

**MANY  
BUSINESSES  
ARE NOT  
ADEQUATELY  
INSURED AT  
CURRENT VALUES**

- According to recent studies, an estimated 70 percent of commercial businesses are underinsured by as much as 40 percent.
- Underinsurance can greatly impair, or even bankrupt, a business trying to recover from a major loss.

**IT'S IMPOSSIBLE  
TO REBUILD  
YESTERDAY'S  
BUILDINGS AT  
TODAY'S PRICES**

- Buildings constructed just two years ago cannot be rebuilt at anywhere near the same cost.
- You and your agent or broker should make sure that your protection is keeping pace with today's rapidly escalating construction costs. Travelers will work with you on this important issue.



*The cost of building materials has escalated so rapidly over the past few years that many commercial properties cannot possibly be reconstructed for the values stated on their insurance policies. Agents and their insureds should regularly update values to account for higher construction costs. This is a critical element toward ensuring that there is adequate coverage should a major loss occur.*

**WORLDWIDE DEMAND SURGE**

Even before the devastation of hurricanes Katrina, Rita and Wilma, construction costs had been rising significantly higher than the overall rate of inflation. Building material prices have skyrocketed in recent years as the result of a worldwide demand surge related to:

- Rebuilding a Tsunami-ravaged Southeast Asia
- Massive projects in China to construct the Three Gorges Dam and build eight new cities the size of Indianapolis – China currently consumes a *third* of the world's building materials.
- An unprecedented demand for new housing and commercial construction in the U.S. due to historically low mortgage rates

**THE RISING COST OF REBUILDING**

When demand exceeds supply, prices go up. In this case... way up. In a single six-month period during 2004 the price of steel rose 66% – largely due to demand from China. The cost of lumber, copper, drywall, plywood and diesel fuel have all followed suit.

Examples of building material cost inflation for the 12-months between fourth quarter 2005 and fourth quarter 2006 include:

- |                            |                         |
|----------------------------|-------------------------|
| ○ Copper pipe + 124.4%     | ○ Drywall + 26.3%       |
| ○ Copper wire + 125.8%     | ○ Ready-mix + 10.3%     |
| ○ Structural steel + 13.5% | ○ Concrete block + 8.1% |

**INSURANCE-TO-VALUE (ITV)**

Insurance-to-value is a critical element of any well-constructed property insurance program. If you and your agent or broker keep values up-to-date, this can protect your business by providing more and better coverage should a major loss occur.

Travelers has easy-to-use tools that will help you and your agent or broker address this issue. For more information about our ITV and Business Income worksheets talk to your agent or broker and have them get in touch with your Travelers account executive.

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