



P.O. Box 440549 Kennesaw, GA. 30160



Childcare Choice

PRSR STD  
U.S. Postage  
PAID  
Permit 137  
Marietta, GA.



## Childcare News



Childcare Choice



### Our Childcare Choice Insurance Program is Designed to be Stable and Secure.

You're committed to getting the best protection for you and the children you care for. That is why our Childcare Choice insurance program has been tailored for both the children and your business. Don't just settle for insufficient coverage when you can get a comprehensive package from Thomco that's designed to meet all the needs of your business.

Thomco has a thorough knowledge of the needs of the Childcare market. We customize our programs to fit the needs of our insureds. We offer the highest level of customer service, with fast turnaround on policy underwriting and claims response.

For more information on Childcare Choice, please call us at 800.476.4940 or visit us on the web at [www.thomcoins.com](http://www.thomcoins.com).



# Childcare News



## Getting The Proper Insurance Coverage is Key!

When it gets right down to it, the purpose of property insurance is to help you rebuild after a loss. If you fail to insure your property to value and are underinsured at the time of a loss, the very insurance you paid for won't fulfill this purpose!

The world needs you to continue taking care of our future by caring for our future generations. Don't let an underinsured property loss prevent you from doing so!

## RISING CONSTRUCTION COSTS COULD MEAN YOU ARE UNDERINSURED

Taking care of children... what a wonderful opportunity and big responsibility at the same time. Your contribution to the world is significant in that you are taking care of our nations future by caring for future generations.

This must keep you very busy! More than likely, keeping up with the latest trends in other industries and contemplating what impact those trends could have on your business is not something you typically have time for. However, you need to realize that the trend of rising material costs in the construction industry over the last several years could very definitely have a negative impact on your business in the event of a property loss.

It is all about supply & demand. The last several years has seen significant increases in the cost and demand for materials such as plywood, steel, cement, copper & PVC piping. At the same time, the supply of these materials has been drastically reduced by the rebuilding of Afghanistan & Iraq, the construction boom in China, the restoration of Asia after the tsunami and the rebuilding of America's coastal areas after the 2004 & 2005 hurricane seasons.

*The First Quarterly Cost Report for 2006* published by Engineering News-Record (ENR) indicates that "Two years of relentless materials price escalation has pushed construction costs into new territory." It goes on to quote Karl Almstead, the vice president of Turner Construction who is responsible for putting together the Turner cost index as saying "We are really looking for this year to be a mirror image of last year". The report indicates that steel pricing has increased 97% since 2003, copper pricing is up 53% from a year ago, PVC pipe prices are up between 25-39% and cement pricing by year end will be 26% higher than the beginning of 2004. <sup>1</sup>

The bottom line is that it costs more to build today than it did just a year ago. You need to make sure that your insurance is keeping up with these rising construction costs so you don't find yourself in the worst-case scenario of realizing you are underinsured at the time of a loss. Consider the following two actual case studies of property losses on childcare centers that were underinsured.

**California - Case Study**  

**Worse Case Scenario**

Building insured at \$90,000 with a 100% co-insurance clause

The insured suffered a fire loss causing severe damage to the interior of the building. The damages to the building were \$56,901.56. The appraiser valued the building at \$171,611 and given there was only \$90,000 coverage the coinsurance penalty clause was determined to apply in this loss.

In this case the equation is  $\$90,000/\$171,611$  or .52444. In determining the loss we multiplied this factor (.52444) times the loss of \$56,901.56 for a net loss payment of \$29,841.45. Not having the building insured for the proper amount cost the insured \$27,060.11.

**Florida - Case Study**  

**Worse Case Scenario**

Building insured at \$127,920 with an 80% coinsurance clause

The building suffered damage from Hurricane Wilma in the amount of \$52,216.31. The value of the building was determined to be \$211,468 which multiplied by the coinsurance requirement of 80% is \$169,174.40. The co-insurance penalty clause was determined to apply in this loss since the amount of the building coverage was only \$127,920.

$\$127,920/\$169,174.40$  or 76% multiplied by the loss of \$52,216.31 for a net loss payment of \$39,684.39. If the building had been properly insured the payment would have been \$52,216.31. Therefore, not having the building properly insured cost the insured \$12,531.92. <sup>2</sup>