

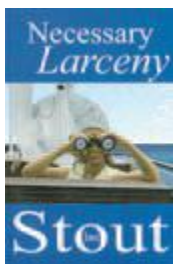


NEWSLETTER

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MARCH, 2008

NECESSARY LARCENY



It's a Hit!



"Ian Stout's debut novel, *Necessary Larceny*, should be on your 2008 reading list if a "feel-good-with-a sharp-shot-of-reality" story appeals to you. It grabbed my interest and didn't let go." as reviewed on Saturday, January 26th, 2008, by Don Graves, literary critic in *The Hamilton Spectator* of the Torstar Corporation which owns a series of newspapers in Canada including the *Toronto Star*. Michael B. Davie, author, *The Late Man*, publisher Manor House Publishing writes "Conned out of millions of dollars by slick fraud artists, the senior citizen victims are left impoverished and are too embarrassed to report the crime for fear younger relatives will deem them incompetent and remove what little control they still have over their lives. Then, a hero emerges with a plan, a sting operation is launched to recover the stolen funds and the *Necessary Larceny* adventure begins.

Witty, heartwarming and intriguing, *Necessary Larceny* establishes Ian Stout as an important literary find, placing him firmly in the ranks of Canada's finest story-tellers. Stout writes about the seniors populating his novel with great warmth and affection: We feel their losses, rejoice in their victories and share their invigorating sense of achievement and accomplishment in a society that for the most part considers seniors irrelevant.

Without ever resorting to preaching, Stout examines the plight of far too many elderly who exist in a state of limbo between irrelevance and death, who cope with constant loss and try to find meaning in a society blind to their value. The elderly are often victims of scams, many of which go unreported, though the statistics concerning reported crimes are truly alarming. Stout also explores Native poverty and the mindset of those who barely eke out an existence. One of the most inspiring novels I've read in some time."

"Ian has an uncanny ability to interweave subtle points into the plot as the story builds up momentum in each chapter. Every few pages there appears a new twist and by the time you are two thirds the way through the book you cannot put it down because you want to know what is going to happen next. As your editor states, you are an important literary find and we await your next novel." as reviewed by Ron Wilkes on Chapters/Indigo Book website.

WHY THE RISING COST FOR INSURANCE APPRAISALS

For some of you it was so simple back in the seventies, the Insurance Bureau of Canada produced a booklet for a quick evaluation for either commercial or residential buildings, but today it has become so complex with the introduction of software programs that do the same thing but only better.

But these programs have not been working in a lot of areas over the years which has now been confirmed by Klaas Westera, of Marshall & Swift/Boeckh in the August 2006 issue of the Canadian Underwriter because the tract type construction for residential has more or less disappeared with builders no longer building on spec but building individually as they receive an order for one of their homes and it still stands true today.

True they do use common blueprints; however, because of the custom nature of this type of construction their clients are usually making serious changes to the original plan for layout, features, and finishes. Couple this with the booming renovation sector it has resulted in the usual tract type evaluations are no longer accurate.

With the commercial sector, original building occupancy designs have been modified and converted drastically over the years with upgrading, additions, design use changes that commercial buildings now require an actual visit by a qualified appraiser.

Although most appraisal firms offer insurance appraisals, they present these types of appraisals in a real estate, or new construction format. A true insurance appraisal is presented in either an underwriting format or claims format, and the appraisal will state so. Why does this make a difference?

The insurance appraisal in a real estate or new construction format will be completed and show a limit based upon Reproduction Cost New (RCN) which in the event of a total loss has the probability of falling short of providing sufficient funds in order to insure to value. Although total losses do

occur, they are not the norm. Usually part of the building is left, whether it is just the foundation or the majority of the structure, and in restoring the building the contractor is actually retrofitting to existing structures, features, and finishes and is also protecting existing construction. Therefore the valuation limit required to be insured to value is Replacement Cost Reproduction (RCR) or also referred to as Reproduction Cost Retrofit (RCR). They both have the same formula to translate for the same value. The forerunner to this method of valuation was known as *Guaranteed Replacement Cost (GRC)*.

The ARRN had maintained their fee structure for mobilization up until now, but with the 2010 Winter Olympic Games coming coupled with the new construction boom, adjustments had to be made due to increased transportation costs, delays in travel time affected by congestion, gridlock, and construction, etc. Even the valley is becoming affected by the increased volume of traffic and density.

The cost of for residential building insurance appraisal can now range from \$ 650 - \$ 825 depending upon the method of appraisal used and the firm that was retained. The appraisal firms usually used by an owner will specialize in a type of appraisal such as mortgage, real estate, income, estate, loss or damage. The type of appraisal firm should be a loss or damage specialist.

A loss or damage appraisal firm will specialize in claims and underwriting appraisal services, and they will be at the high end of the scale for the residential insurance appraisal. However, their fees will not fluctuate with the size or type of occupancy whether it is agriculture, commercial, industrial, institutional, or residential. They will fluctuate according to location as these types of appraisals are completed on an individual bases. There are discounts available for same manual location, schedules of locations and volume.

A site survey is completed of the building at which time finishes, features, sizes, footprints, and photos are taken and recorded. Depending upon the format either underwriting or claims (loss or damage) and/or the extent of a loss, the site survey may involve more than one appraiser on site. A site survey can take up to 4 hours on site. The weighted average is 1 $\frac{1}{2}$ hours.

Traveling time to and from the office to the site is also taken into consideration. It is at a reduced rate. The rest of the process is in the office.

The first step is that the photos are downloaded, refocused, resized to suit report, and inserted into report. The number of photos can range from 10 - 200 depending upon the risk. This step can take up to four hours. The weighted average is 1 hour.

The next step is that the footprints are drawn for the report. A footprints that are drawn are layout, main floor, upper floor(s) {individually}, and basement. This can take up to four hours. The weighted average is 1 $\frac{1}{2}$ hours.

The third step is to describe the building under the declarations section of the report. It will give all details of construction, sizes, etc. This usually takes about $\frac{1}{2}$ hour.

The next step is the computation. In this process the following logistics are considered; Ceiling Height, High Wind Areas, Building Shape, Weather Extremes, Basement Size, Congested Areas, Building Height, Resort/Remote Areas, Building Size, Retrofitting Construction, Green Construction, Seismic Construction, Hillside Location, Current Cost Factor, Shortages, and Location. The computation will develop the following limits for insurance purposes; Replacement Cost (RCV) or (RCT), Occupancy Design Fixtures (ODF), Bylaw Coverage (BC), Demolition & Debris Removal (DDR), Guaranteed Replacement Cost (GRC), Blanket Insurable Value (BIV), and the Depreciation Applicable (ACV) {Underwriting will show percentage & Claims will show amount}. This process can take up to 8 hours. The weighted average is 2 ½ hours.

The fifth step is to assemble, print, and copy to disc the report. This step usually takes about 1 hour.

Although the presentation is computerized, the process is mostly manual due to the amount of variables to consider.

FOUNDATION FAILURE - No Preload, Built on Organic Soils

With the landslide a few years ago in North Vancouver that resulted in a fatality, it sent a clear message to municipalities that they are accountable. So much so, that a preload bylaw has started coming to the forefront for residential housing. It has been there commercially for some time now. In the news more recently is the Ptarmigan landslide in Mission where two homes had to be destroyed already. Eleven more homes which have now been evacuated, and are going to be demolished. The saving grace is that no one has lost their life or been injured in this one,

In the case of Mission, we understand that these homes were built on top of land clearing debris, such as tree stumps, logs, brush, etc. with some soil on top, a very unstable fill. Just from osmosis, voids will begin to develop a few years after their construction, and continue to grow over the years. These voids are reservoirs for natural underground water drainage especially when are formed along an embankment.

But these are not the only conditions that can cause unstable circumstances, especially on the Lower Mainland where you will find lands that are flood plains and/or below sea level that have surface deposits that are sandy, silty soil with a loose clay base that is very unstable. Along with this there is organic soil that is mainly composed of organic matter in various stages of decomposition. Organic soils are common in fens and bogs. The Burns Bog for example. The profiles of these soils have an obvious absence of mineral soil particles commonly referred to as the sub strata.

These peat silt and other organic soils present an unstable base for construction. Buildings, parking lots and other improvements on such unprepared soils will settle unevenly, thereby causing structural instability and, eventually, costly site remediation or loss of the foundation. Unstable soils must be preloaded, excavated and replaced, or pilings must be installed to provide a stable base for foundation. Depending upon the depth of the unstable soils, removal of undesirable materials and replacement with structural fill, or the installation of pilings may be uneconomical

alternatives. Up until now proper staged preloading was the only viable alternative in relatively deep, unstable soils. Piering can also be considered.

In Canada, firms have developed an expertise in preloading and stabilizing fragile land unable to support the weight of commercial buildings, and reclaiming it for profitable development. Preloading is a process whereby unstable soils are consolidated and settled by loading the site in stages with structural fill sometimes yards deep and weighing thousands of tons in a predetermined manner. This compacts and consolidates the underlying soils over a period of months and possibly years. When the short term settlement has been exhausted, the preload that is, the amount of material above finished grade is removed, leaving the site with a stable foundation for construction.

Preloading is not a new technology; in fact, it has been in use for many years. In recent years, however, a niche has developed where contractors have capitalized on the need for sites (landfills) to receive excess structural fill generated as a consequence of multilevel underground developments. Through the relocation of this structural fill, and with the revenue generated by tipping fees charged, sites which were once not economically viable to develop are afforded the opportunity to proceed.

The process will typically begin with a review of the particular site's soils by a geotechnical engineer, including soil composition, depth and other characteristics that will describe its behavior and viability for its intended use.

Along with the geotechnical consultant, the contractor will develop a staged plan to fill and preload prospective sites. Next, the subject site would be cleared and instrumentation installed in preparation for monitoring the site elevation changes and any possible effects on surrounding properties or structures. Structural landfill materials would be sourced through local projects and excavation contractors, with tipping fees being negotiated. Initial fill depths would be designed to allow for broad access over the site, while inducing some of the dramatic, primary settlement. Over a period of months and even years, additional layers of structural fill will be added as fill, and ultimately a preload to prepare the location of any structures to be built.

The rate of settlement will be monitored over the ensuing months using surveyors to gather data from the instrumentation installed prior to preloading. The geotechnical consultant is responsible for determining the array of instrumentation to be installed, the frequency of data collection, and interpretation of the data. The rate of settling or lateral movement is typically greatest in the early months, and declines over time. The performance of the site as proven in the data will determine adjustments to the proposed plan of site filling and preloading. This will be done in consultation with the geotechnical engineer.

Sounds simple doesn't it, but the key to the whole process is time and we really do not mean months but years and time is money. Preload sites do fail. --- Why? ----Not enough time was allowed to lapse for the preload to settle properly. Not enough money was spent in preloading the site due to budget restraints. We are back to time and money.

Now that residential development has entered into this process, time will be an important factor because with this type of development, time is of the essence. The quicker the complex or sub division can be built, the larger the profit for the developer. Or let's put it another way, the longer it takes and the more money that is spent on it - it will put the cost of the property out of reach to most consumers.

For example pre-load in the Hatzic Lake area for the average lot is \$ 125,000. Add this to the cost of housing in the area - that home is now worth \$ 575,000 which means the average couple can not afford to purchase it.

Take this one step further with no bylaw coverage, in the event of a total loss by fire or some other peril, the average homeowner can not afford to rebuild because most brokers or underwriters for that matter would not think of this type of exposure as part of the rebuilding process. But it is with municipalities now having this type of bylaw on their books. Bylaw coverage is more important than ever.

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This newsletter is sponsored by the following reports - Replacement Cost Reproduction Building Appraisal Reports (RCR), Occupancy Design Fixtures Appraisal Reports (ODF), Damage Assessment Reports (DA), and Loss Appraisal Reports (LA) for Marshall & Swift Field Valuations. Our current fees are:

CONSULTING FEES
 Effective: March 1, 2008
 The following report fees include mobilization costs by ARRN for the Lower Mainland.
 For outside the Lower Mainland and the Fraser Valley, please contact our office at (778) 239 - 6308. To learn more about our services, our company, and our clientele please visit us on the web at our new and improved website - <http://www.integralconsultants.ca/>

MUNICIPALITY	RCR Appraisal	ODF Add	DAM Report	CO- INS Add	AUDIT Desk	AUDIT Site
Abbotsford	650	250	650	250	250	400
Agassiz	650	250	650	250	250	400
Burnaby	675	250	675	250	250	425
Chilliwack	650	250	650	250	250	400
Coquitlam	650	250	650	250	250	400
Delta	675	250	675	250	250	425
Harrison Hot Springs	650	250	650	250	250	400
Hope	750	250	750	250	250	500

Langley	650	250	650	250	250	400
Maple Ridge	650	250	650	250	250	400
Mission	650	250	650	250	250	400
New Westminister	675	250	675	250	250	425
North Vancouver	825	250	825	250	250	475
Port Coquitlam	650	250	650	250	250	400
Port Moody	650	250	650	250	250	400
Richmond	825	250	825	250	250	475
Squamish	900	250	900	250	250	650
Surrey	650	250	650	250	250	400
Vancouver	825	250	825	250	250	475
West Vancouver	750	250	750	250	250	500
Whistler	1,725	250	1,725	250	250	1,475
White Rock	675	250	675	250	250	425

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