insurance carriers. The increased premiums are necessary to replenish those reserves.

A Lesson in Documentation

Hurricane Katrina also has brought to the forefront the need for current and well documented listings of assets. Vast areas in Louisiana and Mississippi have been essentially laid flat by the wind and waves of the hurricane.

How are the businesses in the affected areas going to prove to their insurance carrier what major assets they had on site at the time of the loss? Most of the equipment has been scattered over a wide area and most, if not all of the records regarding that equipment have been destroyed.

If you were in that situation, how could you document your loss?

This is almost impossible without proper documentation such as a detailed appraisal.

The Appraisal Solution

The best way to assure proper coverage at the location level is to obtain an appraisal. An insurance appraisal accurately answers the following questions:

- 1) **What is the true value of the assets at my company?** A current appraisal is the only true way to assure that you have up to date replacement costs for all of the major assets at your company.
- 2) **What is my true maximum potential loss?** A properly performed appraisal will identify the maximum potential loss associated with each major building on a site. An appraisal may also assist in uncovering the "invisible" risks such as un-reported customer owned tooling, leased assets, collectibles and antiques, and other items which may be your responsibility to insure but which may not have been previously identified for a variety of reasons.
- 3) **What are the major assets at each location?** A detailed appraisal will document all of the major assets within each building. A well documented appraisal can become an invaluable tool if there is ever a loss. A properly updated appraisal (reflecting additions and deletions on a regular basis) can be used as part of the "proof of loss" data provided to the insurance company in the case a loss occurs. It will make the adjuster's job much easier and should lead to smoother negotiations, and more accurate payments at the time of a loss.

An appraisal is an excellent way to set a "base line" from which to move forward over a period of five to ten years (with proper adjustments and updating along the way). After a period of five to ten years (depending on the business and industry), a new appraisal should be performed and the "base line" re-set.