THE *FINE PRINT* MATTERS:

WHAT DISTRICTS NEED TO LOOK FOR IN PROPERTY DAMAGE INSURANCE.

Brought to you by:

THE JUSTICE CLAIMS GROUP

JUSTICE CLAIMS
PUBLIC ADJUSTING FIRM

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& DISASTER RECOVERY SERVICES

BASIC INSURANCE POLICY STRUCTURE: DICEE

- Declarations
- Insuring agreement
- Conditions
- Exclusions
- Endorsements

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DECLARATIONS

THE WHO / WHAT / WHEN / HOW MUCH OF YOUR POLICY.

INSURING AGREEMENT

THE "WE PROMISE TO PAY IF THIS HAPPENS" PART.

CONDITIONS

THE "RULES YOU MUST FOLLOW TO GET PAID" SECTION.

EXCLUSIONS

THE "THIS IS NOT COVERED, DON'T BE SURPRISED LATER" LIST.

ENDORSEMENTS

THE “CUSTOM EDITS” THAT TWEAK YOUR COVERAGE.


THE AGREEMENT
Insurance Policy
D
COMPANY
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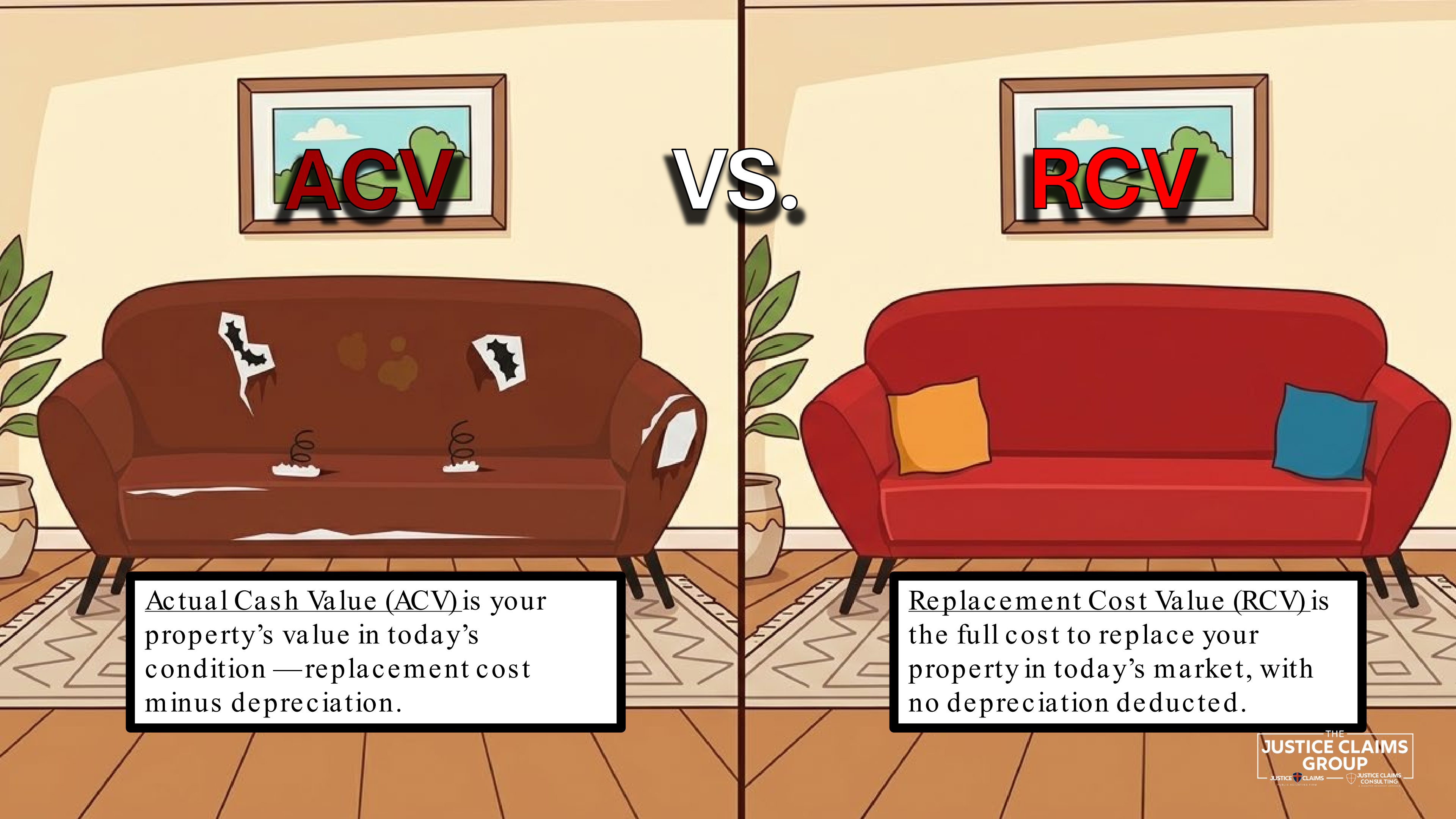
IMPORTANT CONSIDERATIONS WITHIN YOUR POLICY

ACV VS. RCV

COSMETIC EXCLUSIONS

DEDUCTIBLE STRUCTURE

SUBLIMITS


ACV
VS.
RCV
Actual Cash Value (ACV) is your property's value in today's condition —replacement cost minus depreciation.
Replacement Cost Value (RCV) is the full cost to replace your property in today's market, with no depreciation deducted.
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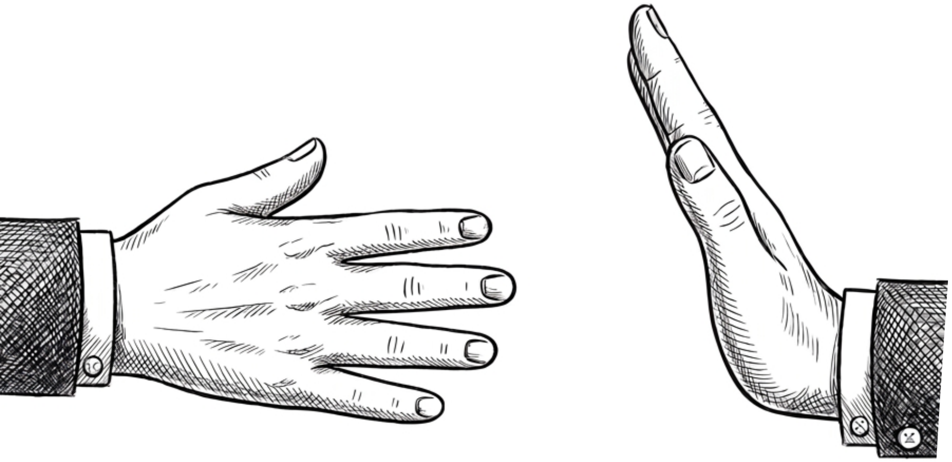

COSMETIC EXCLUSIONS

- Policy language that denies coverage for damage to property deemed aesthetic or appearance-related rather than functional.

- Example: Metal Roofs are typically not covered for marring, pitting, scratching, or denting caused by wind or hail.

It becomes functional damage once the roof has lost its "water-shedding" ability.

DEDUCTIBLE STRUCTURE

FLAT DEDUCTIBLE: A set dollar amount.

EXAMPLE: $100,000.00 per occurrence.

PERCENTAGE DEDUCTIBLE: A percentage of the insured value for that building or coverage.

EXAMPLE: 2% of a $50M campus = $1M deductible.

SUBLIMITS

- The limit WITHIN the limit for certain types of losses.

- Example: "We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss."
  …

  "Coverage for membrane roofing systems is subject to a sublimit of $100,000 or 25% of the building's insured value, whichever is less."

WHERE MOST ISSUES ARISE FOR SCHOOL DISTRICTS

THE HIDDEN ACV TRAP

AGING ROOFS PAID AT ACTUAL CASH VALUE — NOT REPLACEMENT COST WHEN POLICY LANGUAGE GOES UNREVIEWED.

LARGE PERCENTAGE-BASED DEDUCTIBLES

BIG DEDUCTIBLES CAN TURN AN INSURED LOSS INTO A MAJOR BUDGET HIT

INADEQUATE ORDINANCE OR LAW COVERAGE

OLD BUILDINGS, NEW CODES, AND UNCOVERED UPGRADE COSTS

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HOW DO THESE SCENARIOS ACTUALLY PLAY OUT?

SCENARIO 1 : THE HIDDEN ACV TRAP

A school district's high school roof was damaged in a severe hailstorm. The district assumed they were fully covered because they had plenty of coverage for the roof in the policy they renewed each year.

What no one had reviewed was a provision buried in the policy stating that roofs aged 15 years or older would be settled on an Actual Cash Value basis rather than Replacement Cost.

The insurance carrier applied depreciation to the entire roof claim. A roof that would cost $1.2M to replace was paid out at $400k after depreciation was factored in.

The district was left to fund the $800k gap out of reserves due to the coverage gap that was missed and could have been avoided.

SCENARIO 2 : LARGE PERCENTAGE-BASED DEDUCTIBLES

A spring hailstorm hits a district and damages roofs, HVAC units, and exterior finishes on several campuses.

The insurance adjuster confirms it's a covered loss, and the finance team initially feels relieved because the district carries $100M in property coverage.

The only issue is: the wind/hail deductible is 2% of the insured value, not a flat amount, so the deductible for the affected locations adds up to well over $1M.

The claim technically pays, but more than $1M is absorbed by the deductible, leaving the district to cover that amount itself. This forces delayed projects, emergency board approvals, and tough choices about which repairs get done this year and which have to wait.

SCENARIO 3 : INADEQUATE ORDINANCE OR LAW COVERAGE

An older elementary school with a 20-year-old roof suffers significant hail damage. There are clear punctures in the roofing system that allow water to come in, saturate the roof decking, and cause leaks within the facility.

The damage sustained is both covered and well within policy limits, so everyone initially feels "properly insured."

Once the design team and city get involved, new code requirements kick in: the replacement roof must now meet modern insulation R-value requirements, vapor barrier standards have changed, and the deteriorated decking must now be replaced and brought up to code before any new roofing system can be installed.

The policy has very low Ordinance or Law limits, so most of these upgrade costs sit outside the covered loss.

The district has to choose between cutting scope, delaying reopening, or finding capital through local funds to meet code—none of which were in the original budget.

IN 2020, KROLL CONDUCTED A SAMPLE OF COMMERCIAL PROPERTY APPRAISALS.

THE SAMPLE SIZE WAS 1,455 PROPERTIES.

THE RESULTS:

NEARLY 90% OF ALL BUILDINGS WERE UNDERVALUED

68% OF BUILDINGS WERE UNDERINSURED BY 25% OR MORE

19% (ALMOST 1 IN EVERY 5) WERE INSURED FOR HALF OR LESS OF THEIR ACTUAL REPLACEMENT COST

"The best time to fix the roof is when the sun is shining."

— John F. Kennedy

Video Location: Port Isabel, TX

Date: 7/23/08


HURRICANE HARVEY
Estimated Damage:
$90 - $160 BILLION
HURRICANE BERYL
Estimated Damage:
$7 – 7.2 BILLION
NOTABLE TEXAS STORMS
(within the last 20 years)
HURRICANE DOLLY
Estimated Damage:
$1.05 - $1.3 BILLION
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Estimated Damage:
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WAITING UNTIL DISASTER STRIKES IS
THE MOST EXPENSIVE WAY TO FIND
OUT YOUR COVERAGE ISN'T ENOUGH.
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STAY AHEAD OF THE STORM

ANNUAL INSURANCE POLICY REVIEW

BASELINE FACILITY INSPECTIONS

DISASTER PLAN GAP ANALYSIS

FEMA – COMPLIANT PROCUREMENT SUPPORT

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THANK YOU FOR ATTENDING

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Questions About Your Policy?

info@justiceclaims.com