



VALUATION FOR INSURANCE PURPOSES (Aug 1996)

This form is sanctioned for use by Associates, Fellows and Life Members of the New Zealand Institute of Quantity Surveyors Incorporated only.

QUANTITY SURVEYOR'S NAME AND FIRM: _____

QUANTITY SURVEYOR'S SIGNATURE: _____ **DATE:** _____

VALUATION DATE: _____ **MEMBERSHIP QUALIFICATION:** _____

NOTE: THE FOLLOWING VALUATION IS SUBJECT TO THE FOLLOWING:

- (A) All figures quoted are exclusive of Goods & Services Tax. Finance costs and other indirect costs.
- (B) All figures are exclusive of any allowance for land value.
- (C) This form must be read in conjunction with the definitions of terms on the reverse hereof.
- (D) The information in this report has been prepared to establish insurance values and may not be used for other purposes without the written consent of the Valuer.
- (E) All figures for building work assume compliance with building regulations and bylaws.
- (F) No allowance has been made for any delay due to the need to comply with the Resource Management Act.
- (G) An insurance period of 12 months is assumed unless stated otherwise.
- (H) All inflationary provisions are given without prejudice.

Name of Insured: _____

Address of Asset: _____

Asset Description: _____

Upgrade Requirements: _____

Age of Original Building: _____ **Use/Occupation:** _____

Year of any Major Upgrade(s): _____

Other Known Characteristics: _____

1.0 REINSTATEMENT VALUATION

A. Reinstatement \$ _____

B. Inflationary Provision \$ _____

2.0 INDEMNIFICATION VALUATION

A. Depreciated Reinstatement Cost \$ _____

B. Inflation Provision (during the insurance period) \$ _____

3.0 FUNCTIONAL REPLACEMENT

Refer to valuation report/letter for the specification of the functional design

A. Functional Replacement Cost \$ _____

B. Inflationary Provision \$ _____

4.0 DEMOLITION ESTIMATE \$ _____

Refer to back of form and guidance notes for explanations and further conditions of valuation.

DEFINITIONS OF INSURANCE VALUATION TERMS

The following definitions pertain to and form an integral part of the Valuation on the reverse hereof.

GENERAL

Name of Insured:	Normally the Building Owner.
Address:	Physical location, including street address at which the assets are situated.
Asset Description:	General description giving sufficient detail to identify the range of assets encompassed in the valuation including details of principal structure showing main construction materials. Any exclusions should be noted e.g. carpets etc.
Upgrade Requirements:	If the reinstatement estimate is based upon the use of different materials and/or additional services from those existing briefly describe the major item(s).
Age/Year:	Estimated year of completion and dates of any major additions and upgrades.
Use/Occupation:	Nature of main activity carried out at location.
Other Known Characteristics:	Include planning, zoning or conditional use changes.
Extent of Site and Services:	The valuations relate to, and include, any asset or site improvements within 8 metres in a horizontal line of the insured asset providing they are within the site or such other areas likely to be damaged during reinstatement of the asset. The valuation assumes that all services where currently provided by others will be reinstated by others to enable the asset to be reconnected.

1.0 REINSTATEMENT

- A. Reinstatement Estimate. The estimated cost of rebuilding the property at the level of costs applying at the date of the valuation, ignoring inflationary factors which may operate subsequent thereto and by including the use of currently equivalent building materials and techniques, an orderly design construction process and such additional costs as necessary to comply with any Act of Parliament or any Regulation under or framed in pursuance or any such Act or any By-Laws of any Territorial or Local Authority.
- B. Inflationary Provision. This amount has been estimated on the basis of a loss occurring on the last day of the insurance period.

The estimated amount of inflation additional to the amount of the Reinstatement Estimate anticipated during both the insurance and the estimated reinstatement period taking into consideration the time required for damage inspections, demolition, preparation of new preliminary proposals and their approval, preparation of working drawings and specifications, schedule of quantities, obtaining Territorial Authority approvals, tenders and construction. No allowance is made for any delay due to the need to comply with the provisions of the Resource Management Act.

2.0 INDEMNIFICATION

Depreciated Reinstatement Cost Basis of Valuation is the reinstatement cost at the beginning of the insurance period, reduced by factors providing for age and physical depreciation. Which amount (expressed in terms of money) at the time of loss will restore the insured to the position existing immediately before the loss.

The estimated amount of inflation additional to the amount of the Reinstatement Estimate anticipated during the insurance period.

3.0 FUNCTIONAL REPLACEMENT

Is the estimated cost required to reinstate the asset to perform similar tasks but under optimum current design and layout conditions with capacity requirements not greater than currently available. The value of any partial loss has been disregarded in this context. A full description of the functional reinstatement must be included in a covering letter. Should this value be used, the reinstatement value must also be used.

4.0 DEMOLITION ESTIMATE

For the purpose of valuation, it is assumed that 100% of the assets have been damaged beyond repair and have no salvage value.

Unless otherwise noted in the valuation covering letter, the Demolition Estimate covers the cost of demolition and removal as debris of the asset only excluding the cost of removal of any noxious materials, or removal of debris on adjoining premises.

Guidance Notes for use in preparing an
INSURANCE VALUATION REPORT

BACKGROUND

Following the changes to the Earthquake Commission, certification is no longer required by the Insurance Council or Companies but there is a need to provide a Valuation Report. The Valuation Report to which these guidance notes refer has been developed for use by members of the New Zealand Institute of Quantity Surveyors.

The most significant changes to the former Certificate is the inclusion of Functional Replacement Information.

Other insurance valuers may include, land and/or market related valuations. Quantity Surveyors may provide this information only if appropriately qualified to do so.

00.1 GENERAL

The most important feature of the Insurance Report is that it is a Report and not a Certificate.

The purpose of the report is to provide useful information for the insured as well as the insurance industry in an easily recognisable summary format.

Only those values or estimates required should be entered on the Valuation Report Form with a notation, "not required" or "not provided" placed against the other headings, where appropriate. The intention is to provide a range of information tailored to the needs of the insurance industry.

The opportunity exists for all valuers to liaise closely with clients so that useful and quality information will allow a decision to be made as to appropriate levels of insurance cover.

There may be instances where the information provided in standard form is insufficient to meet client requirements. In such cases a more detailed report should be provided.

The valuation should clearly identify exclusions for items such as Works of Art, tenant fitouts/improvements and the like.

GENERAL INFORMATION

0.1 NAME OF INSURED

While this is noted as normally "the insured", there will be occasions where it is not the insured as in the case of a "fund manager". The name of the client is the actual client of the valuer, broker and insurer.

0.2 ASSET DESCRIPTION

The asset description should be concise but clearly provide a word picture of the asset being valued and in the case of the plant and machinery valuations any structure housing these items. It should be noted that when valuing residential property where the floor area is less than 100 square metres as in the case of smaller unit title units, the floor area should be provided in a covering letter or within the asset description, to enable appropriate coverage under the Earthquake Act.

0.3 UPGRADE REQUIREMENTS

This section to provide a list of items not included in the asset being valued but required to be included in a total loss replacement.

Major items could include, but are not limited to:

Sprinkler systems, lifts, major structural and/or machinery componentary, fire or structural upgrading.

0.4 AGE

The estimated year of completion of the original asset. Where major upgrades have occurred during the life of a building an estimated age used for indemnification purposes should be given.

0.5 USE/OCCUPATION

This should include a short description of the main site use, but where mixed use occurs, e.g. commercial/residential, this should be recorded.

Guidance Notes (Cont'd...)

0.6 OTHER KNOWN CHARACTERISTICS

These will include any items not otherwise covered within the report, which will be of assistance to the client and/or insurers and should only be detailed when information is known on the particular characteristics e.g. locational factors, surrounding property uses etc. May include change of zone, conditional uses etc.

1.0 REINSTATEMENT

1.1 REINSTATEMENT ESTIMATE

The reinstatement estimate is as at a particular date (date of report) unless stated otherwise.

1.2 INFLATIONARY PROVISION

It should be noted that no allowance is to be made for any delay due to the need to comply with the provisions of the Resource Management Act including possibly the requirement to reinstate on an alternative site.

This is to include an allowance for the insurance period and assuming the loss on the last day of that period, time to carry out all procedures to allow an orderly design and construction process.

2.0 INDEMNIFICATION

2.1 DEPRECIATED REINSTATEMENT COST

Note that this approach recognises physical depreciation only and requires the valuer to assess the value based on the age of the original building plus any major upgrades. The valuer should also assess the quality of the maintenance of the asset.

2.2 INFLATION PROVISION

This is an allowance for inflation to be added to the indemnification estimate from the date of the valuation until the expiry of the 12 month insurance period only, assuming the loss is on the last day of the insurance period and the estimate is based at day of the report.

3.0 FUNCTIONAL REPLACEMENT

3.1 This would apply to assets unlikely to be reinstated to the same extent, or to the same design or construction material as existing. This would be required when demand necessitates a smaller or different asset due to changes to technology, economics and other factors. Any functional replacement assessment must be supported by a brief specification. A brief specification only is required, but should provide a word picture of the replacement asset.

3.2 INFLATIONARY PROVISION

It should be noted that no allowance is to be made for any delay due to the need to comply with the provisions of the Resource Management Act including possibly the requirement to reinstate on an alternative site.

3.3 When this basis is used, then item 1.0 on the valuation form, REINSTATEMENT, must also be shown so the difference between the two methods is shown.

4.0 DEMOLITION ESTIMATE

4.1 DEMOLITION ESTIMATE

This normally assumes that the total asset to be demolished has been damaged beyond repair. A Demolition Estimate covers the cost of demolition and removal as debris of the asset, excluding the cost of removal of any noxious materials or removal of debris on adjoining premises. If allowance is required to be made for the salvage or removal of fixtures, fittings and contents, whether damaged or not, then this should be specified and referred to in an attached letter. This could also apply to undamaged plant, which must be removed from the property if considered necessary.

5.0 OTHER MATTERS

5.1 SITE IMPROVEMENTS

The Reinstatement Estimate Indemnification and Functional Replacement figures, where given, should relate to the assets together with other assets within 8 metres of the external walls of the main structure providing they are within the site or such other additional areas of the site likely to be damaged during reinstatement of the asset. If further assets are required to be estimated they should be clearly identified.

5.2 VALUER'S SIGNATURE, QUALIFICATION & NAME

These are as stated. If the letterhead of the New Zealand Institute of Quantity Surveyors is used, the name of the valuer's firm/organisation should also be incorporated at the bottom of the report.

5.3 VALUATION DATE

This is the date of the report. If the effective date of the valuation is different, or the valuation date is to cover a particular period other than a normal 12 months period of an insurance policy, then this information needs to be provided.

5.4 LESSEE'S IMPROVEMENTS

The valuation figures should exclude items installed and paid for by a lessee, unless requested by the client and detailed in the asset description. The asset description should also state whether the valuation report includes any plant or machinery.