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Please email all articles, letters to the editor, subscription inquiries etc. to thechronicles@shaw.ca



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1. RESIDENTIAL QUALITY COMPARISON

Ron Wilkes, Integral Property Loss Consultants

EXTERIOR

Quality	Low	Fair	Average	Good	Very Good	Excellent
Size (S.F.F.A.)	400 - 4,000	600 - 4,000	3,200 - 5,600	800 - 6,000	1,600 - 6,400	1,600 - 8,000
Style	1 storey 2 storey	1 storey 1 ½ storey 2 storey Bi-level Split/Tri-level		1 storey 1 ½ storey 2 storey 2 ½ storey Bi-level Split/Tri-level		1 storey 1 ½ storey 2 storey 2 ½ storey Split Level
Shape	Approximately Square	Rectangular or Slightly Irregular		Long Rectangle or Irregular		Very Irregular
Roof Cover	Tar & Gravel Composite Shingles			Wood Shingles	Wood Shakes	Concrete or Clay Tile
Roof Design	Flat or Cottage / Gable			Hip / Valley		Custom
Roof Slope	None / Slight		Low	Moderate		Steep
Sky or Sun lights	None		Sun / Sky Single	Sky Bank		Sky Transom
Roof Dormers	None		Shed	Hip or Gable		
Roof Decks	None		Balcony	Decks		
Chaises	None		Single	Double		Triple
Flues	Vent		Prefab		Liner	

Exterior Wall Cover	Plywood / Hardwood Metal / Vinyl Siding Concrete Block Stucco Wood Shingles Poured Concrete			Stucco on Block Wood Siding Synthetic Plaster Rustic Log Masonry Veneer Common Brick		
Wall Thickness	4 "			6 " Plus		
Eaves	None	Minimal (6")	Adequate (18 ")	Moderate (30 ")		Ample (30 " +)
Exterior Trim	None	Minimal	Moderate	Good	Well Designed	Custom
Fenestration	None	Minimal	Moderate	Good	Well Designed	Custom
Sash	Minimal		Moderate	Good	Well Designed	Custom
Window Features	None			Bars	Awnings	Roll Shutters
Wall Features	None	Wood	Brick	Stone / Glass	Granite	Marble

INTERIOR

Quality	Low	Fair	Average	Good	Very Good	Excellent
Ceiling Cover	Paint Wall Paper		Paneling Soft Wood Acoustical	Ceramic Hard Wood Marble Glass / Mirror Wall Covering		
Ceiling Style	Flat		Cathedral		Vaulted	
Ceiling Height	8 '				9 '	10 '
Ceiling Features	None	Border	Texture	Stencil / Sponge Mouldings	Beams	Cove / Coffered
Wall Cover	Paint Wallpaper Paneling		Acoustical Ceramic Soft Wood	Glass / Mirror Hard Wood Wall Covering		Marble Granite
Wall Features	None	Border	Mirror	Glass Blocks Texture Wainscoting		Pillars Stud Shelves Built-In Carpentry
Floor Cover	Carpet Composite Tile / Sheet		Hard Wood Ceramic Tile	Vinyl Tile / Sheet Terrazzo / Quarry Tile Resilient		Marble / Granite
Floor Features	None	Baseboards	Borders Resilient Traffic	Raised / Sunken Designer		Marble / Granite Entry / Bath
Entry Doors	Single	Single	Single 1 Side Lite	Single 2 Side Lites	Double	Double 2 Side Lites
Entry Door Quality	Economy		Standard			Custom
Entry Door Hardware	Economy		Standard			Custom

Sliding Entry Doors	None		Aluminum			Wood
Interior Door Type	Slab		Sliding Bi fold Accordion	French		Custom
Interior Door Style	Plain		Raised Panel	Louvered Mirrored	Glazed	Stenciled
Interior Door Quality	Economy		Standard			Custom
Interior Door Hardware	Economy		Standard			Custom
Amount of Closets	Minimal		Adequate		Ample	
Design of Closets	Coat Clothes Linen		Staircase Storage		Shoe	
Size of Closets	Single		Double	Triple	Wardrobe Walk-in	Room
Closet Features	None			Organizer	Built-Ins	His / Her
Window Features	None		Mullions	Stained Glass Leaded Glass	Beveled Glass Seats	Etched Glass
Stairs (If Applicable)	Standard			Hard Wood	Custom Tile / Stone	Custom Marble / Granite
Cabinetry	Paint Grade	Vinyl Veneer	Prefinished Laminated Plastic Wood Veneer	Enamel	Solid Plastic	Wood
Cabinet Amounts	Minimal		Adequate		Ample	
Cabinet Quality	Economy		Standard			Custom
Cabinet Styles	Base Wall		Pantry Vanity	Peninsula	Desk Island Shelving	
Counter Tops	Butt - Edge Laminated		Cove Top Laminated	Ceramic	Solid Plastic	Marble / Granite
Plumbing Fixtures	5	6	8	11	14	17
Fixture Quality	Economy		Average	Good		Custom
Faucet Quality	Economy		Average	Good		Custom
Surround	Plastic		Ceramic	Glass / Mirror		Marble / Granite

Lighting	Economy		Ceiling Fan Standard Sunshine	Cabinet Chandelier Indirect Luminous Pot		Antique Custom Score
Outlets	Minimal		Moderate	Adequate		Ample
Built-In Appliances	2	4	5	7	10	14
Heating System	Space	Electric	F.A.F.	Baseboards		Radiant
Fireplaces	None		1	2	3	4

It is recommended that a professional insurance appraiser evaluate the residence once the residence's size exceeds 4,000 square feet of finished floor area, or the quality of the residence changes from good to very good or better.

A professional insurance appraiser should be retained to evaluate the higher design qualities such as

- High Value Class 1
- High Value Class 2
- High Value Class 3
- High Value Class 4
- High Value Class 5
- High Value Class 6

It is not uncommon for an architect or home designer to add features from a higher quality of residence into a lower quality of residence such as French doors in an average quality home.

This comparison is designed to assist you in assessing the quality of the residence in order to make an informed decision regarding the value of the home.

Programmed based estimating systems such as the RCT Marshall Swift / Boeckh programs do work very well for residences less than 4,000 square feet of finished floor area and quality of residences that fall with in the low, fair, average, and good quality ranges.

Residences that fall under the National Building Code which specifies “**minimum code requirements**” are average quality and up. Fair quality is residences that followed the building code at the time of construction but no longer are within the National Building Code. Low quality residences are residences constructed without following building code guidelines, permits or inspections.

Editors Note: *The original article is attached for your records for those who want it because some monitors and computers will not receive the complete article width.*

2. BUILDING VALUES & BY-LAWS

Ron Wilkes, Integral Property Loss Consultants

For insurance purposes there are two methods of providing building values including bylaws.

GRC or RCT VALUES

This approach considers the type of design of the building of which there are over 200; the type of construction of the building of which there are 5; the quality of construction of which there are up to 12; and adjustments for finishes and features. This approach would normally take an appraiser between 5 – 10 hours to complete depending upon the complexity of the building. This is the approach commonly considered by an underwriter strictly because of the cost of the appraisal and would be performed before a loss occurs.

LOSS VALUES

This approach details the building components, with emphasis on other factors that affect the cost to rebuild such as location, terrain, height, etc. The quality of the components would also reflect the value of that component. This approach would normally take an appraiser between 10 – 20 hours to complete depending upon the complexity of the building. This is the approach commonly considered by an adjuster whereas after a loss the cost of the appraisal does not seem to become a consideration.

CODE UPGRADES

When a GRC or RCT appraisal is performed, code upgrades required at the time that the appraisal is performed are always included because current cost factors at that period in time are taken into consideration when the appraisal is completed.

When a LOSS appraisal is completed only the actual physical building components that were visible and damaged at the of the site survey are considered as part of the appraisal.

BYLAW REQUIREMENT

When a GRC or RCT appraisal is performed, bylaw requirements are not taken into consideration at the time the appraisal is performed. They can be added at the time in the form of a percentage of the appraised value or if the underwriter, broker, or insured knows what the bylaw requirements are they can be added individually.

Bylaws are not taken into consideration as part of a LOSS appraisal unless instructed by the adjuster to include them. If they are to be included the appraiser is instructed as to what to include or how to find out what to include by the adjuster.

BUILDING AGE

The actual building age or the updated building age plays an important part in the appraisal process because over the year's major changes had occurred to the building code in 1941, 1960, 1979, and 1998 which greatly affect the value of a building.

DETERMINING APPRAISED VALUES

For example

BUILDING DESCRIPTION

DESIGN GROUP:	Dwellings, Multiples, Motel
OCCUPANCY DESIGN:	Multiple Residences (352)
BUILDING CLASS:	D
BUILDING QUALITY:	Average
EXTERIOR FINISH:	Roof: Composite, Flat Walls: Stucco
INTERIOR FINISH:	Ceiling: Textured Drywall Walls: Painted Walls Floors: Carpet, Lino Millwork: Painted Composite
PLUMBING:	Standard Fixtures
HEATING:	Electric Baseboards
ELECTRICAL:	Standard Fixtures
STORIES:	Number: 4 Height: 8
AGE:	30 years
CONDITION:	Average
REGION:	Western
CLIMATE:	Moderate

LOGISTICS AFFECTING COMPUTATION

Ceiling Height:	1.000	High Wind Areas:	1.000
Building Shape:	1.000	Weather Extremes:	1.000
Basement:	1.000	Congested Areas:	1.200
Building Height:	1.000	Resort Areas:	1.000
Building Size:	1.000	Remote Areas:	1.000
Hillside Location:	1.000	Current Cost:	1.090
Shortages:	1.000	Location:	1.320

This describes standard strata in Vancouver and for simplicity sake let's say the GRC or RCT Replacement Cost works out to be \$ 1,000,000, while the ACV or Actual Cash Value is \$ 560,000, appraised in 2004.

What would the building be appraised for in 1974?

Marshall and Swift provide multipliers for this purpose. These multipliers give a comparative cost value for the year it was built all the way up to today's value so an appraiser can give you a value when it was new to a value for 1984 if you so desire. In this particular case the GRC or RCT Replacement Cost would be \$ 228,990 when it was originally built.

So, how is the increase in value arrived at?

The value in 2004 takes into consideration all code changes (remember there has been 2 major code changes since the building was built), and inflation to the tune of \$ 771,000.

How would an appraiser determine blanket bylaw values?

Coupled with bylaws is code upgrades. Code upgrades would automatically be considered as requirements in order to provide the bylaw improvements required by the municipality. In this particular case knowing that there has been two major code changes, the appraiser would decrease the quality of construction each time so the average quality when constructed to fair quality for the 1998 code change, then to low quality for the 1979 code change. This would produce a difference of 36.5 % or \$ 365,000 in the cost of construction to the whole building.

If no major code changes had occurred, then the appraiser would probably take a flat 5 – 15 % of the building value as a blanket bylaw value. This would be a judgment decision of the appraiser.

The cost to determine blanket bylaw values by an appraiser would be in the range of an additional 2.5 hours to 8 hours depending upon the complexity of the building.

How would an appraiser determine specific bylaw values?

The appraiser would have to attend the municipality in order to obtain a copy of the current bylaw requirements, revisit the site, determine which of the bylaws apply, then establish a value for each bylaw required.

The cost to determine specific bylaw values by an appraiser would be in the range of 1 to 4 days of extra work depending on the complexity of the building, location of the municipality, and the location of the risk.

PARTIAL LOSSES

Usually the code upgrade requirements only pertain to the actual damaged portion of the building but the bylaw coverage can affect the whole building. So in summary of the example given what do all these values mean?

\$ 228,990 is the RCV value at time of construction.
\$ 1,000,000 is the RCV value today.

- \$ 771,000 is the inflationary value since the building was built of which
- \$ 365,000 accounts for the bylaw and code upgrade value
- \$ 406,000 would account for the increased cost of construction

For example, if 25 % of the building suffered fire damage, only that portion of the building that is being reconstructed would be subject to code upgrades in construction, while the entire building may be subject to bylaw upgrades depending upon the severity of the loss, the municipality it occurred in, and the amount of structural damage.

THE COST OF APPRAISALS

Generally speaking, in comparison to Real Estate Appraisals that will range between \$ 200.00 and \$ 500.00, the Insurance Appraisal will cost between \$ 375.00 and \$ 1,500.00. Bylaw Appraisals will **add** between \$ 175.00 and \$ 2,400.00 to the preceding costs. The average appraisal costs between \$ 600.00 to \$ 1,000.00 today for a home between 5,000 and 10,000 square feet of finished floor area located on the Lower Mainland.

If you are paying any less then you are not achieving your desired results which could result in a GRC policy being underrated by the underwriter. All too often, when we are asked to complete a loss appraisal for a GRC policy, we find that an appraisal had been recently completed and it stated that it was an insurance appraisal when in fact it really was a market appraisal.

These fees would apply to custom built buildings, and not buildings that are tract type of construction where the buildings are built on speculation that they will be sold after they are built. Today most buildings are built for a pre approved buyer.

Tract type construction which started in the late forties, carried on into the seventies died out in the eighties. These types of buildings could and would be appraised en mass using valuation systems by Boeckh or a program that is similar. These systems did not require an appraiser to value the building but a fairly accurate value could be reached by simply asking and filling out a pre determined questionnaire by a broker. The cost of these appraisals was relatively inexpensive.

SUMMARY

Today in this modern age, technology should be making appraisals easier and more economical to perform, whereas it has the opposite effect. The building owner can now upgrade his existing property or construct a new building with a variety of features that would never have been considered in the construction of those building years ago. Today there is just too much variation and couple that with the ever changing bylaw requirements in municipalities every appraisal becomes an undertaking.

For the broker, it becomes a challenge to serve his clients well, especially with underwriters now asking for more information regarding bylaws that result in an undertaking for the insured to deliver.

3. WE LEAVE YOU WITH THIS THOUGHT

“Time doesn’t change things. You change yourself over time.”

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